

How to Help Yourself Avoid Foreclosure

A Step-By-Step Consumer Self-Help Kit



⇒ **Open mail from your mortgage company**

⇒ **Can you afford your home?**

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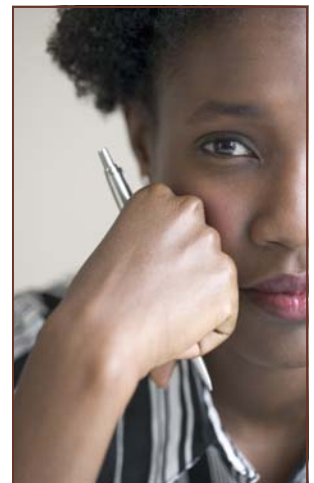
Open mail from your mortgage company

Open your mail. If you get a delinquency notice from your lender, open it and respond to it. You may not want to face it, but if you ignore the letters from your lender they may speed up the foreclosure and you could get other notices telling you that you are facing legal action. **THE LONGER YOU WAIT THE MORE YOU WILL OWE THE LENDER** and the further behind you will become! It is very important that you read the communications that you receive.



Can You Afford to Keep Your Home?

This is the most important question. If you have not thought about it...now is the time. The first thing the lender will want to know is whether you are able to afford your mortgage along with your other bills. Even if the lender is able to reduce your mortgage payments, you will want to show the lender you can afford it.



1. Total monthly net income (from all sources) \$ _____
2. Total monthly expenses \$ _____
3. Subtract line two from line one \$ _____

(This equals the amount of money left over after expenses are paid)

Where do you stand? If you have money left over after all of your bills are paid then you have a surplus. This is good! You may be able to keep your home, if that is your goal. On the other hand, if your income does not cover all of your monthly bills it means you have a deficit. Depending on the size of the deficit you may not be in a position to keep your home.

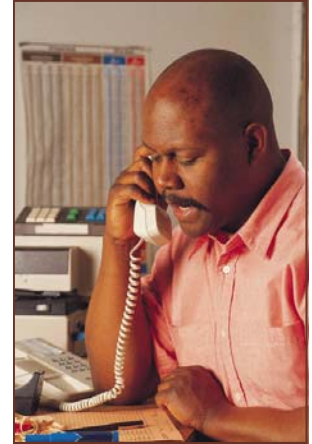
Next steps: Prioritize your debt and start saving money.

Enough Money - If you have enough money, continue to watch your budget carefully and cut back on unnecessary spending.

Not Enough Money – Consider ways to increase your income and reduce your expenses. Balancing your budget must be a priority if your goal is to keep your home.

Contact Your Mortgage Company

Making the call to your mortgage company can be frightening. But, it is important for you to call and explain why you have been unable to make your mortgage payments. You may be thinking, “I don’t have any money, or enough money.” That is okay, call them anyway. Communicating the problem is essential to achieving a resolution.



If you are not past due, you may be directed to the Customer Service Department. If you are past due, you will be directed to the collections department. They are “collectors” and their job is to collect money from you so do not expect them to be warm and fuzzy. Talking with them can be intimidating so it is important to know what to say. They will want to know why you are past due and when you will send money to bring the mortgage current. Before you call, rehearse what you will say. Keep it simple! You may say something like, “I’m behind because my husband lost his overtime pay last month, but our goal is to keep the home.” If neither department is able to assist you then insist that they forward you to the Loss Mitigation Department. (This department may also be called the Home Preservation or Loan Workout Department). The Loss Mitigation Department is responsible for reviewing your financial situation and determining which programs are most suitable for you. (You can see alternatives that may be available on the next 2 pages)

Before you call:

- Open and read all mail from your lender.
- Have your loan number available.
- Be prepared to answer questions about why you have missed (or expect to miss) mortgage payments.
- Know your monthly income and expenses. If you do not have any money saved, you may have to explain to the lender how and when you will have money to apply toward any past due payments.
- Save enough time for the call. You may be placed on hold - be patient.
- Have a pen and paper ready so you can take notes. Write down everything discussed in the phone call.

When you call:

- Write down the date and time of the call, the name of each person you talk to, and their extension number
- Get the name and the telephone number for the person you talked to in the Loss Mitigation Department. If they refuse to give you that information, ask for the department manager’s name and phone number.
- Tell the lender about your situation and your goals regarding your home.
- Answer all of their questions honestly, and be prepared to fax or mail documentation they request to them as soon as possible.
- Do not agree to or sign any workout plan you cannot afford.

Enlisting the help of a certified housing counselor from a HUD-approved Housing Counseling Agency can ease the tension. They can work with you and your lender to negotiate a suitable loss mitigation plan. To locate a HUD-approved Housing Counseling Agency in Virginia call HUD toll-free at 800-842-2610.

What Are Your Options? Keeping or Not Keeping Your Home



The following loss mitigation options may be available to you based on the type of loan you have and investor guidelines. The following descriptions will help you understand the language that your lender will use.

Keeping Your Home

Repayment Plan - If you are offered a repayment plan, you will need to make up the amount past due over a period of months by paying a full payment plus a partial payment until the past due amount is paid.

Forbearance Plan - A forbearance plan is a temporary reduction or suspension of your mortgage payments. Afterward the homeowner is placed on a repayment plan to catch up the past due mortgage payments, or a loan modification is done to bring the mortgage current.

Loan Modification - The change of the original terms of the mortgage through one or more of the following methods: an adjustment of the interest rate, addition of the delinquent interest amount to the current unpaid principal balance, and/or an extension of the term (life) of the mortgage. A loan modification fee will be charged and a cash contribution may be required to offset any loss to the investor.

Partial or Advanced Claim - This is only available for homeowners with a FHA loan or loans that have PMI (Private Mortgage Insurance). This is when money is advanced and loaned to you by FHA or the PMI company to bring your loan current. The homeowner signs a promissory note and a lien is placed against the property for the amount loaned. Repayment may be made concurrent with your mortgage payment or after you have paid off the mortgage or sold the house.

Refunding - This is only available for veterans who are homeowners with a VA loan. If a VA loan is in default for an extended period of time and all other options have been exhausted, the VA may choose to purchase the loan in an effort to assist the borrower.

The Making Home Affordable plan is part of the federal government's strategy to get the economy and the housing market back on track. Homeowners who have loans that are owned or securitized by Fannie Mae or Freddie Mac may have their mortgage considered for **The Home Affordable Refinance Program**. Many conventional loans including prime, subprime, and adjustable rate loans are eligible for **The Home Affordable Modification Program** to reduce monthly mortgage payments to a level that borrowers can afford today and in the future. To find out if you are eligible contact the loss mitigation department at your mortgage company.

To determine if your loan is owned or securitized by Fannie Mae or Freddie Mac, call or go online to:

Fannie Mae
1-800-7FANNIE
www.fanniemae.com/homeaffordable

Freddie Mac
1-800-FREDDIE
www.freddiemac.com/avoidforeclosure

Chapter 13 Bankruptcy - If you are unable to take advantages of the options listed above and still wish to keep your home, speak with a reputable bankruptcy attorney. They can explain the benefits and disadvantages of Chapter 13 bankruptcy.

Not Keeping Your Home

Making the decision to give up your home is never easy; however, sometimes, it is necessary. So, it is best to know how to “exit gracefully” and put yourself in a better position to become a homeowner in the future. The following summarizes the ways to avoid foreclosure but not keep the home. It is important to work with your mortgage company during this process.

Sell the property - This is the best option if you cannot afford the mortgage payment and if the house is worth more than the amount owed. Call a reputable real estate agent who can help guide you through the process of selling your home.

Assumption - If allowed by your loan documents and if you find someone willing to purchase your home and they are qualified to take over your mortgage, they may assume your mortgage. The new borrower must meet the lender’s criteria.

Short Sale - If the market value of your home is less than the total amount owed, a short sale allows the homeowner to sell for less than the amount owed. In return, the lender will accept this as payment in full. The mortgage company will determine the selling price and you are given a minimum 90 days to sell your home.

Deed-in-Lieu of Foreclosure - If you are unable to sell your home, you may use a deed-in-lieu of foreclosure to transfer the property back to the mortgage company. There may be tax consequences so be sure and speak with your tax advisor before you do this.

Next steps:

Review the options above and think carefully about your situation. Is your financial crisis short-term or long-term? Consider which program may be most appropriate for you. Be prepared to share your reason with your mortgage company.

What Happens Next if You Do Not Contact Your Lender

If you are past due with your mortgage, here are some important dates to know:

- *1-16 days after your mortgage payment due date - you will begin getting calls from the lender's collections dept.*
- *60-90+ days - you will receive a notice of default*
- *120+ days - you may be referred to a substitute trustee*
- *14 days prior to the foreclosure sale date - you will be given notice of the foreclosure day.*
- *If you do not leave the property after the foreclosure sale date, you will receive a formal eviction process notice followed by a sheriff's eviction.*

The Virginia Foreclosure Process

The foreclosure process in Virginia is handled by someone called a substitute trustee. It can take anywhere from 30 to 40 days from the time the lender transfers the file to the substitute trustee. Virginia has a non-judicial foreclosure process, meaning court action is not required. Below is a simple example of the process:

1. You will receive a notice of default or notice of intent from your mortgage company informing you of their intent to initiate foreclosure action if you do not bring the mortgage current within 30 days or to make arrangements within 30 days through the loss mitigation department.
2. If you are unable to bring the mortgage current within 30 days or make arrangements through loss mitigation within 30 days, you will then receive an introductory letter from the substitute trustee (usually an attorney) advising you that they have been retained to handle the foreclosure sale of your property. In this letter they will tell you that you have 30 days to dispute the validity of this debt. However, disputing the validity of the debt will not stop or delay foreclosure action.
3. Around fourteen days prior to the foreclosure sale date, you will be informed in writing of the foreclosure sale date of your property and that it will be advertised in your local paper.
4. The sale will take place on the courthouse steps.

If you remain in the property after the foreclosure sale date the lender may choose to evict you in order to gain possession of the property. You will be served an unlawful detainer by your local sheriff's office. This is a summons to court so the judge can legally give the mortgage company possession of the property.

YOU SHOULD TALK TO THE LENDER BEFORE THEY BEGIN THIS PROCESS.

DO NOT GIVE UP EVEN IF YOU RECEIVE A NOTICE OF FORECLOSURE.

Beware of Scams

Don't Pay for a Promise Like...

"We can stop your foreclosure!"

"97% success rate!"

"Guaranteed to save your home!"



The possibility of losing your home to foreclosure can be terrifying. There are scam artists preying on the vulnerability of desperate homeowners. Many so-called foreclosure “rescue” companies claim they can help you save your home, but in reality they do not. For hundreds or thousands of dollars they will tell you what you want to hear and make promises they cannot keep. Unfortunately, these companies take money you could be using to pay your lender, and may wipe out any equity you may have in your home.

Your mortgage company or any HUD-Approved Housing Counseling Agency can help you find real options to avoid foreclosure, at no cost. If someone offers to negotiate with your mortgage company and offers to arrange to stop or delay foreclosure for a fee----just say “no”.

Loan modification companies are similar to “foreclosure rescue” scam companies and are now being marketed aggressively to homeowners who might be experiencing a hardship. These companies often look legitimate and some send mail that looks like it came from the government or your mortgage company. Anyone guaranteeing results or charging upfront fees to “save your home” should be suspect.

BEWARE of any business that:

- Guarantees to help you keep your home—no matter what your circumstances
- Offers to make your loan more affordable and help you avoid foreclosure
- Instructs you not to contact your lender, lawyer, or your housing counselor
- Collects a fee before providing you with any services
- Accepts payment only by cashier's check or wire transfer
- Tells you to make your payments to them instead of your lender
- Tells you to transfer your property deed or title
- Offers to fill out paperwork for you
- Pressures you to sign paperwork you do not understand



Where to Go For Help in Virginia

Free Housing Counseling

Certified Housing Counselors can advise you on your options, help you come up with a plan, and help you contact your mortgage company. To locate a HUD-approved Housing Counseling Agency in Virginia call their toll-free number at 800 842-2610 or www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm

Legal Assistance

To find your local legal aid office contact 866-534-5243 or www.valegalaid.org

VA Lawyer Referral: 800-552-7977

Emergency Housing and Other Assistance

Virginia 211: Dial 211 or www.211Virginia.org

or contact your local Department of Social Services or the United Way office

Financial Assistance

Homeless Intervention Program

To find a provider in your area, contact Department of Housing and Community Development: 804-371-7000 or www.dhcd.virginia.gov/homelessnesstohomeownership

Reporting Scams

Call The Bureau of Financial Institutions 800-552-7945
or your local Better Business Bureau office.



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