

# Homes

## *Foreclosure*

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Fannie Mae: 3900 Wisconsin Ave., NW, Washington, DC 20016  
(800) 732-6643 or [www.fanniemae.com](http://www.fanniemae.com)

Freddie Mac: (800) 373-3343  
[www.freddiemac.com](http://www.freddiemac.com)

**People must attempt resolution with their regular lender before contacting either of these agencies. If they have not, ask them to contact their lender's loss mitigation department.**

Most homeowner loans are through either Fannie Mae or Freddie Mac. Both offer programs for people in default. Some programs include: rate reductions, term extensions or partially reduced payments for up to 18 months.

## *Mortgages Information and Applications*

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[www.irwinmortgage.com](http://www.irwinmortgage.com) (Mortgage information and calculator)

[www.hsh.com](http://www.hsh.com)

[www.countrywide.com](http://www.countrywide.com) (Online Mortgage Application)

Mortgage Banker's Association of America (Mortgages & Refinancing)  
1919 Pennsylvania Avenue  
Washington, DC 20006-3438  
(202) 557-2700  
[www.mbaa.org](http://www.mbaa.org)

## *Real Estate Relocation*

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[www.homefair.com](http://www.homefair.com)

## *Home Charity Assistance*

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Partners in Charity  
613 West Main Street West Dundee, IL 60118  
(800) 705-8350  
[www.partnersincharity.org](http://www.partnersincharity.org)

Habitat for Humanity International  
“...eliminate poverty housing and homelessness from the world...”  
121 Habitat Street Americus, GA 31709-3498  
(800) HABITAT (800 422-4828)  
[www.habitat.org](http://www.habitat.org)

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## *Refinance*

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In the event it seems that a refinance could assist the client (need a lower mortgage payment, current mortgage interest is high, etc) refer them to their original lender or to another local bank. **HOWEVER**

We do not recommend people use the equity in their homes to pay unsecured debt. The reasons for this are:

- You are turning unsecured debt into secured debt.  
If someone does not pay their credit cards the worst case scenario is the creditor receives a judgment against them and their paycheck is garnished. If you refinance to pay the credit cards and fall behind in payments, you lose your home.
- Many banks do NOT require consumers to close credit cards after they are paid through an equity loan.  
This leads to the client incurring even more debt than they started with and now the struggle to pay the mortgage and their cards is even more difficult (something we see everyday).

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## *Suggestions for Default Homeowners*

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If the homeowner has received letter of default:

- a) Tell the homeowner to talk with the Mortgage Company. Tell them to **not** ignore the letters of default.
- b) Suggest the homeowner talk to the “Loss Mitigation Department” when they call their mortgage company.
- c) Tell the homeowner to request a “Workout Packet” which is used to obtain financial information required by the Mortgage Company. This is used to assist in determining what options the homeowner may qualify for.
- d) Assist them in establishing a budget, which will help to determine the options best suited for the client’s situation. This will also aid in assigning priorities regarding saving their home.
- e) Ensure the homeowner understands the importance of residing within the home during these procedures. Relocating at this time could constitute a state of abandonment and only serve to expedite the foreclosure process, possibly disqualifying them from possible assistance.
- f) If the homeowner has either made a partial payment or pre-foreclosure has occurred, they must ensure that all funds are retained and applied towards the plan. Even if the Mortgage Company has returned funds to the homeowner this is applicable. This is to maintain the time line established by the plan. The homeowner should be instructed **not** to make partial payments.
- g) All homeowners who qualify for any of the Default Housing Options listed on the next page must strictly adhere to the terms of the agreement, as they will not be given another opportunity to do so.

FYI: After you complete the budget you will be able to help the client select their best option from the next page.. Remember the Mortgage Company makes the decision to accept or decline all options. Time is of the essence throughout this process.

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## *Default housing Options*

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*REINSTATEMENT*- This is a lump sum amount to bring current. Sometimes a homeowner can cash in investments, borrow from family, or gather enough money by not paying other creditors, until the mortgage is current.

*REPAYMENT PLAN* – The mortgage company may agree to a repayment plan. This is calculated by taking the arrearage and dividing it by the amount of disposable income. This sum must be added to the current payment. To be paid in accordance with plan.

*SPECIAL FORBEARANCE* - The lender may allow the homeowner to reduce or stop payments for a short period of time. This is often combined with a reinstatement. This needs a specific date to bring current

*MORTGAGE MODIFICATION* - The homeowner may be able to refinance or extend the term by reducing the monthly payment. The Mortgage Company must agree and will send the terms of agreement to the homeowner. These terms must be adhered to.

*PARTIAL CLAIM* - If the mortgage is FHA or VA insured, the homeowner might qualify for a one-time payment to bring the mortgage current. The mortgage must be at least 4 months delinquent and the client's budget must show that they can afford to keep the home if they were current.

*PRE-FORECLOSURE SALE* -The homeowner may try to sell the home before the foreclosure to be able to recoup any equity and save their credit. They must be at least 2 months delinquent and be able to sell the home in 3 to 5 months. The home will need a new appraisal to be sure it meets HUD guidelines. The homeowner must list with a multi-listing agent.

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## *Default housing Options*

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*DEED-IN-LIEU OF FORECLOSURE* - As a last resort the homeowner can give back the deed, this is less damaging to their credit and they may qualify for a relocation amount set by the Mortgage Company not to exceed \$2000. This option is to be used if the homeowner does not qualify for any other options and could not sell the home.

*ONE MORE THING* - As a last resort, if all else fails and the homeowner **has** the means to make a re-payment plan: Once they have exhausted all other options with the Mortgage Company, the homeowner may file for a Chapter Thirteen Bankruptcy, stopping foreclosure proceedings for a period of time. The homeowner will have to undergo pre-bankruptcy counseling from an approved CCA. This is not considered a HUD option.

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## *Reverse Mortgages*

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- Available to homeowners aged 62 or older.
- Allow homeowners to pull equity out without selling or giving up title.
- The loan does not have to be repaid until the homeowner moves, sells or dies. Once the loan is paid the remainder of the equity goes to the homeowner or his estate.
- Borrowers can take the loan as a line of credit, a lump-sum payment, fixed monthly payments or a combination of these. And because the money received is in the form of a loan, it's not considered taxable income, which means it won't affect Social Security or Medicare benefits.
- With a reverse mortgage, the amount of money you can borrow depends on your age, the current interest rate and other loan fees. It also takes into account the appraised value of your house and the mortgage limits for your area set by the Federal Housing Administration.
- To get an estimate of how much you might get in a reverse mortgage, check out AARP's "Reverse Mortgage Calculator" at <http://www.rmaarp.com/> . For more information, go to AARP's Web page on this topic at <http://www.aarp.org/revmort> , or call 1-800-209-8085 to order a free copy of "Home Made Money: A Consumer's Guide to Reverse Mortgages."
- You can get a booklet created by the National Reverse Mortgage Lenders Association. It's called "Just the FAQs: Answers to Common Questions About Reverse Mortgages." It's free and covers all the basics and more about reverse mortgages. Call 1-866-264-4466 (toll-free). Or order it online at <http://www.reversemortgage.org/>
- Borrowers have to get counseling from HUD-approved counselors prior to obtaining a loan. For information about a HUD-approved counseling agency, call 1-800-569-4287.

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## How to Avoid Foreclosure

U.S. Department of Housing and Urban Development

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The guidance below (and in the "How to Avoid Foreclosure" pamphlet) is applicable to homeowners with FHA Insured loans. While a good deal of this information may apply to all homeowners in danger of losing their homes, not all of the foreclosure avoidance tools mentioned may be available to you if you have a VA or conventional loan. Additionally, HUD/FHA does not have any Loss Mitigation oversight over VA or conventional loans. Please contact your lender or a housing counseling agency.

### **Q: What Happens When I Miss My Mortgage Payments?**

Foreclosure may occur. This is the legal means that your lender can use to repossess (take over) your home. When this happens, you must move out of your house. If your property is worth less than the total amount you owe on your mortgage loan, a deficiency judgment could be pursued. If that happens, you not only lose your home, you also would owe HUD an additional amount.

Both foreclosures and deficiency judgments could seriously affect your ability to qualify for credit in the future. So you should avoid foreclosure if possible.

### **Q: What Should I Do?**

1. **DO NOT IGNORE THE LETTERS FROM YOUR LENDER.** If you are having problems making your payments, call or write to your lender's Loss Mitigation Department without delay. Explain your situation. Be prepared to provide them with financial information, such as your monthly income and expenses. Without this information, they may not be able to help.
2. Stay in your home for now. You may not qualify for assistance if you abandon your property.
3. Contact a HUD-approved [housing counseling agency](#). Call **(800) 569-4287** or **TDD (800) 877-8339** for the housing counseling agency nearest you. These agencies are valuable resources. They frequently have information on services and programs offered by Government agencies as well as private and community organizations that could help you. The housing counseling agency may also offer credit counseling. These services are usually free of charge.

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## Q: What Are My Alternatives?

You may be considered for the following:

**Special Forbearance.** Your lender may be able to arrange a repayment plan based on your financial situation and may even provide for a temporary reduction or suspension of your payments. You may qualify for this if you have recently experienced a reduction in income or an increase in living expenses. You must furnish information to your lender to show that you would be able to meet the requirements of the new payment plan.

**Mortgage Modification.** You may be able to refinance the debt and/or extend the term of your mortgage loan. This may help you catch up by reducing the monthly payments to a more affordable level. You may qualify if you have recovered from a financial problem and can afford the new payment amount.

**Partial Claim.** Your lender may be able to work with you to obtain a one-time payment from the FHA-Insurance fund to bring your mortgage current.

You may qualify if:

1. your loan is at least 4 months delinquent but no more than 12 months delinquent;
2. you are able to begin making full mortgage payments.

When your lender files a Partial Claim, the U.S. Department of Housing and Urban Development will pay your lender the amount necessary to bring your mortgage current. You must execute a Promissory Note, and a Lien will be placed on your property until the Promissory Note is paid in full.

The Promissory Note is interest-free and is due when you pay off the first mortgage or when you sell the property.

**Pre-foreclosure sale.** This will allow you to avoid foreclosure by selling your property for an amount less than the amount necessary to pay off your mortgage loan.

You may qualify if:

1. the loan is at least 2 months delinquent;
2. you are able to sell your house within 3 to 5 months; and
3. a new appraisal (that your lender will obtain) shows that the value of your home meets HUD program guidelines.

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**Deed-in-lieu of foreclosure.** As a last resort, you may be able to voluntarily "give back" your property to the lender. This won't save your house, but it is not as damaging to your credit rating as a foreclosure.

You can qualify if:

1. you are in default and don't qualify for any of the other options;
2. your attempts at selling the house before foreclosure were unsuccessful; and
3. you don't have another FHA mortgage in default.

## **Q: How Do I Know if I Qualify for Any of These Alternatives?**

Your lender will determine if you qualify for any of the alternatives. A housing counseling agency can also help you determine which, if any, of these options may meet your needs and also assist you in interacting with your lender. Call (800) 569-4287 or TDD (800) 877-8339.

## **Q: Should I Be Aware of Anything Else?**

Yes. Beware of scams! Solutions that sound too simple or too good to be true usually are. If you're selling your home without professional guidance, beware of buyers who try to rush you through the process. Unfortunately, there are people who may try to take advantage of your financial difficulty. Be especially alert to the following:

**Equity skimming.** In this type of scam, a "buyer" approaches you, offering to get you out of financial trouble by promising to pay off your mortgage or give you a sum of money when the property is sold. The "buyer" may suggest that you move out quickly and deed the property to him or her. The "buyer" then collects rent for a time, does not make any mortgage payments, and allows the lender to foreclose. Remember, signing over your deed to someone else does not necessarily relieve you of your obligation on your loan.

**Phony counseling agencies.** Some groups calling themselves "counseling agencies" may approach you and offer to perform certain services for a fee. These could well be services you could do for yourself for free, such as negotiating a new payment plan with your lender, or pursuing a pre-foreclosure sale. If you have any doubt about paying for such services, call a HUD-approved [housing counseling agency](#) at (800) 569-4287 or TDD (800) 877-8339. Do this before you pay anyone or sign anything.

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## **Q: Are There Any Precautions I Can Take?**

Here are several precautions that should help you avoid being "taken" by a scam artist:

1. Don't sign any papers you don't fully understand.
2. Make sure you get all "promises" in writing.
3. Beware of any contract of sale of loan assumption where you are not formally released from liability for your mortgage debt.
4. Check with a lawyer or your mortgage company before entering into any deal involving your home.
5. If you're selling the house yourself to avoid foreclosure, check to see if there are any complaints against the prospective buyer. You can contact your state's Attorney General, the State Real Estate Commission, or the local District Attorney's Consumer Fraud Unit for this type of information.

## **Q: What Are the Main Points I Should Remember?**

1. Don't lose your home and damage your credit history.
2. Call or write your mortgage lender immediately and be honest about your financial situation.
3. Stay in your home to make sure you qualify for assistance.
4. Arrange an appointment with a [HUD-approved housing counselor](#) to explore your options at **(800) 569-4287** or **TDD (800) 877-8339**.
5. Cooperate with the counselor or lender trying to help you.
6. Explore every alternative to keep your home.
7. Beware of scams.
8. Do not sign anything you don't understand. And remember that signing over the deed to someone else does not necessarily relieve you of your loan obligation.

Act now. Delaying can't help. If you do nothing, **YOU WILL LOSE YOUR HOME** and your good credit rating.

## Mortgage Advice

If a client needs advice on mortgage issues, the following are a few ideas that they may find helpful.

1. Private Mortgage Insurance Deletion - If a client knows that their home has increased in value and they currently carry PMI (Private Mortgage Insurance) on their loan, they may be able to save hundreds of dollars simply by having an appraisal ordered. Many mortgage loans carry PMI because a customer cannot afford a 20 percent down payment towards the purchase of their home. A PMI policy is then added to the loan to protect the lender by paying the costs of foreclosure on a house if the borrower stops paying the loan. Although PMI protects the lender, it is paid monthly by the borrower.

Once the value of the home has exceeded a 20% LTV (loan to value) ratio, the borrower has the option of having the PMI removed from their monthly mortgage payment. The value of the home must be verified by an official appraisal, usually ordered by their bank. Once it has been proven that the home's value has increased by 20% or more of the LTV, the lender will remove PMI from the loan thus, reducing the amount of the monthly payment.

2. Pay off the Mortgage Faster – By making mortgage payments on a biweekly schedule, borrowers will save thousands and pay off their mortgage years sooner. By making payments every two weeks, there will be 13 payments made in a year. An extra payment a year makes a big difference. For example, someone who borrows \$100,000 at 6 percent interest for 30 years would pay approximately \$600 per month in principal and interest. Let's say that taxes and insurance bring the mortgage payment to \$1000 per month. By making an extra \$1000 payment every year, a borrower would pay off the mortgage in 22 years, 2 months, knocking almost 8 years off the loan and saving about \$34,000 in interest.

There are several ways to make an extra payment each year. You could save up your money and make an extra payment each December (or any month you choose), telling the mortgage lender that the extra payment should go toward the principal balance. Or you could divide your monthly payment by 12 and send that amount, plus your regular payment, every month, making sure the extra goes toward principal. Some lenders also recommend that you make your monthly mortgage payment plus an extra 10% each month toward principal.

3. Consider Renting Out a Room - If there is more space than needed in the home, renting out a room to a college student, family member, or friend can bring in extra income. The extra money from the rent can be applied toward the principal of the loan or socked away into a savings account for a rainy day.