

HOW TO AVOID FORECLOSURE

A CONSUMER GUIDE



Open mail from your mortgage company

Can you afford your home?

Contact your mortgage company

Keeping or not keeping your home

What happens if you do not contact your lender and work out a plan?

Watch out for scams

Where to go for help



Housing Opportunities Made Equal of Virginia, Inc. (HOME) is pleased to provide you with this *How to Avoid Foreclosure* kit. This simple guide is designed to help you evaluate your financial situation, determine if your home is affordable, offer direction on how to work with your mortgage company and present options that may help you avoid foreclosure of your home. We hope this guide will also raise your awareness of “foreclosure rescue” and loan modification scams, and demonstrate how not to become a victim of these practices.



Housing Opportunities Made Equal of Virginia, Inc.

626 East Broad Street, Suite 400
Richmond, VA 23219

www.HOMEofVA.org
804.354.0641

preventforeclosure@HOMEofVA.org

HOME
Housing Opportunities Made Equal

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.

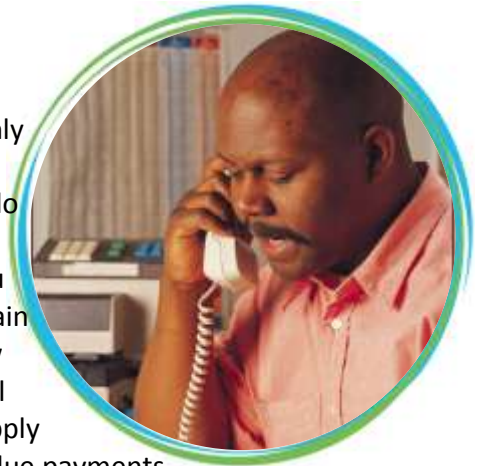
If you **are not** past due, you may be directed to the Customer Service Department. If you **are** past due, you will be directed to the collections department. They are "collectors" and their job is to collect money from you, so do not expect them to be warm and fuzzy. Talking with them can be intimidating 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, 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 two 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 (like HOME) can ease the tension. They can work with you and your lender to negotiate a suitable loss mitigation plan. Call HOME at 804.354.0641 or to locate another 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 - Loan modification is 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
- 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 options summarize 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 of 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:

- *One to 16 days after your mortgage payment due date: You will begin getting calls from the lender's collections dept.*
- *60 to 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.*

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.

THE VIRGINIA FORECLOSURE PROCESS

The foreclosure process in Virginia is handled by someone called a substitute trustee. The process time 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 fail to make arrangements to cure the delinquency within 30 days through the loss mitigation department.
2. If you are unable to bring the mortgage current within 30 days or make arrangement 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 14 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.



6 THINGS YOU SHOULD KNOW ABOUT SCAMS

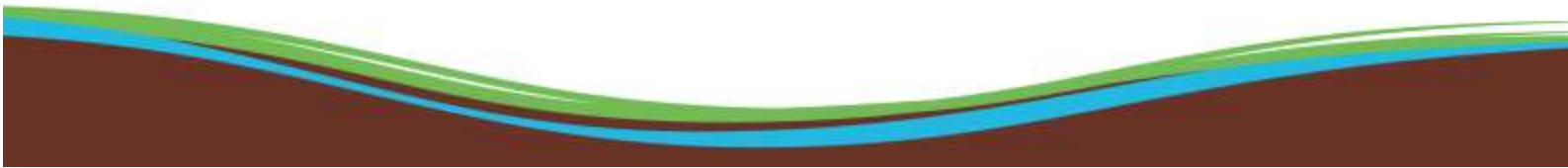
Scams are not always easy to spot – but it helps if you know the warning signs to look for. Here are six red flags to indicate that you may be dealing with a loan modification scammer:

1. **A company or person asks for a fee in advance to work with your lender to modify, refinance or reinstate your mortgage.** They may pocket your money and do little or nothing to help you save your home from foreclosure.
2. **A company or person guarantees they can stop a foreclosure or get your loan modified.** Nobody can make this guarantee to stop foreclosure or modify your loan. Legitimate, trustworthy HUD-approved counseling agencies will only promise they will try their very best to help you.
3. **A company or person advises you to stop paying your mortgage company and pay them instead.** Despite what a scammer will tell you, you should never send a mortgage payment to anyone other than your mortgage lender. The minute you have trouble making your monthly payment, contact your mortgage lender.
4. **A company pressures you to sign over the deed to your home or sign any paperwork that you haven't had a chance to read, and you don't fully understand.** A legitimate housing counselor would never pressure you to sign a document before you had a chance to read and understand it.
5. **A company claims to offer "government-approved" or "official government" loan modifications.** They may be scam artists posing as legitimate organizations approved by, or affiliated with, the government. Contact your mortgage lender first. Your lender can tell you whether you qualify for any government programs to prevent foreclosure. And, remember, you do not have to pay to benefit from government-backed loan modification programs.
6. **A company/person you don't know asks you to release personal financial information online or over the phone.** You should only give this type of information to companies that you know and trust, like your mortgage lender or a HUD-approved counseling agency.

Do you think you may be a victim of a loan modification scam or think the company you are working with is not legitimate?

Call HOME at 804.354.0641

or complete the complaint form (on the next page) and send it to us.



Loan Modification Scam Prevention Network



www.PreventLoanScams.org



1 Before you fill out this form:



- 1) Did anyone offer to help modify your mortgage, either directly, through advertising, or by other means such as a flyer? YES NO
- 2) Were you guaranteed a loan modification or asked to do any of the following:
 pay a fee, sign a contract, redirect mortgage payments, sign over title to your property, or stop making loan payments? (check all that apply)

If the answer to both questions is no, you do not need to submit this form.

NOTE: This form is designed to provide a way to submit a complaint regarding companies or individuals that may be fraudulently or illegally claiming they can help you obtain a loan modification or avoid foreclosure. With the homeowner's permission, the complaint will be forwarded to law enforcement agencies for their review and any action they deem appropriate. While you may receive a follow-up call or information from legal volunteers for the Network, it does not provide direct legal representation to complainants.

2 Information about Person Who Offered Help

If you paid money check here: Total paid \$ _____

If any of the money was paid before services were provided, check here:

If you were *guaranteed* a loan modification, check here:

What services did the company or individual offer?
(check all that apply)

- | | |
|--|---|
| <input type="checkbox"/> Loan Modification assistance/consulting | <input type="checkbox"/> Foreclosure relief/consulting |
| <input type="checkbox"/> Legal Representation | <input type="checkbox"/> Bankruptcy |
| <input type="checkbox"/> Reverse Mortgage | <input type="checkbox"/> Refinancing |
| | <input type="checkbox"/> Offer to purchase homeowner's property |

If you signed a contract, did the person perform the services agreed to in the contract? YES NO

When was your last contact with the person? _____

3 Contact Information for Person Who Offered Help

Company/Individual Name: _____

Main Contact (if different than company/individual): _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____

Email: _____

Website: _____

4 Homeowner Information

First Name*: _____ * Required

Last Name*: _____

Email: _____

Phone*: _____

Address of Property: _____

City: _____ State*: _____ Zip*: _____

Senior? If Yes, please circle the appropriate age range: 51-65 66 or older

Homeowner race/ethnicity (not required):

- | | | |
|---|---|--|
| <input type="checkbox"/> American Indian or Alaska Native | <input type="checkbox"/> Hispanic/Latino | <input type="checkbox"/> White/Caucasian |
| <input type="checkbox"/> Asian | <input type="checkbox"/> Native Hawaiian/Other Pacific Islander | <input type="checkbox"/> Other |
| <input type="checkbox"/> Black/African-American | | <input type="checkbox"/> Prefer not to say |

Loan Modification Scam Prevention Network

5 Other Relevant Information

Please use this space to include any other relevant information. For example, how you were contacted or how you paid.

6 Contact Information—for this form to be processed, you must fill out (a), (b), or (c) below.

(a) I am the homeowner and my contact information is listed in section 4 on the previous page—check here:

(b) I completed this form on behalf of a family member or friend. My contact information is:

First Name*: _____

Last Name*: _____

Email: _____

Phone: _____

(c) I am a counselor, lawyer, or volunteer, and I filled out this form on behalf of a homeowner.

My company/organization's contact information is:

Group/Organization Name*: _____

Email: _____

City*: _____ State*: _____ Zip*: _____

Phone: _____

7 TO SUBMIT THIS COMPLAINT YOU MUST READ AND RESPOND TO BOTH:

ARE YOU willing to be contacted by the Loan Modification Scam Prevention Network, including the Lawyers' Committee for Civil Rights Under Law and their legal volunteers, for a follow up interview concerning information provided in this form about the potential mortgage rescue scam?

(Please note: Selecting yes does not guarantee that homeowner will be contacted for follow-up.)

YES NO

ARE YOU willing to have this information shared with state and federal agencies and our coalition partners involved in the enforcement of laws banning mortgage rescue scams?

(Please note: If homeowner agrees to such sharing, the information in this complaint form will be entered into the Federal Trade Commission's Consumer Sentinel Network, a secure online database that is used by thousands of civil and criminal law enforcement authorities worldwide. The FTC does not resolve individual consumer complaints but this information can be valuable to law enforcement in efforts to stop mortgage rescue scams.)

YES NO

To Return Completed Form:

Mail to:

Loan Modification Scam Prevention Network—Intake
Lawyers' Committee for Civil Rights Under Law
1401 New York Ave NW, Suite 400
Washington, DC 20005

Scan and email to: info@preventloanscams.org

Fax to: 202-783-0857 (ATTN: LMSPN Intake)

Fill out this form online at:

<http://intake.preventloanscams.org>

WHERE TO GO FOR HELP

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.

Call Housing Opportunities Made Equal (HOME) at 804.354.0641

To locate another HUD-approved housing counseling agency in Virginia, contact HUD at 800.842.2610 or visit www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm

Legal Assistance

Contact Legal Aid at www.valegalaid.org.
VA Lawyer Referral: 800.552.7977

Emergency Housing and Other Assistance

Contact Virginia 211: Dial 211 or www.211Virginia.org.
or call your local Department of Social Services

Financial Assistance

Homeless Intervention Program Contact
Department of Housing and Community
Development at 804.371.7000 or
[ww.dhcd.virginia.gov/
homelessnessstohomeownership](http://ww.dhcd.virginia.gov/homelessnessstohomeownership)

CRIME INFORMATION

ID THEFT

It is important to keep your credit protected and safe. A good credit history will allow you to get lower interest rates, save money, and help create financial security. When your identity or credit has been stolen your credit history and purchasing power will suffer. Be careful when you give out your social security number, and get a copy of your credit report annually to check for inaccuracies or fraudulent charges.

AnnualCreditReport.com is the ONLY authorized source for the free annual credit report that's yours by law. The Fair Credit Reporting Act guarantees you access to your credit report for free from each of the three nationwide credit reporting companies — Experian, Equifax and TransUnion — every 12 months. The Federal Trade Commission has received complaints from consumers who thought they were ordering their free annual credit report, and yet couldn't get it without paying fees or buying other services. TV ads, email offers or online search results may tout "free" credit reports, but there is only one authorized source for a truly free credit report.

NEIGHBORHOOD WATCH

Neighborhood Watch is one of the most effective and least costly ways to prevent crime and reduce fear. It forges bonds among the residents and improves relations between police and the community. Neighborhood Watch can help reduce burglaries, robberies and quality of life issues in your area.



SAVE YOUR AMERICAN DREAM!

This kit could save your home or the home of someone you know!

SAVE THIS BOOKLET WITH YOUR PHONE BOOK TO USE FOR REFERENCE WHEN NEEDED.



Housing Opportunities Made Equal of Virginia, Inc.
626 East Broad Street, Suite 400
Richmond, VA 23219

www.HOMEofVA.org
804.354.0641
Fax: 804.354.0690
VA Relay 711
fairhousing@HOMEofVA.org

HOME
Housing Opportunities Made Equal

