



How To Avoid Foreclosure

A Consumer Guide

This 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.



Housing Opportunities Made Equal of Virginia, Inc.

Housing Opportunities Made Equal of Virginia (HOME) is pleased to provide you with this *How to Avoid Foreclosure Consumer Guide*. If at any point you need help with your situation, please contact HOME to speak with our housing counselors at **804-354-0641** or online at **HOMEofVA.org/preventforeclosure**. HOME is a certified housing counseling agency, and our services are free of charge.

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.

Total monthly net income (from all sources) \$_____

Total monthly expenses \$_____

Subtract line two from line one \$_____

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.

If You Have Enough Money

Continue to watch your budget carefully, and cut back on unnecessary spending.

If You Do Not Have 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 send them 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?

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.

Retention Options: 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 or you may be required to pay the amount in arrears.

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
- Or a combination of the above

An upfront 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.

VA 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.

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 bankruptcy.

Liquidation Options: 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 again 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.

Short Sale or Pre-Foreclosure Sale

If the market value of your home is less than the total amount owed, a short sale allows the homeowner to sell the property 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.

Assumption

If allowed by your mortgage lender and if you find someone willing to purchase your home who is qualified to take over your mortgage, your mortgage may be assumed. The new borrower must meet the lender’s criteria.

Deed-in-Lieu of Foreclosure

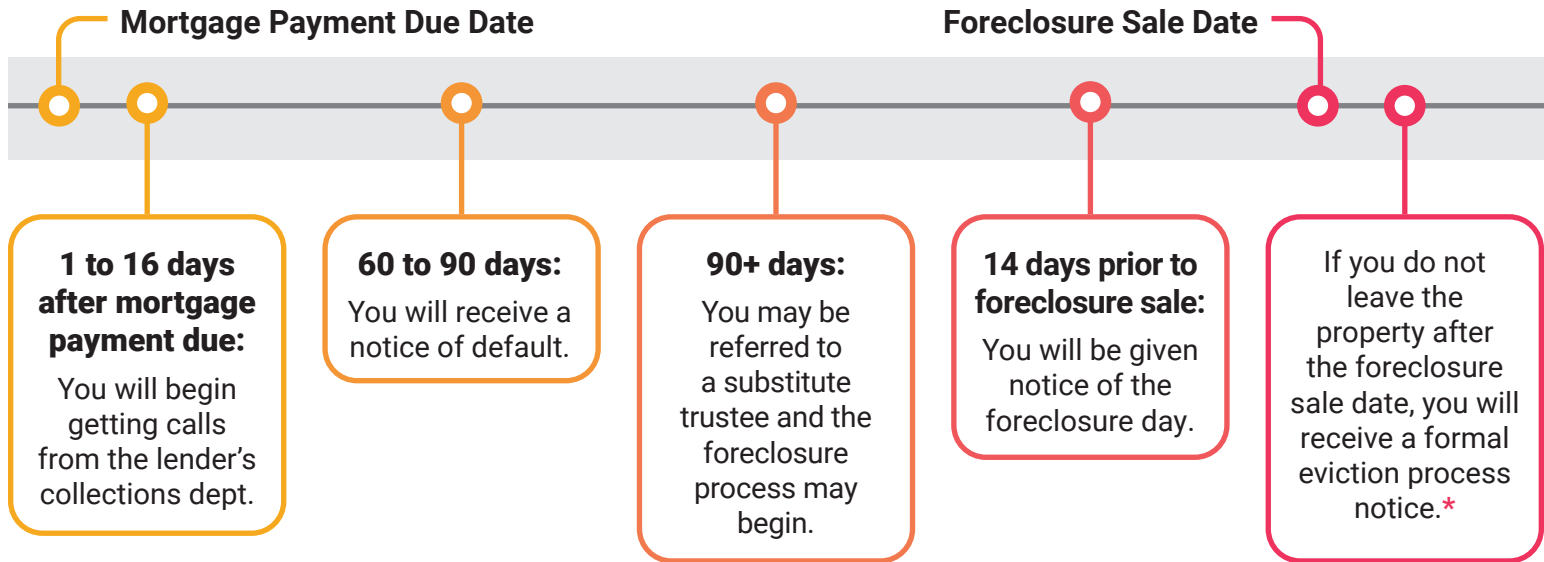
If you are unable to sell your home, you may use a deed-in-lieu of foreclosure to transfer the property back to the mortgage company. This alternative is generally only granted as a last resort usually if the homeowner is unable to sell the property. There may be tax consequences so be sure and speak 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

If You Do Not Contact Your Lender

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



* 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. The following 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 guarantees they can stop a foreclosure or get your loan modified. Nobody can make this guarantee to stop foreclosure or modify your loan. The only promise made by legitimate, trustworthy HUD-approved counseling agencies is that they will try their very best to help you.

4

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 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.

5

A company claims to offer “government-approved” or “official government” loan modifications. They may be scam artists posing as legitimate organizations that are 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. You do not have to pay to benefit from government-backed loan modification programs.

3

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.

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.

If you come across a loan scam, report it. You can report scams to the attorney general’s office, or to the Better Business Bureau.

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.

Housing Opportunities Made Equal (HOME)
804-354-0641 • HOMEofVA.org/contact

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

VA Legal Aid: www.valegalaid.org

VA Lawyer Referral: 800-552-7977

Emergency Housing

Virginia 211: Dial 211 • www.211Virginia.org

Financial Assistance

CAPUP (Capital Area Partnership Uplifting People): 804-788-0050

Community Access and Supportive Services:
804-451-4633

Richmond City Department of Social Services:
Dial 311

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.

Free Annual Credit Report

AnnualCreditReport.com is an 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.

Neighborhood Watch

Neighborhood Watch is an effective and low cost way 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.



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