

KEYS TO PRESERVING HOMEOWNERSHIP

Source: Chase Homeownership Preservation Office

Purpose and Goals

- Understand the foreclosure process
- Definitions
- Foreclosure Timeline
- Know what to do if your mortgage is delinquent or if you are facing foreclosure
- Options available to you
- Avoid foreclosure rescue scams

Definitions

Foreclosure - A common term used to describe the procedure followed in enforcing a lender's rights when a mortgage secured by a lien on the home is in default; however, the correct term for a "Foreclosure" involving a deed of trust is a trustee sale proceeding.

Notice of Default (NOD) - A formal written notice to a borrower that a default (typically three missed or delinquent payments) has occurred and that legal action (foreclosure) may be taken.

Definitions

Notice of Trustee's Sale (NTS) - A written document that sets forth the day, date and time of the trustee's sale. It describes the property to be sold and gives an estimate on the unpaid debt.

Trustee - A legal term for the holder of the property on behalf of the lender. The trustee handles the trustee sale of a property.

Definitions

Trustee's Sale Proceeding

(foreclosure) - The non-judicial procedure followed by the trustee in enforcing a creditor's (lender's) rights when a debt secured on real property is in default.

Real Estate Owned Property (REO)

- A property that is not sold at a trustee's sale and is now legally owned by the lender.

Definitions

Loss Mitigation – working with a customer to find a permanent solution to resolve the delinquency

Loan Servicer – Supervises and administers a loan after it has been made. This involves such things as collecting the payments, keeping accounting records, computing interest and principal, etc.

You are not alone

- Unexpected life changing event
- Job loss
- Financial obligations
- Lack of understanding
 - Homeownership responsibilities
 - Loan product

Self-Awareness

- Admit there is a problem
- Define the scope of the problem
- Be realistic about your ability and willingness to resolve the problem
- Find a workable solution
- Know when it makes sense to cut your loss and start anew

Homeowner's Responsibility

- Contact your lender as soon as possible
- Respond to communications from your lender
- Provide full and complete disclosure of your circumstances
- Contact a HUD-approved counselor
 - www.shra.org
 - Foreclosure Information

Foreclosure Timeline

Step 1. After being instructed by the lender (beneficiary) that the borrower (trustor) is in default, the trustee prepares a Notice of Default (NOD) and files a copy with the recorder's office in the county where the property is located.

The borrower typically has three calendar months in which to resolve the default.

Foreclosure Timeline

Step 2. If the borrower does not resolve the default within three months after the NOD is recorded, the trustee records a Notice of Trustee's Sale and schedules a Trustee's Sale to be held at least 21 days later.

Foreclosure Timeline

Step 3. On the day of the sale, the trustee will either sell the property to the highest bidder or the lender will take legal ownership of the property and thus it becomes a Real Estate Owned (REO) property.

The first bid, made by the lender, is normally equal to the unpaid principal or remainder of the loan plus accrued interest, advances for taxes and prior encumbrances, insurance and foreclosure costs. If the sale is made to a successful bidder, the trustee collects the funds and delivers a trustee's deed and title to the property to the purchaser.

Options For Keeping Your Home

- **Special Forebearance Plan**
 - A signed agreement
 - Allows the reduction or suspension of a homeowner's monthly payment for a specific period of time
 - Will lead to another type of workout

Options For Keeping Your Home

- Repayment Plan
 - Regular monthly payments plus additional amounts as agreed
 - Payments are made until the loan is current

Options For Keeping Your Home

Loan Modification

- Involves changing one or more terms of the original mortgage agreement, usually:
 - Delinquent payments and other secured amounts
 - Interest rate changes and/or
 - Length/term of the mortgage changes
- May result in a lower payment amount

Options For Not Keeping Your Home

Pre-Foreclosure or Short Sale

- Sale of the property at fair market value
- Lender agrees to accept the proceeds of the sale even though it is less than the full payoff amount in order to avoid foreclosure

Options For Not Keeping Your Home

Deed-in-Lieu of Foreclosure

- The lender must agree that the homeowner can voluntarily sign the deed over to the lender to avoid the foreclosure process
- The homeowner is required to vacate the property at the time the documents are signed or other negotiated date

Take Action...

Ask Questions

- What options are available to me?
 - Not all options are available with all investors
- Will I still owe money to the lender?
- How will this be reported to the credit bureaus and/or the IRS?
- Will a judgment be issued against me?
- Can I stay in my home?

Take Action...

Get Involved

- Call your lender
- Work with a HUD-approved counselor
- Ask what options may be available
- Work together to find a realistic, permanent solution

Beware of Foreclosure Rescue Scams

Common Types of Scams

- Phantom Help – the “rescuer” charges high fees for the work the homeowner could do themselves or charges for strong representation that never materializes
- Bail-out – includes various schemes where homeowners surrender their title to the house thinking they will be able to remain as renters and buy the house back

Beware of Foreclosure Rescue Scams

Common types of scams

- Bait and Switch – homeowners think they are signing documents for a new loan to make the mortgage current, but sign away the home and are left holding the mortgage on a home they no longer own
- Equity Stripping – a buyer purchases the home for the amount of the arrears and flips the home for a quick profit

Protect Yourself From Scams

- Don't panic
- Talk to your lender
- Find out the rules in your state – how much time do you have
- Never sign a contract under pressure
- Never sign away ownership of your property
- Don't make payments to anyone other than your lender

Protect Yourself From Scams

- Beware of a home-sale contract where you aren't formally released from your mortgage
- Don't sign anything with blank lines or spaces
- If you don't speak English, use your own translator
- Beware of those offering to pay your arrearage and take the house off your hands (equity stripping)

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