

Arizona Foreclosure Information Workbook



**A tool to educate homeowners
about the foreclosure process**

*Presented by the
Arizona Foreclosure Prevention Task Force
To the citizens of Arizona*

**Adapted from the Foreclosure Prevention Workbook
Created by the Pima County Foreclosure Prevention Coalition**

Acknowledgement

The Arizona Foreclosure Prevention Task Force expresses deep gratitude to the Pima County Foreclosure Prevention Coalition for allowing us to adapt the Pima County Foreclosure Prevention Workbook for use statewide in Arizona. This information will allow Arizona residents experiencing mortgage difficulties to become better prepared when working with their lenders, servicers and HUD approved non-profit housing counseling agencies.

Disclaimer

Unless otherwise specifically stated, the information contained herein is made available to the public by the Arizona Foreclosure Prevention Task Force for use as an example of the kinds of documents and advice one may receive in the process of negotiating with a mortgage company, HUD approved non-profit housing counseling agency or any other party involved in the delinquency or foreclosure of one's home. The intent of the workbook is to assist individuals in resolving or preventing their foreclosure crisis.

Neither the Arizona Foreclosure Prevention Task Force nor any other agency or entities involved in the development of this workbook, assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, product or process disclosed in these examples. Due diligence has been made to site all sources used in the making of this workbook.

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This workbook is not intended to provide you with legal advice. Please contact the State Bar of Arizona at 1-866-48-AZBAR or your local Bar Association's Lawyer Referral Service to find an attorney who can provide you with legal counsel.

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**OFFICE OF THE ATTORNEY GENERAL
STATE OF ARIZONA**

Dear Arizona Homeowner,

The Arizona Foreclosure Prevention Task Force is pleased to provide you with this workbook as a valuable tool for homeowners facing financial distress. You have taken an important step in recognizing the difficult choices affecting your future. This workbook was written to give you, your family valuable information, and a resource for dealing with a potential foreclosure.

It is our hope that this workbook will help you understand your options, give you the confidence to seek assistance at the first sign of financial trouble, provide guidance in finding a reputable housing counseling agency and help you to be better prepared when working with your lender. I hope it also raises your awareness about foreclosure “rescue” scams, and how not to become a victim.

The workbook is designed for you to complete on your own, or with the assistance of a counselor. It offers clear direction on the information you will need to gather to help you receive efficient service from your mortgage lender. Other tools include a communications log; sample letters to aid you in stating your case; a glossary of mortgage loan terms; and how to access online and community resources. It will help you decide if you can afford to keep your home or if you should take other steps to protect your financial interests.

The foreclosure crisis continues to have a devastating effect on families, neighborhoods and communities throughout Arizona. Thousands have lost their homes or face severe hardships in trying to retain them. I congratulate you for seeking assistance and for tackling this challenging and complex dilemma. It is my hope that this workbook helps you understand the process and your options. I believe you will find it invaluable in making informed decisions about your home and your future.

Sincerely,

A handwritten signature in black ink that reads "Terry Goddard".

Terry Goddard
Attorney General

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What are the warning signs of foreclosure?

(Adapted from Freddie Mac)

Warning signs due to life change:

Unexpected life changes are often a contributing factor to foreclosure – especially those that affect your finances, such as:

- Loss of employment or reduction of hours
- Major illness or injury
- Divorce or separation
- Death of a spouse



What makes it so difficult to think about foreclosure during times of crisis is that you are so focused on the problem at hand and not likely to have the time or energy to think about how it could impact other aspects of your life. That is why a plan that was developed before any problem starts is the best protection.

If you have a "Plan B" in place, you won't have to organize your finances while you are stressed about finding a job or dealing with a major illness. The plan will already be done – you will need to just follow it.

Financial Warning Signs:

There may not be a major life change to signal potential trouble – you simply may be having a difficult time properly managing your finances. Don't be fooled into thinking your credit card problems won't affect your mortgage. It is important to realize that financial difficulties in one area can, and often do, spill over to other areas. These difficulties are all warning signs of financial problems that can lead to foreclosure on your home if you do not act quickly. They include:

- Mortgage payment changes (changes in interest rate, property taxes, homeowner insurance, and/or other mortgage loan changes, etc.)
- Maxing out credit cards
- Using credit to pay for day-to-day expenses, such as groceries, utilities, etc.
- Being unable to pay your bills on time
- Paying only the minimum amount on credit cards
- Applying for new credit cards after maxing out on existing ones
- Having to choose which bills and/or living expenses to pay first

Talk to a HUD Approved Non-profit Housing Counseling Agency Counselor immediately if you see these signs. You may be able to get your finances back on track before foreclosure becomes a reality.

Call the Arizona Foreclosure Prevention helpline at 1-877-448-1211 to be connected with a HUD Approved Non-profit Housing Counseling Agency Counselor near where you live.

THIS SERVICE IS *FREE!*

For more resources, see the Section: Finding a Participating Counseling Agency

Important Terminology

Throughout this workbook, you will see words that you may have heard many times before but may not be certain about their definitions. Below are a few definitions that are important to know as you go through this workbook. A more detailed glossary is in the Tools for Homeowner section.

HUD Approved Non-profit Housing Counseling Agency – HUD provides housing counseling services directly or through private or public organizations with special competence and knowledge in counseling low and moderate-income families. These Agencies must have been in the community for at least one year, and employ staff trained in housing counseling. Approval by HUD of these agencies only means that the agency has met the qualification and conditions prescribed by HUD.

HUD Approved Non-profit Housing Counseling Agency Counselor – HUD approves Housing Counseling Agencies and not individual Counselors. HUD requires Housing Counseling Agencies to employ Counselors with at least 6 months experience. HUD makes available scholarships to nonprofits and local government housing counseling agencies and encourages the agencies to have their counselors obtain education and additional skills for their housing counseling programs.

Lender – The entity that gave you the mortgage loan. It may not be the same entity to whom you send your payments.

Servicer – The entity to whom you send your monthly payments. The lender has contracted with the servicer to handle your loan after closing. The servicer is your contact for any issues you have with your mortgage loan. Also called loan servicer or mortgage servicer.

Servicing - The administration of the loan by the servicer from the time you obtain your mortgage loan until it is paid off. Administration of a loan includes the collection and application of payments, payment of insurance and real estate taxes, maintaining records of payments and balances and working with the borrower to resolve delinquencies.

Investor – The entity that owns the loan. Oftentimes, the lender will sell your loan to another entity after closing. Most likely, the investor is generally not the same as the servicer or the lender. The servicer must follow the investor's guidelines for servicing the loan.

Delinquency – A loan payment that is overdue but within the period allowed before actual default is declared.

Default – The failure of the borrower to make the loan payments as agreed in the promissory note or workout plan.

Foreclosure - The legal process by which an owner's right to a property is terminated, usually due to default. The mortgage lender sells at auction the property that secures a loan on which a borrower has defaulted. Typically, ownership of the property will be transferred to the financial institution. The institution will market and list for sale the property to recover the monies owed to them.

Customer 'Workout' – Process where a servicer and a borrower develop a mutual agreement to resolve a loan default and avoid foreclosure.

Auction – An auction is a process of buying and selling goods or services by offering them up for bid, taking bids, and then selling the item to the winning bidder. There are several variations on the basic auction form, including time limits, minimum or maximum limits on bid prices, and special rules for determining the winning bidder(s) and sale price(s).

TOPIC 1

Understanding Mortgage Delinquency

- Are You “Behind the Eight Ball?”
- Delinquency Cycle of a Mortgage Loan
- Role of the HUD Approved Non-profit Housing Counseling Agency
- Finding a HUD Approved Non-profit Housing Counseling Agency Counselor
- Early Steps to Prevent Foreclosure



ARE YOU “BEHIND THE EIGHT BALL”?

Today’s economic environment is very stressful. Many Arizonans are dealing with multiple personal challenges, including:

- Loss of employment
- Changes in mortgage payment
- Unpaid bills
- Caring for an elderly parent
- Reduction in income
- Divorce
- Sudden disability
- Other life-changing events

These events can affect a borrower’s ability to make their mortgage payment on time and as agreed. When this happens, foreclosure may result.

If you are facing mortgage challenges and are at risk of default, it is important to:

- **Understand** the Delinquency Cycle of a mortgage and when foreclosure can occur;
- **Contact** your servicer as soon as possible to discuss your situation and
- **Contact Arizona Foreclosure Prevention Hotline 1-877-448-1211**
- **Seek** the advice of a HUD Approved Non-profit Housing Counseling Agency Counselor (see appendix for contact information.)

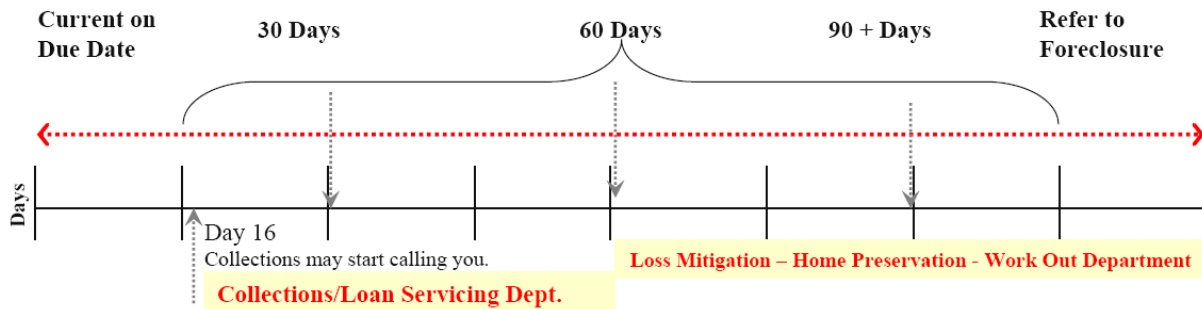
The sooner you begin working with your servicer and/or a housing counselor, the more likely the servicer will be able to find solutions to help you stay in your home.

Do not wait until you have missed a payment!

Delinquency Cycle of a Mortgage Loan



Diagram of Delinquency Process from Late to Auction Date – 180 days



This time line is for a typical scenario for a bank loan.
Arizona law does not mandate the lender wait 90 days to file a Notice of Trustee's Sale.
If a private investor wishes to foreclose, he can do so on the 1st day of the delinquency.

What happens if I do not make my payment on the due date?

The loan servicer expects to receive your payment by the due date. If the servicer has not received your payment by that date, it is delinquent. Most loans have a **Grace Period**, which is the length of time between the due date and the date when late fees begin.
The promissory note contains the due date.

What happens after that?

The **Collections Department** may start contacting you between the 16th and the 30th of the month if the payment is still due.

What is the Collections Department?

- The Collections department is a division of loan servicer that is responsible for obtaining and applying payments due on mortgage loan.
- The Collections Department will contact you to collect past due payments.

CALL YOUR MORTGAGE COMPANY/SERVICER IF YOU KNOW YOU'LL BE LATE AND ALWAYS RETURN THEIR CALLS!!

If the Collections Department has not been able to collect or make acceptable payment arrangements with you, your account may be referred to the LOSS MITIGATION DEPARTMENT/ Home Preservation/ Or Work Out Department.

What is Loss Mitigation?

- This is a division of the loan servicer that will work with you to establish an acceptable plan to get you back on track with your mortgage payments.
- You will begin to receive letters from your lender/servicer requesting that you call them. **ALWAYS OPEN ANY LETTERS FROM YOUR LENDER/SERVICER. ALWAYS ANSWER and RETURN THEIR CALLS!** This is the period where you may have other options available to you.
- The Servicer / Lender will make many attempts to contact you.

What if I am More than 30 Days Late?

Although you are late from 1st day after the due date, the **COLLECTIONS**, sometimes referred to as the **LOAN SERVICING Department**, of your mortgage company will start calling you between the 16th and the 30th of the month.

What is the Collections or Loan Servicing Department?

- Collections is a loan servicing division of the mortgage company that accepts and applies your payment each month, tracks any late fees, monitors and when included in your payment, will pay the taxes and insurance when due. They will contact you when payments are missed.
- The “collections” or “loan servicing” department will start calling you to collect the past due payment.

What happens after I am 60 days late?

On the 61st day, the loan payment is 2 months past due, and if the Collections department has not been able to collect or make acceptable payment arrangements with you, your account will be turned over to the **LOSS MITIGATION DEPARTMENT also know as HOME PRESERVATION or WORKOUT DEPARTMENT**.

Note: Servicers / Lenders may send someone out to physically inspect the property, to verify that the borrower has not abandoned the property (sometimes between 45-60 days). This is a normal process do not be alarmed.

What is Loss Mitigation?

- This is a division of the mortgage company that will work with you on an acceptable plan to get you back on track with your mortgage payments.
- You will begin to receive letters requesting that you call them. This is the period where you will have more options available to you.
- They will make many attempts to contact you during this period.

What happens after I am 90 days late?

On the 91st day (**in AZ**), a third party TRUSTEE takes over your delinquent account. The Trustee will send a “Notice of Trustee Sale” stating that the property will be sold 90 days from the date the Notice was filed and recorded. There will be a notice published in the newspaper once a week for four weeks.

What is the process?

- The Servicer/Lender will not send any more letters. It is now totally up to you to contact them directly as soon as possible, or through a HUD Approved Non-profit Housing Counseling Agency.
- Unless you act quickly, your house will be sold at auction on the date specified.

NOTE: The total number of days of delinquency (90, 120, 180) depends on your mortgage servicer.

The trustee sends a “Notice of Trustee’s Sale,” setting a sale date no sooner than 91 days after the notice of trustee’s sale is recorded. The trustee must send by certified mail a copy of this notice within five days after recording. No further notice is required. However, in addition to mailing the Notice of Trustee’s Sale, the trustee must post the home with the Notice of Trustee’s Sale and post it at the superior court at least 20 days prior to sale (this could be right after the Notice of Trustee’s Sale is filed). The trustee must also publish the Notice of Trustee’s Sale in a newspaper for 4 consecutive weeks with the last date of publication not less than ten days prior to sale.

Should you receive the Notice of Default/Auction Letter, contact your servicer immediately to determine if you qualify for solutions to prevent foreclosure. Additionally, HUD Approved Non-profit Housing Counseling Agency Counselors can assist you with free foreclosure prevention counseling.

**BEWARE OF COMPANIES THAT CHARGE FEES TO HELP YOU PREVENT FORECLOSURE
SEVERAL OF THESE COMPANIES ARE UNDER INVESTIGATION AS SCAMS**

ROLE OF THE HOUSING COUNSELOR



If you are facing mortgage delinquency, a HUD Approved Non-profit Housing Counseling Agency Counselor can work with you to find a solution that best fits your situation. They will require very specific information from you as the homeowner. The more information provided to the housing counselor, the easier it will be to assess your expectations and situation.

The HUD approved non-profit housing counseling agency counselor will help you assess your financial situation, determine the options available to you and help you negotiate with your servicer. The HUD Approved Non-profit Housing Counseling Agency Counselor is familiar with the various workout arrangements that lenders/servicers will consider and will know what course of action makes the most sense for you and your family, based on your circumstances. In addition, the counselor can call the servicer with you or on your behalf to discuss a workout plan.

You can protect yourself from future credit problems when you meet with a HUD Approved housing counseling agency **before** your mortgage payment fall too far behind!

The HUD Approved Non-profit Housing Counseling Agency Counselor will help you establish a monthly budget plan to ensure you can meet all of your monthly expenses, including your mortgage payment. Your personal financial plan will clearly show how much money you have available to make the mortgage payment. This analysis will help you and the servicer determine whether a reduced or delayed payment schedule will benefit you. In addition, a HUD Approved Non-profit Housing Counseling Agency Counselor will have information on services, resources and programs available in your local area that may provide you with additional financial, legal, medical or other assistance that you may need.

The services of a HUD Approved Non-profit Housing Counseling Agency Counselor are provided at no cost to the homeowner. Do not pay any upfront fees, and if the counselor asks for payment, contact HUD at 800-569-4287 to see if you will be working with a reputable counselor. (See the *Beware of Scams* section in this workbook for additional information).

The housing counselor will need to speak with your servicer to obtain information about your loan; i.e., loan balances arrearages (if any) and current payment amounts. Before the servicer may speak with the housing counselor about your loan, they must receive written permission from you. You will be asked to sign an *Authorization to Release Information* form. Without this authorization, the Mortgage Company or Servicer will not share any information with the housing counseling organization.

Release of Authorization Letter

- Sample -

Advising Mortgage Lender or Servicer that a HUD Certified Nonprofit Housing Counseling Agency will be representing you. The HUD Certified Nonprofit Housing Counseling Agency Counselor will provide their format of this form. This sample is provided to you for information purposes only.

Sign only after you have verified the counselor is legitimate.

Date

Servicer Name
Servicer Street Address
Servicer City, State, Zip

Re: Loan Number

Dear Loss Mitigation Manager:

We the undersigned, hereby authorize _____ (HUD Approved Non-profit Housing Counseling Agency) to act on our behalf in all manners relating to our mortgage loan in the original amount of \$_____ for the property located at _____ (include the complete street address, city, state and zip code), including signing of all documents relating to this matter.

Any and all acts carried out by _____ (HUD Approved Non-profit Housing Counseling Agency) on our behalf shall have the same affect as acts of our own.

This authorization is valid until further written notice.

Sincerely,

(Borrower's name)

Borrowers' Contact Phone numbers

FINDING A PARTICIPATING COUNSELING AGENCY

The organizations listed below can provide you with individual counseling on foreclosure prevention. For the most current list of housing counselors, go to www.hud.gov or the Arizona Foreclosure Prevention Hotline 1-877-448-1211 or visit www.azhousing.gov

State Wide	Consumer Credit Management: Money Management International	1-866-515-2227
Avondale	Neighborhood Housing Services of Maricopa County	623-932-9077
Bisbee	South Eastern Arizona Government Organizations (SEAGO)	520-432-5301
Eloy	Community Action Human Resources Agency	520-466-1112 or 1-877-472-2472
Flagstaff	Bothands, Inc.	928-214-7456
Gilbert	Genesis Housing SVC	480-306-5161
Glendale	Arizona Latino Commission	623-772-5899
Glendale	Community Services of Arizona Inc	623-435-2255
Kingman	Western Arizona Council of Governments (WACOG)	928-753-6247
Mesa	Housing our Communities	480-649-1335
Mesa	Springboard	1-800-947-3752
Nogales	Chicanos Por La Causa	520-281-9570
Nogales	Nogales Community Development Corporation	520-397-9219
Phoenix	Affordable Housing Centers of America (Formerly ACORN)	602-253-1111
Phoenix	Chicanos Por La Causa	602-253-0838
Phoenix	Community Housing Resources of Arizona (CHRA)	602-631-9780
Phoenix	Greater Phoenix Urban League	602-254-5611
Phoenix	Help4 Kidz	623-772-1234
Phoenix	Labor's Community Service Agency	602-263-5741
Phoenix	Neighborhood Assistance Corporation of America (NACA)	1-888-297-5568
Phoenix	Neighborhood Housing Services of Phoenix (NHS)	602-258-1659
Phoenix	Take Charge America	623-266-6382
Somerton	Campesinos Sin Fronteras	928-627-6677 or 928-627-1060
Somerton	Housing America Corporation	928-627-4221
Tempe	Greenpath, Inc	480-333-9992 or 1-800-550-1961
Tempe	Newtown CDC	480-517-1589
Tucson	Administration of Resources and Choices	520-327-8250
Tucson	Catholic Community Services of So. Arizona, Inc.	520-624-0551
Tucson	Chicanos Por La Causa	520-882-0018
Tucson	Family Housing Resources	520-318-0993 or 1-800-622-7462
Tucson	New Life Community Resource Center	520-889-8225
Tucson	Old Pueblo Community Foundation	520-546-0122
Tucson	The Primavera Foundation, Inc.	520-882-5383
Tucson	Tucson Urban League	520-791-9522
Yuma	Western Arizona Council of Governments (WACOG)	928-782-1886
Winslow	Northern Arizona Council of Governments (NACOG)	928-289-6496

Topic 2

Understanding Your Financial Situation



Preparing for your Conversation with the Servicer and HUD Approved Non-profit Agency Housing Counselor

- **Think about Your Situation**
- **How to Write A Hardship Letter**
- **What is Your Income? Show me the Money**
- **Where is Your Money Going?**
- **What are Your Assets?**
- **Can You Afford to Keep Your Home?**

THINK ABOUT YOUR SITUATION

When you talk to your loan servicer or a housing counselor be prepared to tell them about your situation. Use this worksheet to summarize your circumstances. Please be as accurate and detailed as possible.

When did you miss your first payment (date)?
Why did you miss this and any other payments?

How have you tried to fix your financial situation?
Do you expect your situation to change soon?
Do you have any other resources to help you?

Once you complete this exercise, you will be ready to write a **Hardship Letter**. Servicers will typically require that you submit a Hardship Letter when requesting assistance.

How to write a Hardship Letter:

(Adapted from NeighborWorks)

A financial hardship results from an involuntary reduction in income or an unavoidable increase in expenses.



Common Involuntary Reductions of Income:

- Unemployment
- Mandatory reduced hours or hourly wage
- Under employment after loss of previous job
- Death of a borrower
- Decline in business earnings if self employed
- Permanent or short term disability
- Serious illness of a household member
- Divorce

Unavoidable Increases in Expenses

- Major medical expenses
- Disaster
- Urgent property repairs
- Increase in child care expenses
- Mortgage loan and payment changes

A hardship letter is a brief and to the point overview of the homeowner's situation. It is ideally only four paragraphs and no more than two pages.

The letter must include:

- Homeowner's name(s), address and phone number(s)
- Loan number(s)

The first paragraph should include:

Other relevant details about the loan or the property, such as the number of months delinquent, property value, etc.

The second paragraph should include:

- A matter of fact description of what caused the default -
- Avoid blaming others for what occurred

The third paragraph should provide an overview of the homeowner's financial situation:

- Actions the homeowner has taken to reduce expenses and increase income
- Financial counseling or other steps the homeowners have taken to resolve the situation
- The amount of money the homeowner has saved to pay towards the delinquency

The fourth paragraph should briefly outline the desire to prevent foreclosure.

- Reasons why the homeowners believe they will be successful
- Demonstration of their commitment to see it through to its end

The last paragraph should indicate the preferred times and methods for contacting the homeowner (and their HUD approved housing counseling agency, if applicable).

Documents to attach:

- Financial statement
- Income and expense verifications
- Documents that support or verify the hardship
- Verification for anticipated changes to income and expenses
- Other documents requested by servicer or counselor



To help you get started on your own hardship letter, please see the Hardship Letter Sample.

Hardship Letter

- Sample -

Date

Lender's Name

Lender's Address

Lender City, State Zip

Re: Your Loan Number

Dear Loss Mitigation Manager:

Our names are/My name is _____ and I've/we've been paying the mortgage on our home at [Address] for ___ years now. I'm/We're writing to you to explain why I/we have unfortunately fallen behind on our monthly payments and are in need of your help.

Explain your Hardship (include dates and specific incidents that caused you to get behind, also, if applicable; explain how it has been resolved).

Example:

My income has been reduced (or loss) due to unemployment, underemployment, reduced job hours, reduced pay or a decline in self-employed business earning. Or My household financial circumstances have changed. There has been a death in the family, serious or chronic illness, permanent or short-term disability, increases in family responsibility, and provide the details.

My expenses have increased and We/I have sat down with my/our family and taken a very hard look at our financial situation. Examples to explain may include- Monthly mortgage payment has increased or will increase, high medical and health-care costs, unexpectedly high utility bills, and increase in property taxes. Or my cash reserves are insufficient to maintain the payment on my mortgage loan and cover basic living expenses at the same time – provide details.

We all have agreed to make the following sacrifices in order to make certain that we can pay our mortgage on time. I have met with HUD Approved Non-profit Housing Counseling Agency Counselor and have saved \$3,000 to pay towards my late payments. Explain what steps you have taken to correct your Financial Position (cut back on spending, canceled some things... cable, eliminated activities, met with Credit Counseling services).

My family and I are truly grateful for the opportunity that you've given us to own our home and have every intention of keeping it for a long while, as well as making timely mortgage payments to you for it.

Thank you again for your time. We truly hope that you will consider working with us. We are anxious to get this settled so we can move on.

Sincerely,

(Ask everyone in your family to sign the letter.)

Address, City, State, Zip Code

Include your phone number; alternate phone numbers

WHAT IS YOUR INCOME?

Your lender/servicer and HUD Approved Non-profit Housing Counseling Agency Counselor will need to know **all** your current household income. Before you speak with them, complete the following worksheet. **MONTHLY HOUSEHOLD INCOME:**

Sources of Income	Exp Date if applicable	Homeowner A	Homeowner B	TOTAL A & B
1 st Job Income – Take Home Amount		\$	\$	\$
2 nd Job Income – Take Home Amount				
Social Security /SSI/SSDI				
Child or Spousal Support				
Unemployment Compensation				
Workers Disability Compensation				
Veterans Benefits				
Retirement Benefits				
Monies from Boarders or Roommates				
Child care assistance				
Housing assistance				
Rental income from other homes owned				
Other				
Other				
Total for Homeowner		\$	\$	
Total Household Income (A + B)				\$

It is important that these amounts be accurate and exact.

Include income for *all* those living in the home. If the amount changes from month to month, look at your year-to-date amount and determine an average.

NOTE: Be sure to let your servicer know if you expect a change in income in the near future.

WHERE IS YOUR MONEY GOING?

BUDGET WORKSHEET

Your loan servicer and/ or HUD Approved Non-profit Housing Counseling Agency Counselor will need to know **all** of your expenses. Before you speak with them, complete the following worksheet. Be sure to include every expense in your household.

Monthly Expenses			
COLUMN 1 EXPENSE	MONTHLY	COLUMN 2 EXPENSE	MONTHLY
Shelter *		Contributions & Gifts	
Mortgage Payment	\$	Church donations	\$
Homeowner Association Dues		Miscellaneous donations	
Home Maintenance		Gifts/cards/Wrapping Accessories	
Taxes & Insurance (if not included in mortgage payment)			
Food		Recreation	
Groceries, beverages	\$	Club dues	\$
Cleaning supplies, paper products		Newspapers, magazines, books	
Food away from home		CDs, other music	
Tobacco/Alcohol		Movies	
		Hobbies	
		Sports	
Utilities		Other Expenses	
Gas, light, water	\$	Kids' allowances	\$
Phone		Day Care (Children/Seniors)	
Cell/Mobile Phone		Babysitting	
Garbage, sewer		Postage	
		Cable/Satellite TV	
Insurance		Monthly Obligations	
Life	\$	Alimony/Child Support	\$
Auto		Total Monthly Auto Loan Payments	
Health		Total Monthly Credit Card Payments	
		Other Monthly Obligation	
		Other Monthly Obligation	
Transportation		Clothing	
Gas & Oil	\$	New purchases	\$
Repairs/Upkeep		Dry cleaning, Laundry	
Registration			
Bus, carpool			
Parking			
Education			
Tuition	\$		
Books			
Special Lessons			
Sports			
Health Care			
Medical	\$		
Dental			
Prescriptions			
Personal Care			
Beauty/Barber Shop	\$		
Nails			
Other Personal expenses			
COLUMN 1 TOTAL:	\$	COLUMN 2 EXPENSE:	\$
COLUMN 1 + COLUMN 2 = TOTAL EXPENSES: \$			

* If you own more than one home, be sure to include expenses for each home.

MONTHLY HOUSEHOLD EXPENSES:

There are three types of expenses—fixed, variable and discretionary. This classification helps you determine what expenses you may need to reduce or eliminate.

What are your **fixed expenses**? These expenses have set or fixed payments on a weekly, monthly or annual basis. You know what the amount will be. Examples include your car payment, insurance payment.

What are your **variable expenses**? These expenses can change, fluctuate or vary from month-to-month depending on usage or where obtained. Examples include utility bills, childcare costs, gas for automobile and groceries. Review these expenses over several months to determine an accurate amount.

What are your **discretionary expenses**? These items are not essential to your well-being and, if needed, will be the first expenses to be reduced or eliminated. Examples include holiday shopping, eating out, hairdresser and entertainment. Estimate what you spend on these expenses each month.

Experiencing Financial Crisis - Tips to Create a Crisis Budget

The Crisis Budget is a temporary budget meant to help you weather the current financial crisis you are experiencing. You must make DRASTIC changes for at least 90-days to take control of your finances. The crisis budget is for a limited time, and it is designed to help you determine and reach your financial goals. From that perspective, it will be easier to give up items like entertainment and personal spending when you know it is not a permanent change.

Prioritize your monthly expenses and payments, and find ways to increase income and drastically decrease expenses. Ask yourself...What expenses can I eliminate (or reduce) for the next 90 days? What ways can I get more income and cash flow coming into my household?

Cutting expenses and managing a financial crisis is hard work, and takes a lot of commitment. Have a family meeting: work together to figure out ways to make it better. Good communication and a positive attitude are the keys to success during crisis!

TAKE ACTION!

1. **Complete the budget worksheet**
2. **Look at the expenses you have recorded on the worksheet and make a note next to each one indicating whether you can reduce or eliminate the expense.**

What are Your Assets?

List your household assets. Think about what you are willing to do. Can you or will you sell some of your assets? What assets should you liquidate? Are you willing to make some changes to your lifestyle? A certified housing counselor can help you with this.

Record your assets on the chart below.

Household Assets	Column 1	Column 2	Column 3
Description	Value	Amount Owed	Sell?
a) Automobile #1	\$	\$	\$
b) Automobile #2	\$	\$	\$
c) Automobile #3	\$	\$	\$
d) Cash on Hand Over \$100	\$	\$	\$
e) Checking Account	\$	\$	\$
f) Savings Account	\$	\$	\$
g) Anticipated Tax Refunds	\$	\$	\$
h) Money Market Funds	\$	\$	\$
i) Stocks/Bonds/CDs/Annuities, etc	\$	\$	\$
j) IRA / Keogh Accounts	\$	\$	\$
k) 401k/Retirement Accounts	\$	\$	\$
l) Computer/TV/Electronics	\$	\$	\$
m) Furniture	\$	\$	\$
n) Boats / Jet Skis	\$	\$	\$
o) RV/ Recreational Homes	\$	\$	\$
p) Motorcycles / Snowmobile	\$	\$	\$
q) Farm Equipment	\$	\$	\$
r) Trailers	\$	\$	\$
s) Other Property	\$	\$	\$
t) Other:	\$	\$	\$
Total		\$	\$

What is your current lifestyle and what changes are you willing to make?

Eating out: _____

Gambling: _____

Toys/Luxuries: _____

Cable TV: _____

Cell phone: _____

Other: _____

Can You Afford to Keep Your Home?

Income and Expenses:

<u>line #</u>		\$
1	Total Monthly Income <i>(insert from pg 17) What is Your Income - Total Household Income (A + B)</i>	_____
2	Total Monthly Expenses <i>(insert from pg 18) Where is Your Money Going - Col 1 & 2 = Total Expenses)</i>	_____
3	Total Monthly Income minus Expenses <i>(Line 1 minus line 2 above) This is what is left to cover increased mortgage payments or other emergencies.</i>	_____

Cash Available / Needed:

4	Homeowner Cash on Hand <i>(insert from pg 20) What are Your Assets - Column 1 - line d)</i>	_____
5	Homeowner Assets - SELL? <i>(insert from pg 20) What are Your Assets - Column 3 - line t)</i>	_____
6	Total Cash Available <i>(Add line 4 + 5 above)</i>	_____

Consider the HAMP target payment of 31% of gross monthly income for those who are eligible for that program.

TOPIC 3

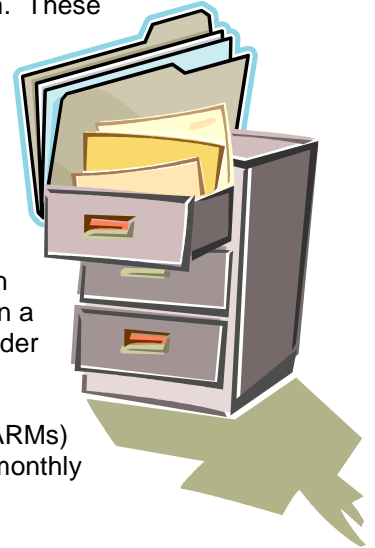
Know Your Mortgage

1. **Gather Your Loan Documents**
2. **What Kind(s) of Loan(s) Do You Have**

GATHER YOUR LOAN DOCUMENTS

Gather your mortgage loan documents. It is important that you fully understand the terms of your mortgage. A certified housing counselor can help you with navigating through them. These documents may include:

- The Promissory Note** - This is the legal evidence of indebtedness and formal promise to repay the debt. It sets out your loan amount, your payment date, the payment amount or how your payment amount will be determined and the maturity date. It also includes the penalties and steps the lender and servicer can take if you fail to make your payments on time.
- Deed of Trust** - The deed of trust helps to verify and protect the legal interest in a property. The property is deeded by the title holder (trustor) to a trustee (often a title or escrow company) which holds the title in trust for the beneficiary (the lender of the money)
- Adjustable Rate Mortgage Rider (ARM Rider)** - Adjustable-rate mortgages (ARMs) are loans with interest rate and payment changes. ARMs may start with lower monthly payments than fixed-rate mortgages.



There are two important considerations:

- adjustment period – how often does the interest rate change and when does the payment change
- borrower notification – when are you notified of the change

The interest rate on an ARM consists of two parts: the index and the margin. The index determines how the interest rate will change and the margin is an amount that is added to the index to determine the new interest rate. There are different types of ARMs - hybrid ARMs, interest-only ARMs and payment-option ARMs

- Prepayment Penalty Rider** - A prepayment penalty allows the lender or servicer to charge the borrower additional interest, (typically six months), when a mortgage is repaid during the penalty period, which is usually somewhere in the first three to five years of the mortgage. If a mortgage contains a prepayment penalty, this should be clearly stated in the mortgage disclosures, mortgage note and/or prepayment penalty rider to the note.
- TIL (Truth in Lending) Disclosure Statement** - This document must be provided at application and at closing on certain loans. It shows the estimated total costs of borrowing, expected payment amounts over life of loan and other significant features of your loan such as a prepayment penalty.
- HUD 1 Settlement/Closing Statement** – This document contains all the costs to you that are associated with the purchase of your home and the loan. It is provided to you at the loan closing.
- Last Two Mortgage Statements**

Record information about your loan on the following worksheet.

WHAT KIND(S) OF LOAN(S) DO I HAVE?

	First Mortgage	Second Mortgage (Home Equity Loan)	Where do I find this*?
What about my Loan on _____ (include property address)			
Original Mortgage Lender	\$	\$	DOT*
Original Loan Amount	\$	\$	TIL*; P. Note*
Monthly Payment	\$	\$	TIL; P. Note
Monthly Due Date			TIL; P. Note
Closing Date of the Loan			DOT; P. Note
Number of Payments			TIL; P. Note
My Loan Type is?			
	<input type="checkbox"/> FHA or <input type="checkbox"/> VA or <input type="checkbox"/> Conventional or Rural Dev.		HUD 1*
Mortgage Insurance	\$		HUD 1*
Other			
What are my Loan Terms?			
Fixed Rate			TIL; P. Note
Adjustable Rate (ARM) Type			ARM Rider*; P. Note
Initial Rate			ARM Rider; P. Note
Index			ARM Rider; P. Note
Margin			ARM Rider; P. Note
Adjustment Date			ARM Rider; P. Note
How often does the loan adjust			ARM Rider; P. Note
Interest Rate Adjustment terms			ARM Rider; P. Note
Payment Adjustment terms			ARM Rider; P. Note
Interest only payments			
Other			
Information included on the monthly mortgage statement			
Outstanding Balance	\$	\$	
Mortgage Insurance	\$	\$	
Homeowners Insurance	\$	\$	
Taxes Escrowed	\$	\$	
Insurance Escrowed	\$	\$	

***ABBREVIATIONS:**

DOT: Deed of Trust
 P. NOTE: Promissory Note
 TIL: Truth In Lending

HUD 1: Settlement Closing Statement
 ARM – Adjustable Rate Mortgage

TOPIC 4

Know Your Options

- **Keeping or Not Keeping Your Home**
- **IRS Mortgage Forgiveness Debt Relief Act and Debt Cancellation**

KEEPING OR NOT KEEPING YOUR HOME

There are a number of solutions for a distressed homeowner. Solutions are individualized for each customer and based on **all** of the following:

- Reason for delinquency
- Ability and willingness to pay. The servicer will consider your payment history (have you been making your payments on time until now) and your current financial condition (do your current income and expenses allow you to continue making payments as required).
- How delinquent you are.
- The investor or owner of your loan. The servicer will know the investor policies for working with delinquent borrowers. A servicer must always follow the investor requirements.
- The number of mortgages on your home.
- Occupancy status of the home

Take Action! List those things you can do that do not involve the servicer. Examples include reducing your expenses, increasing your income and/or selling assets:

IRS DEBT CANCELLATION AND THE MORTGAGE FORGIVENESS DEBT RELIEF ACT

WHAT IS CANCELLATION OF DEBT?

According to the IRS, if you borrow money from a lender and that lender later cancels or forgives the debt, you may have to include the cancelled amount for tax purposes on your tax return, depending on the circumstances. This means the amount forgiven or cancelled may be taxable TO YOU on your tax return.

When you borrowed, the money you were not required to include the loan proceeds in the income because you had an obligation to repay the lender. When that obligation is forgiven, the amount you received as loan proceeds is normally reportable as income because you no longer have an obligation to repay the lender. The lender is usually required to report the amount of the canceled debt to you and the IRS on a Form 1099.

For example: Your lender/servicer accepts a short sale offer on your home. The total debt owed equals \$200,000 and the short sale amount received totals \$150,000. The lender/servicer forgives or cancels the deficiency amount of \$50,000. This deficiency amount of \$50,000 may be taxable income to you on your tax return.

IS CANCELLATION OF DEBT INCOME ALWAYS TAXABLE?

Not always. There are some exceptions. For the purpose of this workbook, this section will only briefly cover The Mortgage Forgiveness Debt Relief Act of 2007. For a list of more exceptions visit <http://www.irs.gov>; [Publication 4681](#). Also, see [IR-2008-17](#) ; [Form 982](#) This special relief applies to calendar years 2007 through 2012.

The Mortgage Forgiveness Debt Relief Act allows you to exclude certain cancelled debt on your principal residence from income on your tax return. Cancelled/Forgiven debt may result from options such as:

- Loan Modification
- Deed in Lieu
- Short Sale
- Foreclosure

When the mortgage debt is cancelled/ forgiven the homeowner will receive a 1099 Form from the lender/servicer (see sample below). Please be sure to consult with a tax professional when considering options that may result in taxable income to you.

8585 VOID CORRECTED

CREDITOR'S name, street address, city, state, ZIP code, and telephone no.		1 Date canceled	OMB No. 1545-1424
		2 Amount of debt canceled \$	2009 Form 1099-C
		3 Interest if included in box 2 \$	
CREDITOR'S federal identification number	DEBTOR'S identification number	4 Debt description	
DEBTOR'S name		5 Was borrower personally liable for repayment of the debt? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Street address (including apt. no.)			
City, state, and ZIP code			
Account number (see instructions)		6 Check for bankruptcy <input type="checkbox"/>	7 Fair market value of property \$

Form 1099-C Cat. No. 26280W Department of the Treasury - Internal Revenue Service

Copy A
For
Internal Revenue
Service Center
File with Form 1096.

For Privacy Act and
Paperwork Reduction
Act Notice, see the
2009 General
Instructions for
Forms 1099, 1098,
3921, 3922, 5496,
and W-2G.

- Be sure to check all the information on this form carefully. Notify the lender immediately if any of the information shown is incorrect.
- Pay particular attention to the amount of debt cancelled (Box 2) and fair market value listed in (Box7).

OPTIONS TO KEEP YOUR HOME

(Loss-mitigation options available in your situation depend on the investor, the type of loan you have, and what the loan servicer is able to negotiate.)

- **Refinance** - A new mortgage on the loan with no change in ownership. The ability to refinance a loan requires that the borrower not be delinquent and that there be equity in the home.
- **Repayment Plan** – Plan where delinquent payments are distributed over a period of time, usually no more than 12 months. The monthly amount is added to usual mortgage payment resulting in a higher payment until the delinquent amount has been repaid. This repayment plan brings the account up-to-date within a specified period.
- **Loan Modification** - Past-due interest and escrow to the unpaid principal balance, which is then re-amortized over a new term. Rate adjustments, term extensions, and principal forgiveness may be considered. Loan modification results in permanent, contractual changes in one or more mortgage terms. Additional loan fees may be involved based on the type of the mortgage a customer holds and on the specific investor. A loan modification immediately brings the account up-to-date.
- **Forbearance** – A temporary reduction or suspension of a borrower's payment. The repayment plan is based upon the customer's financial situation. Because of long-term implications, this option is used only in severe hardship cases.

THE MAKING HOME AFFORDABLE PLAN



HELP FOR AMERICA'S HOMEOWNERS

The Making Home Affordable (MHA) plan is part of President Obama's broad, comprehensive strategy to get the economy and the housing market back on track. The plan potentially could help up to 9 million families restructure or refinance their mortgages to avoid foreclosure.

The Home Affordable Modification and Home Affordable Refinance are the parts of MHA that use refinancing and loan modifications to reduce monthly mortgage payments to a level that borrowers can afford today and into the future.

The refinancing option is only available for conforming loans owned or securitized by Fannie Mae and Freddie Mac. Most conventional loans including prime, subprime, adjustable, loans owned by lenders and loans in securities are eligible for a Home Affordable Modification. The Administration is working with Congress to enact legislation that will allow FHA, VA and USDA to offer modifications consistent with Making Home Affordable. Currently loans insured or guaranteed by these agencies are being modified under other programs that enable borrowers to retain homeownership.

TO DETERMINE IF YOUR LOAN IS OWNED OR SECURITIZED BY FANNIE MAE OR FREDDIE MAC

Fannie Mae
1-800-7FANNIE (8am to 8pm EST).
www.fanniemae.com/homeaffordable

Freddie Mac
1-800-FREDDIE (8am to 8pm EST)
www.freddiemac.com/avoidforeclosure/



HELP FOR AMERICA'S HOMEOWNERS

Home Affordable Refinance Option Eligibility Criteria

- The property (1-4 units) must be owner occupied.
- The borrower is current on mortgage payments. "Current" means you have not been more than 30 days late on your payments in the last 12 months.
- The borrower must have sufficient income to support the new mortgage payment.
- The first mortgage may not exceed 125% of the current market value of the property.
- The mortgage is owned or guaranteed by Fannie Mae or Freddie Mac.

Home Affordable Modification Option Eligibility Criteria (cont'd)

- Must be an owner-occupant in a one to four unit property, and
- On first Mortgage: Have an unpaid principal balance that is equal to or less than \$729,750 (for one unit properties and higher for two to four unit properties, consult the Guidance for limits),
- The loan must have been originated before January 1, 2009,
- The first mortgage payment (including taxes, insurance, and homeowners association dues) is more than 31% of the borrowers' gross monthly income, and
- Borrower has experienced a significant change in income or expenses, to the point that the current mortgage payment is no longer affordable.

For more information or to find out if you are eligible: www.makinghomeaffordable.gov

Bankruptcy – may or may not allow you to keep your home. Be sure you seek the advice of an attorney (see Community Resources for more contact information).

Answers to Common Bankruptcy Questions

What will happen to your home if you file bankruptcy?

- Bankruptcy cannot discharge your mortgage because it is a “secured” debt.
- You cannot force the mortgage company to take late payments over time
- In Arizona, most homesteaded property may be returned to the mortgagee without liability for any deficiency
- You cannot keep your home if you do not continue to pay the debt as worked out by the bankruptcy trustee

OPTIONS TO NOT KEEP YOUR HOME – HOW TO EXIT GRACEFULLY

The following summarizes the ways to avoid foreclosure but not keep the home. Even though you may not be able to keep your home, it is important to work with your servicer during this process. Walking away from your home without consulting with your servicer may result in a foreclosure reported in your credit file, tax consequences, and/or a deficiency balance for loan proceeds not recovered in a foreclosure sale. If keeping your home is not a viable option, your loan servicer may have alternatives available to absolve the mortgage and home.

- **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. Other considerations when deciding to sell your home include the condition of the home and how much time you have.
- **Assumption** - If allowed by loan documents and if you find another borrower willing and qualified to take over your mortgage and your home, they may assume your mortgage. The new borrower must meet the lender’s criteria.
- **Short Sale** – If the market value is less than total amount owed, a short sale allows the borrower to sell their home and use the proceeds to pay the mortgage even though the proceeds will not be sufficient to pay off the outstanding balance. The investor and mortgage insurer must agree to this option.
- **Deed-In-Lieu of Foreclosure** – The borrower transfers the property to the servicer if the home cannot be sold at market value. This option requires that the property be listed for a specified period of time, generally 90 days. There may be tax consequences.
- **Bankruptcy** - Consumers do have the option of filing a Chapter 7 or Chapter 13 Bankruptcy if they need more time to pay a mortgage delinquency or need to restructure their debt so that they have funds available to pay secured debts. Either type of bankruptcy provides two important benefits:

1. Automatic Stay: if the debtor has not filed bankruptcy before, upon filing an automatic stay is put in place by the Bankruptcy Court. This means all other litigation against the debtor cannot proceed to conclusion without permission of the court. Further, all garnishments against a debtor's income/bank account must stop as of the date of the bankruptcy filing. Any creditor, who wishes to continue its action, including a foreclosure, must get permission of the Bankruptcy court to proceed before continuing its action.
2. Time to Review alleged Claims: Sometime creditors, including mortgagees, claim amounts are due which the debtor may question. Review by the court of the claim is possible and many erroneous charges can be corrected.

TYPES OF BANKRUPTCY:

Chapter Seven: Complete Liquidation. Allows the Debtor to discharge most unsecured non-priority debts while retaining exempt property such as a homestead. Can be used to reduce monthly payments thereby increasing available income to pay monthly mortgage amounts. Usually takes 4-8 months from filing to discharge to complete.

Chapter 13: "Reorganization" - Available to debtors over a certain level of income and provides him/her with the ability to work out a schedule of payments for delinquent amounts owed on a mortgage over a 36 to 60 month time period.

Also provides a mechanism to strip off second mortgages when there is no equity attached to that interest and "cram down" secured debt on non-residential property.

EXEMPTED PROPERTY:

Generally, Arizona law may allow you to exempt up to \$150,000 in equity in your home from liquidation to pay debtors in a bankruptcy action.

Up to \$5,000.00 in equity in a car loan may be exempted also. Other properties are also protected, e.g. furniture; clothing, personal effects [up to a specific dollar limit].

Consult an attorney about your options. Information is also available at:

Bankruptcy Court website www.azb.uscourts.gov under Debtor Help or Creditor Help.

Southern Arizona Legal Aid, Inc. – www.sazlegalaid.org (see website for contact information in your area).

Other Useful Links for Further Bankruptcy Information

- National Consumer Law Center www.consumerlaw.org
- U.S. Department of Justice www.usdoj.gov/ust
- Arizona Law Help <http://www.azlawhelp.org/>

Where to find a lawyer that understands foreclosure and can assist you in protecting your home

Community Legal Services

Lawyers Helping Homeowners

<http://www.azlawhelp.org>

Arizona State Bar

1-866-48AZBAR

Pima County Bar Association

<http://www.pimacountybar.org/LRS%20Public.htm>

Southern Arizona Legal Aid, Inc.

<http://www.sazlegalaid.org/services.html>

Sometimes foreclosure is the only option for a borrower to accept. If so, you will want to work closely with a HUD Approved Non-profit Housing Counseling Agency Counselor who can help you create an "action plan" on how to appropriately transition into alternative housing, budget and save for future moving costs, and obtain tips on how to re-establish your credit rating.

TOPIC 5

Beware of Scams

COMMON SCAMS

Don't be a Victim!



The possibility of losing your home to foreclosure can be terrifying. The reality that scam artists are preying on the vulnerability of desperate homeowners is equally frightening. Many so-called foreclosure “rescue” companies claim they can help you save your home, but in reality, they rarely do. Unfortunately, foreclosure fraudsters take your money, can ruin your credit and wipe out any equity you have in your home.

Your mortgage lender – or any HUD-Approved Housing Counseling Agency – can help you find real options to avoid foreclosure, and at no cost. If someone offers to negotiate with your lender and offers to arrange to stop or delay foreclosure for a fee, carefully check his or her credentials, reputation and experience.

Loan modification companies are similar to foreclosure “rescue” firms and are now being marketed aggressively to borrowers who might be experiencing a hardship. In Arizona, they are not licensed or regulated and therefore not necessarily trained, knowledgeable or have the ability to deliver on their promise. Loan modification offers can look legitimate and some even replicate government agency websites or used forged letterhead resembling your lender. Anyone guaranteeing results or charging upfront fees to “save your home” should be suspect. Call your lender directly using the phone number on your mortgage statement and seek free counseling help from a HUD-certified financial counselor.

Red Flags

If you are looking for foreclosure prevention help, beware of any business that:

- guarantees to stop the foreclosure process – 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 credit or housing counselor
- collects a fee before providing you with any services
- accepts payment only by cashier’s check or wire transfer
- encourages you to lease your home so you can buy it back over time
- tells you to make your mortgage payments directly to it, rather than your lender
- tells you to transfer your property deed or title to it
- offers to buy your house for cash at a fixed price that is not set by the housing market at the time of sale
- offers to fill out paperwork for you
- pressures you to sign paperwork you haven’t had a chance to read thoroughly or that you don’t understand



How Scams Work

Foreclosure “rescue” firms and loan modification companies are plentiful these days. Their goal is to make a quick profit, they will use half-truths, and outright lies to sell services that promise relief and then fail to deliver.

Potential victims are easy to find. Foreclosure “rescue” professionals use a variety of tactics to find homeowners in distress from foreclosure postings in the newspaper and on the Internet or through public files at local government offices. Other approaches include ads on the Internet, on television, or in the

newspaper, posters on telephone poles and bus stops. They can also send out personalized letters to the homeowners and post signs in the neighborhood.

The scam artists use simple and straight-forward messages, like:

“Stop Foreclosure Now!”

“We guarantee to stop your foreclosure”

“Keep your Home. We know your home is scheduled to be sold. No Problem!”

“We have special relationships within many banks that can speed up case approvals”

“We Can Save Your Home. Guaranteed. Free Consultation”

“We stop foreclosures everyday. Our team of professionals can stop yours this week!”

In reality, they cannot deliver or guarantee that you will be helped, and should be avoided. They encourage the homeowner to stop working with their lender, servicer and housing counseling agency and tell them they will take care of everything.

If you suspect a scam, contact the Arizona Attorney General’s Office (see “Tool/Resources” section for the contact information).

Common Foreclosure Scams

Phony Counseling or Phantom Help -- The “rescuer” tells the borrower that he can negotiate a deal with the servicer to save the house if the borrower pays a fee first. Once the fee is paid, the rescuer takes off with the money and provides no assistance.

Lease or Buy-Back -- Homeowners are deceived into signing over the deed to their home to a scam artist who tells them they will be able to remain in the house as a renter and eventually buy it back. Usually, the terms of this scheme are so demanding that the buy-back becomes impossible, the homeowner gets evicted and the “rescuer” walks off with most or all of the equity.

Bait and Switch -- Homeowners believe they are signing documents for a new loan to make the mortgage current, but sign away their home and are left holding the mortgage on a home they no longer own.

Refinance Fraud -- Beware of people posing as mortgage brokers or lenders and offering to refinance your loan so you can afford the payments. Con artists may trick you into signing over the ownership of your home by saying that you are signing documents for a new loan.

Bankruptcy Foreclosure -- There are several scam attempts to abuse the bankruptcy laws. The bankruptcy process can be complicated and expensive and the results can have a negative effect on your credit for years to come. For example, the “rescuer” may promise to negotiate with the lender or get a refinance on your behalf for an upfront fee. Instead, the scam artist takes the fee and files a bankruptcy case in your name—sometimes without your knowledge.

Equity Stripping -- A buyer purchases the home for the amount of the late payments and flips the home for a quick profit.

New fraudulent scams are continuously developing. Always call a non-profit HUD approved housing counseling agency or your servicer if you suspect an offer is too good or if you are asked to pay a fee for foreclosure prevention services

How To Protect Yourself From Scams

- DON'T pay money to people who promise to work with your lender to modify your loan. Instead, contact the Arizona Foreclosure Prevention Helpline (1-877-448-1211) for a referral to a **HUD Approved Housing Counseling Agency** and receive free help.
- DO call your lender yourself. Your lender wants to hear from you and would likely be more willing to work with you than a foreclosure consultant would.
- DON'T transfer or sign over the deed to your home as part of a foreclosure avoidance transaction. A deed should be signed over only if you intend to sell the home for a fair price.
- DON'T pay your mortgage payments to someone other than your lender or loan servicer, even if he/she promises to pass the payment on.
- DON'T sign any documents without reading and understanding them first, or contracts and documents that have blank spaces. Many homeowners think they are signing documents for a new loan to pay off their mortgage and they discover they have actually transferred ownership to the "rescuer."
- DO consult an attorney, financial advisor or knowledgeable family member before signing any "rescue documents."
- DO contact a U.S. Dept. of Housing & Urban Development (**HUD**) **approved housing counseling agency** who may be able to help you for no charge. For a referral to a housing counselor near you, call the Arizona Foreclosure Prevention Helpline (1-877-448-1211) or go to www.hud.gov/arizona.
- If it sounds too good to be true, it probably is. Trust your instincts and seek help. Reporting suspicious schemes helps prevent other from becoming victims

IF YOU SUSPECT A SCAM, CONTACT:

Arizona Attorney Generals Office
602-542-5763 / 520-628-6504
Outside Phoenix/Tucson Metro Area 1-800-352-8431
www.azag.gov

Federal Trade Commission
www.ftc.gov
or call toll-free, 1-877-FTC-HELP (1-877-382-4357);

Better Business Bureau
1-877-291-6222
www.bbb.org

Fraudulent foreclosure "rescue" professionals use "half-truths" and outright lies to sell services that promise relief and then fail to deliver.

More information on the latest rescue scams and the ways to protect yourself can be found at:

The Arizona Attorney General's office at www.azag.gov

Don't Borrow Trouble® Pima County website at www.dbtaz.org

Arizona Foreclosure Prevention Task Force website at www.azforeclosureprevention.org

Topic 6

Rebuilding After Foreclosure

- **STEPS TO REBUILDING**
- **COMMUNITY RESOURCES**

Steps to Rebuilding

(Source Adapted from NeighborWorks and Freddie Mac)

Developing a budget and savings plan is critical to recovering quickly and getting back on your feet after a foreclosure or loss mitigation process. Your options may be constrained due to income or debt issues, credit history, and limited savings. The rebuilding process has several steps.

Step 1: Crisis Spending Plan

The first step is to create a “crisis spending plan” which will help you meet your immediate financial obligations. This should focus on “basic needs” priorities such as food, medical bills, housing expenses, utility payments, car loans, child support, and income tax debts. Apply for social service programs that can provide food, clothing, emergency housing vouchers and emergency utility vouchers to assist you during this transition process. (See Community Resources Section)

Step 2: Set Financial Goals

What are your top five challenges and top five assets, financial and behavioral? Envision your life next year, as well as three and five years ahead... This helps with goal-setting and will move you beyond your immediate bleak situation. Decide whether to focus attention on saving, reducing debt or increasing income. These are fundamental elements of financial goal setting and planning. Assistance is available by reputable non-profit agencies and community services.

Step 3: Estimate Next Year’s Income and Expenses

Review the past year’s income and consider possible changes in the coming year. Next review debts and expenses. Consider how expenses will change given the new housing situation. Also, determine if the new housing situation has any impact on other costs, such as gas and day care. If necessary, fine tune expenses and create a livable spending plan.

Step 4: Analyze Current Financial Situation & Spending Habits

- Review and consider the total balance owing on each debt and the amount of payments due each month. List what changes you must make or want to make in the coming year concerning your debt load. This becomes your Action Plan.
- Review monthly expenses and discuss each item with family members. Rank your expenses from most important to least important. Then list what changes you believe you must make, and others you want to make. These are part of your Action Plan as well.
- The final step is Action Planning. Review any savings and investment goals and list ways they could be increased. Every little bit helps. Can you start saving change? Start saving \$10/week in a safe place at home? Start saving by direct deposit \$40/month?
- If you net any cash from the sale of your home, use these funds to support your rebuilding plan.

Step 5: Create a Rebuilding Plan

Once the crisis-spending plan has been implemented, tackle the negatives on your credit history and begin establishing good credit. The new spending plan should support payment of all monthly bills on time, and allow you to start paying off past-due balances. Use the steps above to create a written plan that is clear and attainable.

Step 6: Changing Habits

It is time to comprehensively address your spending habits and money management decisions. Ask for help and guidance, research available resources for a workable, systematic approach to your finances. Resisting change and clinging to old habits will not move you forward. Financial freedom is a choice you make with each spending decision based on your new savings goals. As past due balances are paid in full and bills are paid on time, credit scores will increase. Pay off debt rather than regularly transferring debt to other cards. Apply for new credit only when strictly necessary.

A common stumbling point for many families is managing monthly bill paying habits, recordkeeping and periodic reviews. You may not have had successful methods of paying bills and tracking expenditures. The following tips can be easily implemented into your new financial freedom plan:

1. Choose a specific area in your home to be the “office” area
2. For each pay period, use a notebook and jot down how the money was spent
3. Work out a bill payment and recordkeeping system that is convenient and easy to use. (Where will bills be put when they arrive, how will you keep track of online bill pay, where will you store and record bills due and paid, etc?)
4. Each time bills are paid; enter the amount into your notebook. Keep labeled receipts and cancelled checks to help remember to enter other expenses.
5. Practice planning purchases. If you need to replace your vehicle or make some other major purchase, begin making “practice” payments to your savings account in that amount about 3-4 months before you buy. This builds up your savings and prepares you for the impact of the additional payment. Don’t just “say” you’re going to do it...actually commit to it and start saving those payments so you don’t end up taking on too much additional debt.
6. Near the end of every month, compare your written spending plan from Step 1 with the actual expense record in your notebook.
7. Don’t expect the plan and actual expenses to be exactly the same. Don’t be discouraged if it doesn’t go according to plan each month. Just identify the differences and discuss how you will handle extra expenses in the month to come.
8. Revise the spending plan as necessary.
9. If overspending and excessive use of credit is an issue, think of a “tag” or “reminder” that might cause you to stop and think before you spend money on things that are not in your plan.
10. Keep your savings goals in a visual place. Write it down on a card placed behind your debit card, draw a picture and post it in several visible places in your home, keep talking about goals with your family so you can hold each other accountable when spending starts to get out of hand.

Step 7: Managing the Plan

A good plan is only as good as its implementation and maintenance. Realistically, you may not be able to correct all your credit and spending issues all at once. One-step at a time still achieves progress. A realistically achievable plan will be easier to maintain and therefore lead to more success.

The action plan should be broken into monthly goals. Review the rebuilding plan each month to assess progress and make any necessary changes. It might be helpful for you to meet with a trusted advisor or counselor once a month for the first several months and less frequently or as-needed after that.

Finally, during rebuilding, it is CRITICAL to avoid the spending and lending traps of “fringe financial services.” There are many high-conveniences, but high-cost financial traps that take advantage of financially distressed families. By committing to a healthy financial rebuilding plan, you will be empowered to avoid alternative, costly services like **payday rollover loans, back-to-back loans, and online payday loans**. Establishing a good working relationship with a bank or credit union will help you avoid the high cost of **check cashing outlets**. Begin to develop modest savings to get you through emergencies so you can avoid high-interest **car title loans, overdraft loans, tax refund anticipation loans** and **rent-to-own merchandise**.

COMMUNITY RESOURCES

Don't be passive during this period of financial crisis. Take advantage of the organizations that offer services to assist you. See personal support like counseling; get help with your finances. No matter what situation you're in, you are not alone. These services are designed to help you...services you have supported through the years, and have a right to use.



Rebuilding after foreclosure is possible especially with the many resources available in the community. Families who need help with rent, utilities, and other needs should contact the following agencies.

General Statewide Resources



Arizona Community Action Association: promotes self-sufficiency by working with Community Action Agencies statewide to provide a hand up, the tools needed to become self-sufficient.



Benefits Check Up-AZ is the nation's most comprehensive web-based services to screen for benefits programs for people with limited income and resources who are 55 and older, or are an adult of any age and disabled. <http://www.benefitscheckup.org/index.cfm?link=AZ>

Arizona Association of Counties

Your local county government may be offering localized programs like utility assistance, job placement and training. Visit their website at <http://www.azcounties.org> or contact their office at (602) 252-6563.



Your local city government may be offering localized programs like utility assistance, job placement and training. Visit their website at <http://www.azleague.org> or contact their office at (602) 258-5786.

Child Care



Afterschool.Gov is a great resource to find after school programs for your child as well as provide information on how to start your own after school program and activity ideas for children. Visit their website at <http://www.afterschool.gov> for more information.

CHILD CARE BUREAU

The Child Care Bureau supports low-income working families through childcare financial assistance and promotes children's learning by improving the quality of early care and education and after school programs. Visit their website at <http://www.acf.hhs.gov/programs/ccb/>



Arizona Department of Economic Security Family Assistance Administration combines a broad range of programs ranging from employment assistance and job training to child and adult protection, child support enforcement, cash assistance, and services for individuals with developmental disabilities. Visit their website at www.des.gov

Child Support: www.azdes.gov/cse

The Arizona Department of Economic Security, Division of Child Support Enforcement offers a variety of child support services, including enforcement of child support orders and collection of child support payments.

Employment Assistance: www.azdes.gov/esa

The primary responsibility of the Employment Service Program is to match employers trying to fill jobs with applicants who are searching for work by finding qualified people who want to work and connecting them with the employers.

Medical Assistance: <http://www.azahcccs.gov>

The medical coverage provided by AHCCCS to thousands of Arizonans each year may include doctor's office visits, physical exams, immunizations, prenatal care, hospital care and prescriptions.

Employment Opportunities



Career One Stop is a U.S. Department of Labor-sponsored Web site that offers career resources and workforce information to job seekers, students, businesses, and workforce professionals to foster talent development in a global economy. Visit their website at <http://www.careeronestop.org/ReEmployment>



Arizona Workforce Connection is the state's streamlined workforce development network - bringing together all of Arizona's workforce development partners to provide businesses and Job Seekers with a comprehensive and streamlined services. Visit their website at <http://www.arizonaworkforceconnection.com>



Helmets to Hardhats is the fastest way for Military, Reservists, & Guardsmen to transition from active duty to a career in the construction industry. Visit their website at <http://www.helmetstohardhats.org>

Fair Housing:



Southwest Fair Housing Council - SWFHC enforces fair housing-fair lending laws and provides no cost fair housing-fair lending education to the public and private sector and to housing providers and housing consumers throughout greater Arizona. Hablamos espanol.

Blog address www.southwestfairhousing.typepad.com/fair_housing

Visit their website at <http://www.swfhc.com> or send an email to swfhc@dakotacom.net

Phoenix (602) 252-3423 Pima County (520) 798-1568 Outside Pima County (888) 624-4611

Rental Foreclosure.com – anyone looking to rent should be careful of properties that may be fraudulently advertised. It is important to verify that the person(s) renting the property have the legal right to do so and that the property is not pending foreclosure. One way to do this is to check the status of the property at www.rentalforeclosure.com.

Legal Services



Arizona Law Help - provides free legal information and the ability to ask and read legal questions posed to actual attorneys. For more information, visit their website at <http://www.azlawhelp.org>



The Arizona Attorney General has the authority to bring actions alleging violations of the Consumer Fraud Act. Sometimes the enforcement authority is delegated to County Attorneys. A private citizen can also bring an action for a violation of the Consumer Fraud Act within one year from the date the claim arises. For more information, visit their website at <http://www.azag.gov/consumer/complaintform.html>



Arizona State Bar - to find a lawyer, visit their website at <http://www.azbar.org/LegalResources/findlawyer.cfm> or call (602) 252-4804/1-866-48-AZBAR outside Maricopa County.

ATTENTION MEMBERS OF THE PUBLIC:

Please do not email lawyers the details of your legal matter; call them to make an appointment to discuss your matter in person. Lawyers have a duty to avoid conflicts and the lawyer you contact by email may already represent someone in your matter.

To find an attorney licensed to practice law in Maricopa County.



Website: <http://www.maricopabar.org>

Phone#: (602) 257-4200

To find an attorney licensed to practice law in Pima County



Proud to serve the legal profession.

Pima County Bar Association

Website: <http://www.pimacountybar.org>

Phone#: (520) 623-8258

The Pima County Bar Association is a private, voluntary, 501(c)(6) non-profit association of attorneys and other legal professionals.

Southern Arizona Legal Aid, Inc.

Justice. Opportunity. Hope.

Southern Arizona Legal Aid, Inc. (SALA) - provides a variety of free, civil legal services to qualified low-income persons. Visit their website at <http://www.sazlegalaid.org/services.html>. For county contact information <http://www.sazlegalaid.org/contact.html>

Fair Lending

If you believe you have been treated differently – and adversely – in any aspect of the home buying or lending process because of your race, skin color, nation of origin, religion, gender, disability or the fact there is a child under 18 yrs in your household, contact the

- Arizona Attorney General's Office at 1-877-491-5742
(Phoenix) 602-542-5263 or 1-877-491-5740 / Tucson 520-628-6500
- Southwest Fair Housing Council at 1-888-624-4611/520-798-1568
- U.S. Dept of HUD's Enforcement Center at 1-800-669-9777
- Federal Reserve Consumer Help, P.O. Box 1200, Minneapolis, MN 55480
1-888-851-1920 / website: www.federalreserveconsumerhelp.gov

Additional Resources:

An Adobe .pdf version of the entire 172 page Consumer Action Handbook, including the consumer topics, the directory listings, the sample complaint letter, and the index be downloaded at

[Consumer Action Handbook](#):



TOPIC 7

Tools for the Homeowner



- **HOW TO FIND AND CONTACT YOUR LENDER OR LOAN SERVICER**
- **SERVICER TELEPHONE NUMBERS**
- **FILING A COMPLAINT**
- **STRESS RELIEF**
- **GLOSSARY OF MORTGAGE TERMS**

HOW TO FIND & CONTACT YOUR LENDER OR LOAN SERVICER

Don't know who your lender/servicer is?

- Check your monthly mortgage billing statement.
- Check your payment coupon book.

Don't know how to reach your lender/servicer?

- Check your phone book.
- Search on the Internet.
- If you are having trouble finding a Non profit HUD Approved Housing Counseling Agency, see Topic 1 Finding a HUD Approved Housing Counseling Agency for details.
- Use the Loan Servicer List on the following page.



Does Fannie Mae or Freddie Mac Own Your Loan?

Find out at:

Fannie Mae 1-800-7FANNIE (8am to 8pm EST) www.fanniemae.com/homeaffordable

Freddie Mac 1-800-FREDDIE (8am to 8pm EST) www.freddiemac.com/avoidforeclosure/

LOAN SERVICER TELEPHONE NUMBERS

Be sure to check your mortgage statement for contact information and have your account number ready.

10/2009 Listing

Accredited Home Lenders	877-683-4466	https://www.accredhome.com
Acqura Loan Services	866-660-5804	http://www.acqura.net
American Home Mortgage Servicing, Inc.	877-374-3100	https://online.ahmsi3.com
Aurora Loan Servicing	866-519-3090	https://www.myauroraloan.com
Avelo Mortgage	866-831-2430	www.avelomortgage.com
Bank of America	800-846-2222	www.bankofamerica.com
Carrington Mortgage Services, LLC	800-790-9502	myloan.carringtonms.com
Chase (Prime, Subprime and Home Equity)	866-550-5705	www.chase.com
Citigroup, Inc. (Citi Mortgage/Citi Residential)	866-915-9417	www.citigroup.com/citi/citizen/ community/homeownershippreservation/
BAC Home Loans (former Countrywide Homeowners)	800-669-6650	http://my.countrywide.com
EMC Mortgage Corporation / Bear Sterns	866-550-5705	emcmortgagecorp.com
First Horizon Home Loans	800-364-7662	www.firsthorizon.com
GMAC Mortgage	800-799-9250	www.gmacmortgage.com
Homecomings Financial	800-206-2901	www.homecomings.com
Home Loan Services, Inc. (d/b/a First Franklin Loan Services & NationPoint Loan Services)	800-500-5022	www.viewmyloan.com www.nationpoint.com
HomEq Servicing	877-867-7378	www.homeq.com
HSBC Finance-Beneficial	800-333-5848	http://www.beneficial.com
HSBC Finance-HFC	800-333-5848	www.hfc.com
HSBC Mortgage Corporation	888-648-3124	www.us.hsbc.com
HSBC Mortgage Services	800-365-6730	www.hsbcmortgageservices.com
IndyMac Federal Bank	866-355-7273	www.imb.com
Litton Loan Servicing	800-999-8501	www.littonloan.com
LoanCare Servicing Center	800-909-9525 800-274-6600	www.myloancare.com/HomeRetention Email: customersupport@myloancare.com
MetLife Home Loans	888-638-6964	www.metlifehomeloans.com
National City Mortgage Corporation	800-523-8654	www.nationalcitymortgage.com
Nationstar Mortgage, LLC	888-480-2432	Email: customer.service@nationstarmail.com
Ocwen Loan Servicing, LLC	877-596-8580	http://www.ocwencustomers.com
Residential Credit Solutions	800-737-1192	https://www.residentialcredit.com/
RoundPoint Mortgage Servicing	877-426-8805	Email: Customer.Service@roundpointmortgage.com
Saxon Mortgage Services	888-325-3502	https://www.saxononline.com
Select Portfolio Servicing, Inc.	800-258-8602	https://www.spservicing.com/
SunTrust Mortgage, Inc	800-443-1032, option 3	www.suntrustmortgage.com
SunTrust Bank (Consumer Lending)	888-886-0696	Email: equityhomeretention@suntrust.com https://www.suntrust.com
SunTrust Mortgage Construction Permanent Loans	877-657-8433	www.suntrustmortgage.com
Taylor, Bean & Whitaker	888-225-2164	www.taylorbean.com
Vericrest Financial	800-401-6587	https://www.vericrestfinancial.com
Wachovia	800-922-6267	https://www.wachovia.com
Washington Mutual, Inc	866-550-5705	https://www.wamu.com
Wells Fargo Home Mortgage	866-488-2028	www.wellsfargo.com
Wells Fargo Financial	800-275-9254	www.financial.wellsfargo.com
Wilshire Credit Corporation	888-917-1050	www.wcc.ml.com
(10/09) To check for an updated	Listing go to:	www.hopenow.com/mortgage-directory.php

FILING A COMPLAINT

You can file a complaint if you think a bank or financial institution has been unfair or misleading, discriminated against you in lending, or violated a law or regulation.

To file a complaint, contact:

- Federal Reserve Consumer Help - <http://www.federalreserveconsumerhelp.gov/>
- Federal Trade Commission, Division of Financial Practices - <http://www.ftc.gov/bcp/bcpfp.shtm>
- Financial Institutions Division: for State of Arizona chartered banks, trust companies, credit unions, thrifts, savings & loans - http://www.azdfi.gov/Info/Forms/Complaint_form.pdf
- Office of the Arizona Attorney General – <http://www.azag.gov/AllComplaints.html>
- Office of the Comptroller of the Currency: for national banks (Bank of America, Wells Fargo, US Bank, Citibank, etc.) - <http://www.occ.treas.gov/customer.htm>
- National Credit Union Administration (NCUA) : for Federal credit unions - <http://ncua.gov/ConsumerInformation/Consumer%20Complaints/complaintmain.htm>
- Office of Thrift Supervision (OTS) : for Federal thrifts - <http://www.ots.treas.gov/resultsort.cfm?catNumber=88&dl=17&edit=1>

STRESS RELIEF

Suggestions when you are experiencing financial stress:

Restore emotional, spiritual and intellectual balance essential to your well-being and to a successful reconstruction of your life, your dreams and your future by following these tips.

Suggestion # 1: Communication

- Communication – Talk to your friends, spouse, someone you trust.
- It is best to include another person in your thinking when the thinking affects him or her.
- If you are single, then confide in a close friend or your clergy person or keep a journal.

Suggestion # 2: Write

- Write stuff down; seeing information in black and white can take on a totally new meaning.
- Read what you have written. Often times seeing information in written form makes a situation more manageable, doable and workable.
- Make a list of positives in your life such as your spouse, your children, your health, your vehicle, etc.

Suggestion # 3: Organization

- Get organized and stay organized.
- Invest in files, folders or large envelopes and label them.
- Once you have established a protocol for yourself, continue to follow it.
- This will help you feel better about yourself and your situation because you have more control.

Suggestion # 4: Time

- Take time for yourself
- It does not have to be expensive or time consuming.
- It can be as simple as sitting back with your feet up with a cup of hot tea.
- Take 5 or 10 minutes alone every day or every other day for yourself.
- People with many other people dependent on them rarely have time alone. It is important



to your mental health to relax, clear your mind, recharge and get back into the thick of things.

Suggestion # 5: Exercise

- Research has proven that exercise is a great tonic for stress.
- Take 10 minutes every day or every other day to walk, stretch, and dance or move in any way you can.

Suggestion # 6: You

- Take care of yourself by limiting alcohol intake.
- Take part in things you enjoy that are legal and within your budget.
- Keep your doctors' appointments; take your medications as prescribed.
- Get extra rest if possible.

Suggestion # 7: Spirituality

- Embrace spirituality in the way you feel comfortable and that is positive to you.

Suggestion # 8: Shame

- This can be a very powerful, negative force – do not let it get the best of you.
- Recognize it for what it is and respect it, but do not allow it to overcome you.

Suggestion # 9: Professional Help

- Seek professional help at anytime you feel the need.
- Check your company's Human Resource Department for a list of services.
- Many employers provide employees with free or low costs access to professional counselors (possibly up to 10 sessions).

Reach out for help if you are feeling down

SUICIDE PREVENTION HOTLINE

When you feel you can't go on, crisis counselors are waiting for your call.

Toll-Free/ 24 hours/ 7 days a week 1-800-SUICIDE (1-800-784-2433)

<http://www.suicidehotlines.com/arizona.html>

WHY SHOULD I CALL THE LIFELINE? WITH HELP COMES HOPE.

From immediate suicidal crisis to information about mental health, crisis centers in our network are equipped to take a wide range of calls. Some of the reasons to call 1-800-273-TALK are listed below.

- Call to speak with someone who cares
- Call if you feel you might be in danger of hurting yourself
- Call to find referrals to mental health services in your area
- Call to speak to a crisis worker about someone you're concerned about

The **National Suicide Prevention Lifeline** is a 24-hour, toll-free suicide prevention service available to anyone in suicidal crisis. If you need help, please dial 1-800-273-TALK (8255). You will be routed to the closest possible crisis center in your area. With more than 130 crisis centers across the country, their mission is to provide immediate assistance to anyone seeking mental health services. Call for yourself, or someone you care about. Your call is free and confidential.

Para obtener asistencia en español durante las 24 horas, llame al **1-888-628-9454**.

Glossary of Mortgage Terms

Accelerate – An option given to lenders through an “acceleration” clause in the mortgage or deed of trust requiring the borrower to pay the entire balance of the loan in full if their loan is in default.

Appraisal – The process in which a third party, licensed appraiser gives an estimate of the property value.

Amortization – The gradual repayment of a mortgage loan with equal periodic payments of both principal and interest calculated to retire the loan at the end of a fixed period of time.

Appreciation – The difference between the increased value of the property and the original value when the property was purchased.

Annual Percentage Rate – The cost of your loan expressed as a yearly rate. Mortgages include interest, points, origination fees, and any mortgage insurance required by the lender.

Auction – A process of buying and selling goods or services by offering them up for bid, taking bids, and then selling the item to the winning bidder. There are several variations on the basic auction form, including time limits, minimum or maximum limits on bid prices, and special rules for determining the winning bidder(s) and sale price(s).

Deed-in-Lieu of Foreclosure – An instance where the homeowner/borrower voluntarily conveys title to the lender in exchange for a discharge of the delinquent debt, rather than going all the way through the foreclosure process. Second mortgage lien-holders must be willing to waive their claims when a deed-in-lieu is used.

Deed of Trust – (DOT) The recorded document that shows the homeowner/borrower owes a principal balance to a financial institution for their home. The 3 parties included on this security instrument are the borrower, lender and trustee.

Default – A mortgage or deed of trust is said to be in default when the borrower fails to make the payments as agreed to in the original promissory note.

Debt-to-Income Ratio – Expressed as a percentage, the “DTI” is calculated by dividing the

total house payment plus all other debt that appears on a credit report by the gross monthly income.

Deferred Payments – Payments that the lender or mortgage servicer authorizes to be postponed in a loan workout.

Deficiency Judgment – A judgment against the borrower for the remaining balance on the loan after a foreclosure sale.

Equity – The net value of an asset. In the case of real estate, it would be the difference between the present value of the property and the mortgage amount owed on that property.

Escrow Account – A segregated trust account in which escrow funds are held. This account is held by a lender for payments of taxes, insurance, or other periodic debts against real property. Part of the borrower's monthly payment goes into this account so funds will be available to pay the taxes, insurance and other impounded matters when due to avoid the need for the borrower to pay a lump sum payment.

Fair Market Value – The price a property would sell for on the open market. (Were you to sell your home today, how much would it sell for?)

Forbearance – An agreement to suspend or reduce normal monthly payments for a fixed period of time. At the end of the forbearance period, the borrower must cure the delinquency through a lump sum payment or a long-term repayment plan.

Foreclosure – The forced sale of property pledged as security for a debt that is in default. It is the legal process by which an owner's right to a property is terminated, usually due to default. The mortgage lender sells at auction the property that secures a loan on which a borrower has defaulted. Typically, ownership of the property is transferred to the financial institution. The institutions will sell the home to recover the monies owed to them.

Free & Clear – Ownership of property free of all indebtedness. Zero balance owing on any loans or liens against the property.

Grace Period – The length of time between the due date and the date when late fees are assessed.

Good Faith Estimate – A written estimate of costs and fees associated with a mortgage loan.

Housing Ratio – Expressed as a percentage, the housing ratio is calculated by dividing the expected total monthly house payment by the gross monthly income. The maximum percent of gross monthly income that can be used for a monthly mortgage payment

Interest Rate – The percentage of a sum of money charged for its use

Investor – The entity that owns the loan. Oftentimes, the lender will sell your loan to an investor after closing. Most likely, the investor is generally not the same entity as the servicer or the lender. The servicer must follow the investor's guidelines for servicing the loan. An investor is any person or institution that invests in mortgages. The investor is the owner of the loan who has the ultimate power to make decisions on work-out solutions.

Judicial Foreclosure – A foreclosure that is processed by a court action. This action is seldom used in Arizona (Arizona is typically a non-judicial foreclosure state.)

Lis Pendens – A recorded notice of pending lawsuit.

Lender – The initial entity that gave you the mortgage loan. It may not be the same entity to whom you send your monthly mortgage payments.

Loan Modification – A written agreement that permanently changes one or more of the original terms of the loan, such as the interest rate, payment amount, maturity date, or the amount of the unpaid principal balance. Typically, the arrearage (the amount of the delinquent debt plus fees) is added to the remaining balance of the loan and then the loan is re-amortized. Interest rate may be reduced or a portion of the remaining balance forgiven in order to make the loan affordable for the homeowners. Lenders may also consider converting mortgages from adjustable to fixed rate loans that will remain affordable for the homeowner.

Loan Servicer – (or Servicer) The entity to whom you send your monthly mortgage payments. The Lender has contracted with the servicer to handle your loan after closing. The servicer is your contact for any issues you have with your mortgage loan. A mortgage function, which includes the receipt of payments, customer service, escrow administration, investor accounting, collections and foreclosures. Also called "loan administration." The "loan servicing" is not typically the same company where a borrower obtained their home loan. Loan servicing is often sold, and can be sold multiple times.

Loan-to-Value Ratio – the comparison of the amount of the loan to the value or selling price of real property expressed as a percentage. For example, if a home with a \$100,000 value has an \$80,000 mortgage on it, the loan to value is 80%

Loss Mitigation – the department within the loan servicer's company that handles foreclosure. This is the department beyond "customer service" that a borrower must speak contact to discuss the possibility of any workout solutions.

Non-Judicial Foreclosure – The non-judicial process of foreclosure is used when a power of sale clause exists in a deed of trust. A "power of sale" clause means the borrower pre-authorizes the sale of property to pay off the balance on a loan in the event of their default. This process is typical of foreclosures in Arizona. The timeframe from Initiation of Foreclosure to the Foreclosure Sale in Arizona is 90 days.

Mortgage Insurance - A policy that protects lenders against some or most of the losses that can occur when a borrower defaults on a mortgage loan; mortgage insurance is required primarily for borrowers with a down payment of less than 20% of the home's purchase price

Negative Amortization – This occurs when there is a gradual increase in the mortgage loan balance when the monthly payment is not enough to cover the monthly principal and interest payments. The shortfall each month is added to the balance from the month before and the total amount owed to the lender increases as a result. Adjustable rate mortgages with payment caps and negative amortization are re-amortized at some point to that the remaining loan balance can be fully paid off during the term of the loan. This could result in

a substantial increase in the borrower's monthly payment.

Notice of Trustee Sale – A notice giving specific information about the loan in default and the foreclosure proceedings about to take place. This notice is recorded with the county where the property is located and advertised as stated in the deed of trust and as dictated by state law. In Arizona, the trustee must mail, via certified mail, a copy of the notice of sale to all parties named in the DOT w/in 5 days of recording.

Partial Claim or Partial Release – If your mortgage is insured by FHA, you may qualify for a low interest or interest-free loan to bring your loan current through the FHA. This loan would be repaid at a later date, usually when you pay off your first mortgage or sell your home.

Postponement – The trustee may postpone the sale to a later time, or another place, by giving notice of the new date, time and place by announcing it at the time and place the sale was to occur. The new date must be within 90 calendar days of the postponement. No other notice is required.

Pre-Foreclosure Sale or Short Sale – If you can no longer afford your home, this option involves selling your house to prevent foreclosure. If you own more on the home than its current value, your lender may agree to accept less than what is owed on the mortgage. There may be income tax consequences with a short sale, so please talk to a tax preparer to find out more information.

Pre-Payment Penalty – Is a fee charged by a lender when a borrower pays off a mortgage loan in full or part prior to the maturity date. Fees are generally only applicable within the first few years of the loan and will typically be assessed on prepayments of 20% of the loan balance or more.

Public Notice - Once a week for 4 consecutive weeks, the notice must appear in a newspaper in the county where the property is located. The last notice must be published not less than 10 days prior to the sale date. A notice is to be posted at least 20 days before the date of sale in some conspicuous place on the property. Notice shall also be posted at least 20 days before the date of sale at the county superior court.

Refinance – Qualifying for a new mortgage to pay off an existing mortgage.

Reinstatement – Reinstatement is when you pay the full amount you owe (total of past due monthly payments plus all fees) in a lump sum by a specific date.

Repayment Plan – An arrangement by which a borrower agrees to make additional payments to pay down past due amounts while still making regularly scheduled payments.

Request for Notice – A recorded document requiring a trustee send a copy of a Notice of Default or Notice of Sale concerning a specific deed of trust in foreclosure to the person who filed/recorded the document.

Servicing - The administration of the loan by the servicer from the time you obtain your mortgage loan until it is paid off. Administration of a loan includes the collections and application of payments, payment of insurance and real estate taxes, maintaining records of payments and balances and working with the borrower to resolve delinquencies.

Short Sale – see Pre-Foreclosure Sale.

Short Refinance – The refinancing of a mortgage by a lender for a borrower currently in default on his or her payments. This is done to avoid foreclosure. Typically, the new loan amount is less than the existing outstanding loan amount and the difference is typically forgiven by the lender. This is one of several alternatives that might be more cost effective for the lender instead of foreclosing on the property.

Trustee – A neutral party who advertises the foreclosure property for sale and conducts the auction to sell the property to the highest bidder.

Trustee Sale – An auction of real property conducted by a trustee.

Work-Out – Process where a servicer and a borrower develop mutual agreement to resolve a loan default and avoid foreclosure. An alternative action to foreclosure for the benefit of the lender and the borrower. Alternative options include loan modification, short sale, and various forms of forbearance. Also called the “restructure.”

Source: Freddie Mac, Department of Housing and Urban Development, and Neighbor Works America

Topic 8

MANAGING THE PAPERWORK

PAPERWORK CHECK LIST **STAY ON TOP**

The following documents are usually necessary before you begin to work with a mortgage lender/servicer or a HUD Approved non-profit Housing Counseling Agency Counselor.

Financial Information

- Hardship Letter - see Hardship Section
- Income Worksheet
- Expense Worksheet
- Asset Worksheet
- Pay Stubs for the last 30 days for each member of the household
- Award letter for Social Security/Unemployment/Pension Income
- Federal Tax Returns for at least 2 years
- Bank Statements (most current 2 months) for all accounts/assets
- Statements/bills for all household expenses

Loan Documents

- Promissory Note
- Mortgage
- Riders to the Note and Mortgage
- Truth in Lending (TIL) Form
- HUD 1 Settlement/Closing Statement
- Home Equity Loan/Line of Credit

Other

- A Release of Authorization letter
- ALL correspondence, letters (opened and unopened envelopes) from banks, courts or anyone regarding your home or the foreclosure
- Any Trustee Sale information from your mortgage company or its attorney
- Evidence of outstanding judgments and tax liens

“Stay On Top of It” Communication Log

It is important to keep track of all your conversations with your servicer and housing counselor. It is also very important to keep track of all the people working with you including their phone numbers, important dates and action steps. Below is a sample of the kinds of entries to make in your log. Attached to the log should be all of your documents including letters, loans and notices.

- Who did I talk to? When?
- What was discussed?
- What is their phone number?
- Their address?
- When will they call back?
- When am I supposed to call back?
- What notice did I receive and from whom?

Notes for “Stay On Top of It” Log - Sample -

Date	Name Ph. Number	Notes about our conversation Call Back (CB), Left Message (LM)
01/10/20xx	1-888-243-6666	Spoke with Katie @ Wilshire who requested a Hardship Letter from me. Fax to her @ 1-888-222-0000, then she will CB. If I don't hear from her by 1/15/20xx, I will call her.
1/11/20xx		Sent Hardship Letter by Fax to Katie.
1/15/20xx	1-888-243-6666	LM with Katie to verify she received fax/hardship letter.
1/19/20xx		Katie called. Received letter. Now reviewing our file with her manager to decide next step. She will CB next week. Mark calendar to call Katie on 1/26/20xx if she has not called me.
1/27/20xx	1-888-243-6666	LM for Katie who has not called as promised. Asked her to call back.
1/28/20xx	1-888-456-7777	Marlon from National called to say their company took over our loan and that he will be my new contact. He has our hardship letter, will discuss with his manager next steps, and promised to call back on Monday, Feb. 1 st .



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