



How to Avoid Foreclosure

Real Estate 411 - FACTS

Good news for families facing tough financial times



Jim Fite & Jan Fite Miller

“Before foreclosures started going off the charts, substantive help in advance would have been almost inconceivable. Now it is part of servicers’ marching orders!”

QUICK FACT #1: Fannie Mae offers more flexibility

Fannie Mae gives servicers more flexibility to help borrowers avoid foreclosure. On December 8, 2008, Fannie Mae announced it was giving mortgages servicers more flexibility and more loss mitigation options to minimize foreclosures. The changes will allow servicers to act earlier to avoid potential delinquencies. Highlights of the changes include:

- Authority for servicers to apply loss mitigation tools for borrowers facing reasonably foreseeable, imminent default, so they don't have to wait until they are late making payments.
- A new Early Workout program that allows servicers to pre-negotiate a loan modification that takes effect and becomes permanent after the borrower successfully completes a trial period.
- Clarification that a loan can remain in a pool even if it is 24 months delinquent, if there is ongoing activity to address the problem.
- Elimination of the requirement that a loan must proceed to foreclosure after a specified period of delinquency.

QUICK FACT #2: Loans can be modified

Mortgage relief can now be available at the yellow light rather than the red light! Here is some good news for homeowners facing tough financial times: You no longer have to miss two to three months of payments before your mortgage company can modify the loan terms you can no longer afford. Starting immediately, [Fannie Mae](#), the mortgage giant that has an estimated 18 million home loans in its portfolio or in mortgage bond pools it guarantees, will allow borrowers who face imminent difficulties to request "early workout" loan alterations, even if they have never been late.

QUICK FACT #3: Lenders don't want your house!

Many homeowners mistakenly believe that all lenders are eager to foreclose and take possession of their property. It is true that predatory or abusive lenders may intentionally lend money with the goal of pursuing foreclosure and repossessing the home. (To learn how to spot and steer



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2-Minute 411 with Jim Fite

Proactive tips that may save your home from foreclosure

1. **Don't ignore the problem**, don't run, contact and talk to your lender. The further behind you become, the harder it will be to reinstate your loan and the more likely that you will lose your house.
2. **Contact your lender** as soon as you realize that you have a problem. Lenders do not want your house. Today there are options to help borrowers through difficult financial times.

3. Open and respond to all mail from your lender. The first notices you receive will offer good information about foreclosure prevention options that can help you weather financial problems. Later mail may include important notice of pending legal action. Your failure to open the mail will not be an excuse in foreclosure court.

4. Know your mortgage rights. Find your loan documents and read them so you know what your lender may do if you can't make your payments. Learn about the foreclosure laws and timeframes in your state (as every state is different) by contacting the State Government Housing Office.

5. Understand foreclosure prevention options. Valuable information about foreclosure prevention (also called loss mitigation) options can be found on the internet at the HUD website.

6. Contact a HUD-approved housing counselor. The U.S. Department of Housing and Urban Development (HUD) funds free or very low cost housing counseling nationwide. Housing counselors can help you understand the law and your options, organize your finances and represent you in negotiations with your lender if you need this assistance. Find a HUD-approved housing counselor near you or call (800) 569-4287 or TTY (800) 877-8339.

7. Prioritize your spending. After healthcare, keeping your house should be your first priority. Review your finances and see where you can cut spending in order to make your mortgage payment. Look for optional expenses-cable TV, memberships, entertainment-that you can eliminate. Delay payments on credit cards and other "unsecured" debt until you have paid your mortgage.

8. Use your assets. Do you have assets-a second car, jewelry, a whole life insurance policy-that you can sell for cash to help reinstate your loan? Can anyone in your household get an extra job to bring in additional income? Even if these efforts don't significantly increase your available cash or your income,

clear of predatory lenders, see [Avoiding foreclosure scams.](#)) However, legitimate mortgage lenders prefer to receive your loan payments, and will foreclose only as a last resort because it is a costly and time-consuming process. Lenders are required to explore options to keep borrowers in their homes. This means your lender may offer special "loss mitigation" programs to help committed borrowers avoid foreclosure.

Real Estate 411 - TIPS

Help is available now more than ever!

QUICK TIP #1: Communicate with your lender

Many people lose their homes because they are too ashamed to act, or they go into denial about the seriousness of the problem. To prevent foreclosure, be decisive and explore all solutions. Contact your lender at the number on your statement at the first sign of trouble—even if you have not missed a payment but you think you might have to in future. Your lender will make notes about your phone call in your account file. Reputable lenders and loan servicers should view your contact as an indication that you are committed to fixing the problem rather than avoiding it. The lender may begin discussing possible solutions to your payment problem.

If you have already missed a payment and have not contacted the lender yet, do so immediately. Do not ignore letters or calls from the lender! The longer you wait to act, the fewer options you will have.

QUICK TIP #2: Use your assets

Do you have assets-a second car, jewelry, a whole life insurance policy-that you can sell for cash to help reinstate your loan? Can anyone in your household get an extra job to bring in additional income? Even if these efforts don't significantly increase your available cash or your income, they demonstrate to your lender that you are willing to make sacrifices to keep your home. If you can predict you'll have serious, irresolvable payment problems in the foreseeable future that could lead to foreclosure, consider selling your home before you go into default.

QUICK TIP #3: Dos and don'ts for homeowners facing foreclosure

Don't:

- Run from the problem
- Sign anything that you do not fully understand.
- Deed your property over to anyone. Signing your home over to someone else does not relieve you of your mortgage obligation.
- Let someone assume the loan without the lender's permission and without their formally releasing you from liability for the mortgage.
- Move out of your house because someone promises to make the mortgage payments for you.

they demonstrate to your lender that you are willing to make sacrifices to keep your home.

9. Avoid foreclosure prevention companies. You don't need to pay fees for foreclosure prevention help. Use that money to pay the mortgage instead! Many for-profit companies will contact you promising to negotiate with your lender. While these may be legitimate businesses, they will charge you a hefty fee (often two or three month's mortgage payment) for information and services your lender or a HUD approved housing counselor will provide free if you contact them.

10. Don't lose your house to foreclosure recovery scams! If any firm claims they can stop your foreclosure immediately if you sign a document appointing them to act on your behalf, you may well be signing over the title to your property and becoming a renter in your own home! Never sign a legal document without reading and understanding all the terms and getting professional advice from an attorney, a trusted real estate professional, or a HUD approved housing counselor.

Do:

- Call your lender, real estate professional or property management company
- Get financial counseling
- Be suspicious of anyone who contacts you with a loan or service they promise will solve your money troubles and save your home.
- Avoid high-pressure lenders, or those who encourage you to pay an upfront fee for any service or loan, borrow more than the value of the home, or take on a loan without considering your ability to make the payments.
- Get all terms and promises in writing.
- Be on the lookout for terms that change or are not disclosed at the beginning of the loan process.
- Avoid any refinancing loan with exorbitant fees, a stiff prepayment penalty, an excessively high interest rate, or a balloon payment due. (If you're not sure whether the loan you're being offered includes any of these abusive terms, have someone you trust review them for you.)
- Check for complaints about any company that offers to buy your home. Contact your state's consumer protection office or your state's real estate regulator.

To find a real estate professional that can help you understand your mortgage options, contact :

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