

SUMMARY: The idea of losing your home can be anxiety producing, but there are resources available to help you weather the storm. The sooner you start looking for answers, the more options you may have. It's important that you identify the reason for falling behind on your payments and figure exactly how many months behind your mortgage is. Consider if you want to keep your home or if you think it's best to move on to another residence. Knowing your options either way will help you make the best possible decision for your future.

START WITH KNOWING THE FORECLOSURE LAWS IN YOUR STATE: Each state has different laws and time lines for foreclosure proceedings. Our financial counselor can forward you a summary of the laws, restrictions and procedures for your state. Some states foreclose in as few as 5 months, others run closer to 18 months or longer. Knowing your time line will help you know your options.

SOURCES AND LINKS:

- A good summary of mortgage assistance options is <http://www.hopenow.com/homeowner-options.php>
- The Making Home Affordable (MHA) program is a federal mortgage assistance program that may help <https://www.makinghomeaffordable.gov> explains the many programs available based on your situation. Options include Modification, Principal Reduction, Refinance Assistance, Short Sale, Deed-In-Lieu and Transition Assistance Programs. Foreclosure prevention experts can be reached at (888) 995-HOPE.
- These mortgage companies participate in MHA: <https://www.makinghomeaffordable.gov/get-answers/Pages/get-answers-how-contact-mortgage-company.aspx> . If yours does not, contact your lender directly to ask about "in-house" assistance programs.
- Certain states hit hardest by foreclosure have additional programs and funding designated "Hardest Hit Funds" to help struggling homeowners. View the list of states and programs here: <https://www.makinghomeaffordable.gov/steps/Pages/step-2-program-hhf.aspx>
- The Hope Now Alliance provides support and guidance for homeowners and often hosts live events to help you apply for mortgage relief assistance: <http://www.hopenow.com/upcoming-events.php>

TIPS, TRICKS & CAUTIONS:

- Contact your lender AS SOON AS you know you are going to have difficulty making your mortgage payment. Often a lender can help you through a short term financial challenge with a simple solution.
- Keep notes! Obtaining mortgage assistance can be an extended process. Write down dates, times and details of each conversation you have with your mortgage company, third party or Foreclosure Prevention expert. Follow up when requested to send in documents to ensure they are received.
- Beware of mortgage rescue scams. Scammers make promises they can't keep, such as guaranteeing to save your home or reduce your payments. They charge fees that can end up in the thousands of dollars. Real help is always free and available from your lender or non-profit organizations. If you think you've been scammed, file a complaint at: <http://lcintake.serveronline.net/intake-basic-qualify.aspx?>
- Consult with a licensed tax preparer about the impact of a short sale, foreclosure, deed-in-lieu or principal reduction as part of your mortgage modification. Sometimes taxes are due on the forgiven amount of the debt.

KEY TERMS:

DEED IN LIEU: The process by which a homeowner may voluntarily transfer the deed to a home to the servicer when payments cannot be made.

DEFICIENCY: The difference between the balance outstanding on a loan and proceeds from the sale of the loan collateral or property. In foreclosure situations, it is possible for a lender to pursue and collect a deficiency from the borrower.

FANNIE MAE/FREDDIE MAC: Private corporations created by the U.S. Government to reduce borrowing costs. Also known as GSEs or Government Sponsored Entities.

FORBEARANCE: A temporary period of time during which a regular monthly mortgage payment is reduced or suspended. Forbearance options can be made directly by a lender or as part of a Unemployment Assistance program.

FORECLOSURE: The legal process by which a property may be sold and the proceeds of the sale applied to the mortgage debt. A foreclosure occurs when the loan becomes delinquent because payments have not been made or when the homeowner is in default for a reason other than the failure to make timely mortgage payments

HARDEST HIT FUND: Provides targeted aid to families in states hit hard by the economic and housing market downturn. Each state housing agency gathered public input to implement programs designed to meet the distinct challenges struggling homeowners in their state are facing. States were chosen either because they are struggling with unemployment rates at or above the national average or steep home price declines greater than 20 percent since the housing market downturn.

MODIFICATION: A change in the terms of a loan, usually the interest rate and/or term, in response to the homeowner's inability to make the payments under the existing contract.

NET PRESENT VALUE: A calculation used by mortgage lenders in determining whether a mortgage will be profitable after a modification vs being foreclosed on. It includes figuring the likelihood that the mortgage will re-default -- that is, that it will end up in foreclosure, anyway, even after a modification.

PRINCIPAL REDUCTION: The reduction in loan balance which occurs with each payment of a positively amortized mortgage. Principal reduction may also be a tool used in a mortgage workout solution.

REFINANCE: The process of replacing an existing mortgage with a new one by paying off the existing debt with a new loan under different terms.

SHORT SALE: Sale in which the servicer allows the homeowner to list and sell the mortgaged property with the understanding that the net proceeds from the sale may be less than the total amount due on the first mortgage. Also referred to as a "Pre-foreclosure Sale."

TRANSITION ASSISTANCE: Transition Assistance programs provide one-time funds to help eligible homeowners relocate into a new housing situation after executing a short sale or deed-in-lieu of foreclosure program.

UNDERWATER: When the balance of the mortgage loan is higher than the fair market value of the property.

UNEMPLOYMENT ASSISTANCE: Unemployment Mortgage Assistance programs provides mortgage payment assistance to eligible homeowners in certain states who have experienced an involuntary job loss and are receiving unemployment benefits.

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