



# Don't Lose Your Home to Foreclosure

## THERE IS HELP AVAILABLE

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It is no secret that a number of our residents and fellow Michigander's are facing some economic challenges that are affecting their ability to maintain their quality of life. More and more individuals and families are finding it increasingly difficult to make their mortgage payments resulting in possible foreclosure. The most unfortunate thing is that many do not realize that they don't have to lose their homes. In many cases, there are programs available designed to assist homeowners in getting back on track. If you are facing foreclosure, there is help available. This booklet contains information and resources to help homeowners who may be facing this rising crisis.

## TIPS TO AVOID FORECLOSURE

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### ❖ **Don't Ignore the Problem**

The further behind you become, the harder it will be to reinstate your loan and the more likely that you will lose your house.

### ❖ **Contact Your Lender**

Contact your lender as soon as you realize that you have a problem. Lenders do not want your house. They have options to help borrowers through difficult financial times.

### ❖ **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.

### ❖ **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 by contacting the Michigan State Housing Development Authority at 517.373.8370.

### ❖ **Understand Foreclosure Prevention Options**

Valuable information about foreclosure prevention (also called loss mitigation) options can be found at [www.fha.gov/forelcosure/index.cfm](http://www.fha.gov/forelcosure/index.cfm)

### ❖ **Contact a HUD-approved Housing Counselor**

The U.S. Department of Housing and Urban Development (HUD) funds free or 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. To find a HUD-approved housing counselor near you, go to [www.hud.gov](http://www.hud.gov) or call 800.569.4287 or TTY 800.877.8339.

### ❖ **Use Your Assets**

Do you have assets such as a second car, jewelry or 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.

### ❖ **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 often charge a hefty fee (often two or three month's mortgage payments). Contact your lender or a HUD-approved housing counselor to find out about free help that they can provide.

### ❖ **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 become 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. (Source: <http://www.hud.gov/foreclosure/>)

## **THE WORKOUT PROCESS – LOSS MITIGATION**

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If you find that you just can't get caught up with your payments, you should contact your mortgage company to start the process of loss mitigation. This is an agreement that you negotiate with your mortgage company to bring your account into better standing and avoid foreclosure.

It's common practice to begin the workout process with the mortgage company, asking specifically for the loss mitigation department (if they have one). Always keep track of the time, date and person you talked to. Confirm all agreements in writing.

A workout package from the lender will require the following documents:

- ❖ Completed application form
- ❖ Pay stubs for income verification
- ❖ W-2 forms from the previous year
- ❖ Completed budget
- ❖ Hardship letter explaining situation

It may take a Loss Mitigation Specialist (your lender) a few weeks or even months to report back to you with the decision about the workout plan. It's important to regularly check with them about the status so that the request doesn't get lost in the meantime. Also note that the collection department may still be "attempting to collect a debt," so you should be aware that the phone calls won't stop when the loss mitigation department is working on a solution.

Unresponsive and unhelpful servicers are out there, regardless of the incentives provided by mortgage insurers or investors. When a servicer/lender does not respond to a work-out proposal it is appropriate to contact the owner of the risk. Exactly who this is can be difficult to figure out. You can look at original mortgage documents - a charge for mortgage insurance and who it is paid to should be on the settlement statement. If you have private mortgage insurance (PMI), you may be entitled to a partial claim. Make sure you know who your insurance provider is.

Under the 1995 amendment to the Truth in Lending Act the servicer is required, upon written request, to provide you with the name, address and telephone number of the mortgage holder.

## **BEWARE OF SCAMS**

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Usually if it sounds too good to be true, it probably is. Home lending and foreclosure scams are costing Michigan residents thousands of dollars and often their homes. Those who are particularly vulnerable are senior citizens and those with low incomes or poor credit. Don't allow yourself and your family to fall victim to one of these scams – **EDUCATE YOURSELF!**

The Michigan Attorney General's Office website, under Consumer Alerts – Debt Collection & Debt Collection Scams, at <http://www.michigan.gov/ag/0,4534,7-164-17337-238041--,00.html> provides a list of common scams that are common ploys being used.

Be very cautious of any claim that promises to lower your monthly mortgage payments while also promising that in a short time you can own your home free and clear of debt. Further, con artists will seek you out. If you find yourself in foreclosure proceedings and receiving solicitations at your home via telephone, letter, home visits, etc. it is more than likely they are attempts by scam artists to take advantage of your situation.

One of the most important things you need to do is become well-informed. Talk to your mortgage company and/or contact the government agencies that are there to help you. Ask questions, read and understand information thoroughly. There is help available.

## **IMPORTANT AGENCY CONTACT INFORMATION**

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Federal Housing Administration (FHA) Home Office: (888) 297-8685

Federal Housing and Urban Development (HUD) Resource Center: (800) 225-5342 or on the web [www.hud.gov](http://www.hud.gov)

Federal National Mortgage Association (Fannie Mae) Home Office: (202)752-7000

Federal National Mortgage Association (Fannie Mae) Regional Offices: Midwestern (312) 368-6200 (Contact the one where the servicer you're working with is located): IL, IN, IA, MI, MN, NE, ND, OH, SD, WI

Michigan Housing and Urban Development Authority: Detroit Office (313) 456-3540 or visit on the web [www.michigan.gov/mshda](http://www.michigan.gov/mshda)

Michigan Attorney General: 1-877-765-8388 or visit on the web [www.michigan.gov/ag](http://www.michigan.gov/ag)

Office of Financial and Insurance Regulation: 1-877-999-6442 or visit [www.michigan.gov/ofir](http://www.michigan.gov/ofir)

Rural Development: 1-800-793-8861

Veterans Administration Central Office: 1-800-827-1000

Mortgage Guaranty Insurance Corporation (MGIC): 1-800-272-4071