

# You can be **debt free**



## There is help waiting for you now.

- Reduce or eliminate interest charges.
- Consolidate credit card bills into one lower monthly payment.
- Pay off your debt in half the time.
  - Save thousands of dollars.



Consolidated Credit Counseling Services, Inc.

5701 West Sunrise Boulevard • Fort Lauderdale, FL 33313

1-800-SAVE-ME-2 • (1-800-728-3632)

[www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org) • Email: [counselor@ConsolidatedCredit.org](mailto:counselor@ConsolidatedCredit.org)

# AVOIDING FORECLOSURE



A free publication provided by  
Consolidated Credit Counseling Services, Inc.  
A nonprofit educational credit counseling  
and debt management organization.

Consolidated Credit Counseling Services, Inc.  
5701 West Sunrise Boulevard  
Fort Lauderdale, FL 33313  
1-800-SAVE-ME-2 • 1-800-728-3632  
[www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org)



## **Avoid Foreclosure!**

Falling behind on your bills can be very stressful, but falling behind on your mortgage can be downright frightening. The thought of losing your home may be so overwhelming that you try to avoid even thinking about it. But that's never the best approach.

If you're having trouble keeping up with your mortgage, this booklet will give you strategies for getting back on track.

## **How Does It Work?**

How long it takes a lender to foreclose on your home, and the steps they must take to do so, varies by state. Foreclosure laws are specific to the state in which the property is located. States usually have either judicial foreclosure proceedings or non-judicial or statutory foreclosure proceedings. In judicial foreclosure states, the mortgage holder must take you to court and get the court's order to foreclose. If you're working with an attorney, this may give you an opportunity to stay in your home longer, or even stop the proceedings.

In non-judicial or statutory foreclosure states, lenders may be able to foreclose without going to court, which can be faster and easier for the lender. Some states allow a combination of both, depending on how the contract is written.

For information on state foreclosure laws, visit: [www.foreclosures.com](http://www.foreclosures.com) or talk with a consumer law attorney in your area.

While the rules regarding foreclosure proceedings vary by state, here's what you can generally expect if you fall behind on your mortgage payments.

If you haven't made your payment by the 15th day after the due date, you'll be assessed a late fee, which is usually 4% of the loan amount. If you have still not paid by the second month, you'll likely get a phone call and/or letter to find out what's going on.

Lenders can usually begin the foreclosure process after you have missed a few payments. If you can't work out an arrangement with the lender to catch up, they may then send a Notice of Acceleration, which basically tells you that you now must pay the loan in full if you want to keep your home. Getting one of these letters is serious, because lenders may not be willing – or obligated – to work out a payment arrangement with you.

In some states, borrowers still have an opportunity to “redeem” the property by paying the amount due plus costs for a certain period after foreclosure.

**Important:** Many states allow lenders to collect a “deficiency judgment” if the home is sold for less than the full balance due, or for less than market value. This may leave the former homeowner with a debt that must be paid even after the home has been sold.

A foreclosure remains on your credit report for seven years from the date of the foreclosure and is considered a very serious negative mark.

## **Your Options If You Are Behind On Your Mortgage:**

### **Negotiate With Your Lender**

Lenders don't want to foreclose on homes. It's expensive for them, and can drag out for months in many states. At the same time, they

don't want to waste time and money on risky borrowers who are chronically late with payments — and who may not be taking good care of the home they may have to later take back and sell.

Negotiating with the lender, therefore, can be difficult if you either have a history of late payments or if you can't show the lender why this is an isolated incident and is not likely to happen again. If your financial problems are truly temporary — you were laid off but have now returned to work, or you had unexpected medical bills, for example — you may be able to work something out.

If your lender is open to negotiation, they may agree to take smaller payments for a short period of time, and then add the rest to the balance of the loan. Or they may agree to interest-only payments for a time. In some cases, they may even agree to add a couple of missed payments to the end of the loan.

If you are going to try to work out a modified payment arrangement with your lender, it's important to present them with factual — not emotional — information about your situation, and be willing to back it up with documentation.

If you find it difficult to negotiate on your own, and many people do, get help from a professional organization like [www.HomesaversUSA.com](http://www.HomesaversUSA.com).

Whatever you do, don't keep falling further and further behind without contacting your lender or getting outside help.



## Pre-foreclosure sale

If your problems aren't temporary, you may need to sell your home. If you have built up equity in your home that you would lose in a foreclosure, then this may be your best bet.

If you do have enough equity in your home to be able to afford to pay a real estate professional's fee (usually 6% of the sales price, sometimes lower), it's a good idea to interview three real estate professionals and let them handle the sale for you. Statistics show that homes sold by professionals sell faster than ones where the owner is making the sale.

Make sure you get any agreements in writing from them as to what they will do to market your home. And don't necessarily go with the agent who tells you she can sell your home for top dollar. Choose the one who you believe will do the most to help your home sell quickly at a fair price.

If you're going to go this route, talk with your lender and let them know that you have put the home up for sale. Ask if they will hold off on their foreclosure proceedings longer since you have the house listed.

If you don't have much equity in your home, you may need to list your home for sale by owner — also known as a "FSBO."

**Beware:** This can be a lot of work. Visit your local library for books on selling your own home and implement as many strategies as you can. You don't want to add to your stress by having no buyers show up to take a look at your home.

You may also be able to save the real estate commission by working with a real estate investor who will offer you a quick but fair sale on your home. Keep in mind that even while you're trying to sell, the lender may continue foreclosure proceedings so again, it's important to try to maintain an open dialogue with the lender.

## Short Sales

You've probably seen the signs or ads in the newspaper: "We buy homes for cash, any condition!" These ads are usually placed by real estate investors looking for bargain homes. If you've borrowed on your home recently, you may not have a lot of equity. But an experienced real estate investor may still be able to buy your home and give you enough cash to cover your moving expenses. They do this through a "short sale."

In a short sale, the buyer will prepare documentation showing the lender that you are in financial hardship and will end up in foreclosure anyway. They will then offer to buy the home for less than you owe on it.

Let's say, for example, your home is worth \$75,000 and you owe \$60,000 on your first mortgage and \$10,000 on the second for a total of \$70,000. The buyer may convince the first mortgage lender to settle for \$65,000 and the second lender (who may get nothing in a foreclosure or bankruptcy) to settle for \$3,000. They may even pay you \$500 or so to cover your moving expenses.

A short sale will help you avoid foreclosure, but it will still appear on your credit report as paid for less than the total amount and that will

be a negative remark. On the other hand, if the documents are properly drawn up, you won't risk a deficiency judgment if the home was sold and didn't bring in enough to pay the lenders.

To make sure you are protected, ask the seller if they will pay to have your documents reviewed by an attorney of your choice.

## Equity Skimming or Leasebacks

One of the less scrupulous methods for "helping" homeowners stay in their homes is equity skimming or leaseback programs. The individual offering to help you out will offer to catch you up on your payments and take them over for a period of time while you continue to "rent" the home. The contract, however, usually contains strict provisions so that if you are one day late with your monthly payment, for example, the home is no longer yours. Or you may have actually signed over your home to that buyer with the opportunity to buy it back at terms you'll never be able to afford. Either way, you lose.

Be very careful if someone offers you an easy way out of your foreclosure situation. When you are in foreclosure, you're a high-risk borrower. Your lender won't let you off the hook easily, why would someone else?

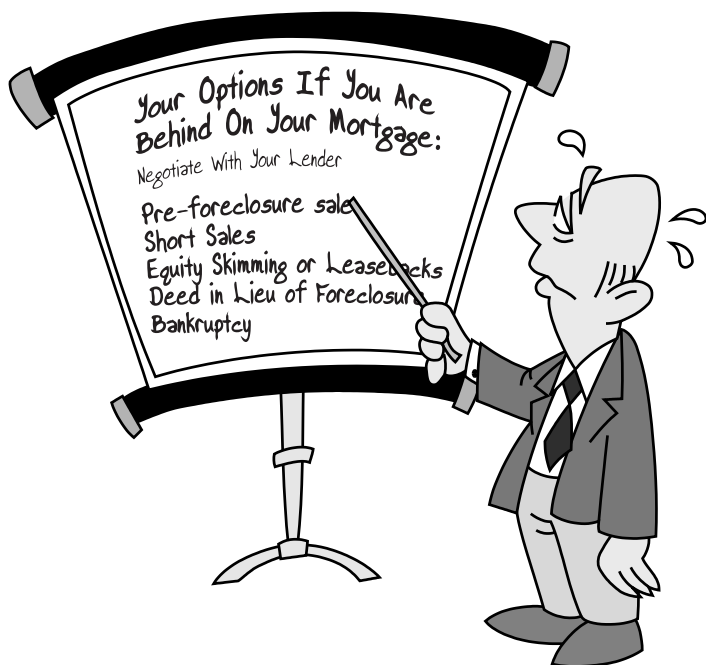
*A Note About Quitclaims:* You can quitclaim your ownership in a property by signing a legal document turning your rights over to someone else. This does not get you off the hook with the lender. It just leaves you with no rights to the property. Do not quitclaim your property if you cannot get an attorney to look over the documents for you.

## Deed in Lieu of Foreclosure

With a deed-in-lieu, you basically give the lender back the home. By doing so, you may minimize the foreclosure expenses. But your credit report will likely say “deed in lieu of foreclosure” which is pretty much as negative as a foreclosure.

## Bankruptcy

In some states and in some situations, filing for bankruptcy can delay or stop the foreclosure process. Since bankruptcy laws vary from state to state, it's a good idea to talk with an attorney as soon as possible if you think you may need to go this route.



## About the author and Consolidated Credit Counseling Services, Inc.

Consolidated Credit Counseling Services, Inc. is a consumer-oriented, nonprofit, tax exempt, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States. Our mission is to help families end financial crisis and solve money management problems through education and professional counseling.

Gerri Detweiler is Consolidated's educational director and author of this publication. She has written numerous books including *The Ultimate Credit Handbook*, which was featured in *Money* magazine as one of the five best new personal finance books of the year when it was released. Ms. Detweiler has been quoted in thousands of publications including *The New York Times* and *The Wall Street Journal*. She co-hosted an award-winning syndicated financial radio program, and has been a guest on *The Today Show*, *Dateline NBC*, the *CBS Evening News*, and *CNN*. She has testified before Congress and lobbied on behalf of consumers protection measures. She is the former executive director of *Bankcard Holders of America*, as well as a policy director for the *National Council of Individual Investors*. She has also served on the *Board of Directors* for the *National Coalition for Consumer Education* as well as *Experian's Consumer Advisory Council*.

Call  
**1-800-SAVE-ME-2**  
(1-800-728-3632)

Or visit  
**www.ConsolidatedCredit.org**  
For A Free Consultation

# NOTES

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---



## Now you can find **FREEDOM FROM DEBT!**

Consolidated Credit Counseling Services, a nationally recognized non-profit organization, will provide you with professional financial education, counseling and resources.

In addition, you can benefit from customized Debt Management Programs, which incorporate a bill consolidation plan to help you regain your financial freedom.

**Our professionally trained  
Certified Public Accountants  
will negotiate directly with  
your creditors to:**

- Reduce or even eliminate interest rates!
- Lower monthly payments by up to 50%.
- Eliminate late charges and over-limit fees.
- Consolidate debts into one lower payment.
- Help you pay off debt faster.
- Rebuild your credit rating.
- Save you thousands of dollars.
- Get you on a plan to be debt free!



Call today, and take your first step toward financial freedom!

**1-800-SAVE-ME-2**  
or visit [www.ConsolidatedCredit.org](http://www.ConsolidatedCredit.org)

