

Avoid Foreclosure Rescue Scams Designed to Steal Your Home...Don't Face This Horror Alone!

"...and I Still Didn't Feel Like They Were Lying to Me"-- Olivia Ortiz



Storm alert...Take shelter now! The National Consumer Law Center has issued a severe storm alert threatening to destroy American families and homeowners.

This violent storm has paralyzed (and will in coming months paralyze) many families, leaving children homeless and hopeless. It's a violent storm with tragic effects on families and children.

At the center of this violent storm are people calling themselves 'rescuers,' 'saviors,' and 'friends.' This scam nets them huge profits by stealing desperate people's homes threatened by bankruptcy and/or

foreclosure.

This is an American nightmare that is predicted to get worse in coming months.

If you (or someone you know) are behind in payments, about to be behind in payments or experiencing foreclosure or bankruptcy, do not sign anything given you by that 'nice' man or woman offering to rescue you and save your home.

- ****TIP**** Do not sign anything until you have talked with your own attorney and lender(s) to explore your and weigh your options. Most 'work out' plans offered by the 'nice man/woman' are scams!

Definitely, do not sign anything until you have explored all options with your lender and confirmed this with your attorney.

Though two-years-old, a report issued by the National Consumer Law Center actually is more relevant today than it was in 2005.

The U.S. foreclosure rate is rising... www.foreclosures.com reports a record total of 355,624 foreclosures this year (as of August 2007).

This report is a must read: “Dreams Foreclosed: The Rampant Theft of Americans’ Homes Through Equity-Stripping Foreclosure ‘Rescue’ Scams,” a report by the National Consumer Law Center (June 2005).

Possible ‘Save Your Home’ Solutions...



Contrary to belief, there are **NO** secrets to avoiding foreclosure.

Yes, there are thousands of foreclosures in the U.S. each month...and many do lose their homes needlessly...and losing your home **MAY** not have to happen to you.

You **MAY** avoid foreclosure, but you **MUST** explore all your options with an “uninterested” (that is, with somebody who does not stand to benefit from your hardship).

The following strategies, not in any particular order, provide options to homeowners in need of help.

Make up back payments. If you have the money, the absolute easiest solution is to pay your lender back payments, late fees, and legal expenses. Are you thinking, “Wow, why didn’t I think of this

Special Forbearance. Your lender may be able to arrange a repayment plan based on your financial situation and may even provide for a temporary reduction or suspension of your payments. You may qualify for this if you have recently experienced a reduction in income or an increase in living expenses. You must furnish information to your lender to show that you would be able to meet the requirements of the new payment plan. Call your lender and ask to speak with a **Loss Mitigation Specialist** if you’re behind or about to be behind in payments.

Mortgage Modification. You may be able to refinance the debt and/or extend the term of your mortgage loan. This may help you catch up by reducing the monthly payments to a more affordable level. You may qualify if you have recovered from a financial problem and can afford the new payment amount. Explain your situation and request your options.

- Do you need to reduce your adjustable-rate payment, which has recently reset and spiked your monthly payment?
- Do you need to skip a few payments?
- Do you need to refinance—find out if your lender will do a ‘no-cost refi’.

Give your lender(s) a chance to help you keep your home and realistically afford it.

Partial Claim. Your lender may be able to work with you to obtain a one-time payment from the FHA-Insurance fund to bring your mortgage current.

You may qualify if:

1. your loan is at least 4 months delinquent but no more than 12 months delinquent;
2. you are able to begin making full mortgage payments.

When your lender files a Partial Claim, the U.S. Department of Housing and Urban Development will pay your lender the amount necessary to bring your mortgage current. You must execute a Promissory Note, and a Lien will be placed on your property until the Promissory Note is paid in full.

The Promissory Note is interest-free and is due when you pay off the first mortgage or when you sell the property.

Get a "hard-money" loan. IF you have at least 65% (loan-to-value or LTV, i.e. your home is worth \$200,00 on which you have a mortgage for \$130,000), you may consider calling a hard-money lender. Where are they? Look in the Real Estate section of your local newspapers. Beware, these lenders charge hefty fees, generally 12% interest and 3-5 points, i.e. 3-5% of the loan amount, paid upfront for the privilege of lending you money quickly. This should only be considered as a final resort and after your attorney has reviewed the terms.

Sell to a real estate investor. Again, this is a last resort. This is after you have explored all option with your lender(s) and tried to sell with or without a Realtor. You've seen the "We Buy Houses!" signs and ads in the newspapers. They're everywhere. Call as many of the investors as time permits. Interview them. Find out if one of the investors can provide you with a win-win solution. However, do NOT sign anything until your attorney has reviewed the paper and given you a legal opinion.

File Bankruptcy to avoid foreclosure. Call a bankruptcy attorney, who may offer you a free consultation. Do you qualify for Legal Aid? Do you have a pre-paid legal plan? In October 2005, new laws went in to effect regarding bankruptcy. Find out how the new bankruptcy laws may affect you. If you're able to file bankruptcy, this may be the best option.

Get Help From a Friend, Relative or Charity. Some charities or government organizations will give you the money to bring your mortgage current and stop foreclosure if you can prove to them that it won't happen again. Perhaps some relatives will offer to do this as well.

Deed-in-lieu of foreclosure. As a last resort, you may be able to voluntarily "give back" your property to the lender. This won't save your house, but it is not as damaging to your credit rating as a foreclosure.

You can qualify if:

- you are in default and don't qualify for any of the other options;
- your attempts at selling the house before foreclosure were unsuccessful; and
- you don't have another FHA mortgage in default.

- For a deed-in-lieu the owner must have the house for sale for at least 90 days in an attempt to sell it.
- Florida, for instance, is a deficiency judgement state, meaning they have the right to issue a 1099 Misc. for any shortcoming in a short sale, deed-in lieu, or foreclosure and the owners will have to pay taxes on it as if it were "income".

Sell Your House. List with a Realtor or Sell as a FSBO (or For Sale by Owner). What will it take in your neighborhood to get a quick sale? How many days is an aggressively priced and marketed home sitting before selling? Call a realtor to find out.

Find out if you have enough equity to sell BELOW market to get a quick sale? Does your equity also provide enough for all the fees involved in the sale of your home?

For instance, let's look at typical fees charged to sell a home (priced to sell) at \$275,000 (recently appraised for \$300,000 or 92% of appraised value):

Realtor's Fee (6-7%)	\$19,250
Transfer (Doc. Stamps) Tax (\$7.00 per each \$1,000)	\$ 1,925
Seller's Title Insurancy Policy (Re-issue Credit?)	\$ 1,500
Holding Costs , i.e. payment, elec, gas, water property taxes, insurance, etc)	\$ 2,500 x ? (number of months waiting to sell)

With a \$25,000 'discount' and a quick 'full-price' offer for \$275,000, you will **NET \$249,825.00**, paying \$25,175 in selling fees.

Selling a house is expensive, if it sells at all. Even nice homes in nice neighborhoods priced to sell are not selling. Many of these houses are empty...tall weeds...a rusting For Sale sign leaning over in the front yard. Houses priced right are not selling.

What equity do you have in your home? If you don't have any, you will have to show up at closing with the difference. This is a painful reality for many sellers forgetting just how expensive it is to sell a house.

Pre-foreclosure sale (often referred to as Short Sale). This will allow you to avoid foreclosure by selling your property for an amount less than the amount necessary to pay off your mortgage loan.

You may qualify if:

1. the loan is at least 2 months delinquent;
2. you are able to sell your house within 3 to 5 months; and
3. a new appraisal (that your lender will obtain) shows that the value of your home meets HUD program guidelines.

How many mortgages do you have on your house? One? Two? Three? More? If you need to sell and want to avoid foreclosure, your Realtor may be able to negotiate a 'short sale' with your lender (s).

A short sale is the lender's (or lenders') agreement to take less money than what you owe. To avoid a costly and lengthy foreclosure, lenders prefer a short sale.



In some cases, if you have two or more mortgages on your house, the second (and third lenders) may get wiped out in a short sale. For instance. Let's say you owe \$250,000 to Lender A and \$50,000 to Lender B. You have no equity to pay selling costs.

Your realtor (or you) may recommend a short sale whereas Lender B agrees to accept less in order to get something.

The short sale process starts with your Lender's Loss Mitigation Specialist and involves all market data including listing sheet (how many days on the market, how many comps & how many actives, pendings or sales); market analysis; hardship letter; bank statements, etc.

Whatever you choose to do, please get legal help. Allow someone not emotionally involved to advise you.

Above all, please do not be embarrassed or humiliated. Let your family and friends know what is happening. They will not think less of you.

Every one of us could face a similar tragedy, brought on possibly by no fault of our own (or your own).

What we're facing is an American tragedy getting worse, not better.