



Foreclosure Comprehensive Avoidance Training

Homeowner Guide

NOTE FROM AUTHOR

This Audio CD or Booklet has been created as an Instructional Guide to help you help yourself avoid a Foreclosure. I have two goals while we are together. My first goal is to educate you. My second goal is that you take this information and apply it. My mentor taught me. That education without application is worse than worthless.

I wish you Success,
Will Weaver
REALTOR® / Real Estate Educator

CONTENTS

- The Definition Of Foreclosure
- The Two Types Of Foreclosure In Our Country. The Judicial & The Non-Judicial Foreclosure.
- Homeowners Right Of Redemption.
- The 5 Options Homeowners Have To Escape Foreclosure
- Contacting The Lender
- What To Expect When Contacting The Lender
- What's Needed When Contacting The Lender/When It's Needed
- What To Say To The Lender

I'll Point You In The Right Direction To Get The Answers To Any Unanswered Questions

1.

Before we discuss your Options or Calling the Lender. Let's first understand the Foreclosure.

The Definition of Foreclosure

A **Foreclosure** – Is an **In** or **Out** of court proceeding,

The Purpose of Foreclosure:

Is to extinguish all of the **Homeowners Rights** to the title, and interest to the property, in order to sell the property to satisfy a lien against it.

It's important to know **each state** handles their real estate foreclosures differently.



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The Foreclosure time frame may vary from state to state.

It's also important to understand the procedures in your specific State.

The information you're about to learn is a general overview of the Foreclosure

There are two types of Foreclosure's in the United States.

The Judicial Foreclosure & The Non-Judicial Foreclosure.

It important to understand the difference between the two.

The first type of Foreclosure we'll discuss is the:

The Non-judicial Foreclosure.

Non-judicial foreclosures are processed without court intervention, it happens when a Mortgage loan is defaulted on. If the homeowner does not remedy the default, a Notice of Sale will be mailed to the homeowner, and recorded at the County, published in local legal publications and or local classifieds.

After the legally required time has expired, a public auction will be held, with the highest bidder becoming the owner of the property.

Question: What's that legally required time?

You'll find that information at:

- 1. The County Building**
- 2. On your Notice of Sale**
- 3. Call an Attorney**

The Second type of Foreclosure is a Judicial Foreclosure.

Judicial foreclosures are processed through the courts.

Beginning with the lender filing a complaint at the court.

The homeowner will be served a notice of the complaint, either by mail, publicized in local publication such as classified ads, legal publications, i.e. The Legal News.

Or being served by a service, or the Sheriff's Dept.



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The homeowner will have the opportunity to be heard before the court.

Question: When can I be heard before the Court?

Here's where to find that information:

- 1. On The Notice of the complaint**
- 2. The County Building**
- 3. Call an Attorney**

If the court finds the complaint valid the court will enter a Judgment authorizing a sheriff's sale. What's a sheriff's sale? It's an auction, open to anyone.

At the end of the auction, the highest bidder will be the owner of the property.

After the auction a sheriff's deed will be issued to the highest bidder. Once the deed's recorded the highest bidder owns the property.

Note to self. It is important to know that each state that practices a Non-Judicial or Judicial Foreclosure have different procedures.

Let's briefly discuss Owners Right of Redemption.

Commonly known as a "Homeowners Right of Redemption"

A Homeowners Right of Redemption is a specific time frame in which you the homeowner may redeem your mortgage.

It's a period of time established by state laws

It's when the homeowner can redeem their property after it's been sold at an auction.

Where can the homeowner go to investigate about their own personal foreclosure process & Owners Right of Redemption?

- 1. State & County Websites**
- 2. Your County Building**
- 3. Talk to a Attorney**
- 4. Talk to a Real Estate Broker***

"Not all states offer a redemption period."

Check your state and local procedures carefully.

*Real estate professionals are not attorney's, we recommend that the seller consult with an attorney before proceeding.



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2.

Now that you understand the:

- Definition Of Foreclosure
- The Two Types of Foreclosure.
- The Judicial Foreclosure & the Non-Judicial Foreclosure
- The Homeowners Right of Redemption
- Where to Find your Answers

Let's talk about the Foreclosure Avoidance Options that are available to homeowners to avoid a foreclosure

These options can only be implemented during **Pre-Foreclosure**.

What's Pre-Foreclosure? Pre-Foreclosure is prior to the auction and or prior to the end of the redemption period.

There are 5 options available to homeowners to avoid a foreclosure.

These options are available to every homeowner with a mortgage in the US.

Homeowners have every right to implement these options.

What are the 5 options?

Foreclosure Avoidance Options.

- 1. The Reinstatement of Mortgage**
- 2. The Loan Modification**
- 3. The Forbearance Agreement**
- 4. The Deed in Lieu of Foreclosure**
- 5. The Short Sale**

1. The Reinstatement of Mortgage:

The Reinstatement of Mortgage is when a homeowner can pay off the past due, penalties, interest and any attorney fees that have accrued.

Question: How to reinstate their mortgage?

The homeowner can call their lender and or the lenders attorney, and simply ask them what they need to do to reinstate their mortgage?



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- At that point a dollar amount will be provided that needs to be paid, along with a time frame
- Payment Instructions will also be provided.

By implementing the reinstatement option they will stop the foreclosure and they can remain in the home.

2. The Loan Modification

A loan modification is simply changing the terms of the loan.
(i.e., the interest rate. Reducing the interest rate will make the payment more affordable)

The loan modification is a viable option to avoid foreclosure.

Question: Why would a lender consider a loan modification?

Answer: They can continue receiving payment.

It avoids a foreclosure. In a foreclosure the lender isn't receiving any payments.

Nothing Zip, Zero, Zilch. There losing.

It benefits them financially. The more nonperforming assets inventory a lender carries, there is a loss of revenue. Just watch the news -lenders don't want to foreclose. They don't want your house. They want to work it out.

3. The Forbearance Agreement:

A Forbearance Agreement is when a lender will take the past due amount move it to the back of the loan or they'll divide that amount over the next 3, 6, 12 months.

Attention: If the Lender agrees to the forbearance option and they agree to divide the past due amount over the next 3-6 months.

Do Not Get Too Excited!

Run your numbers, do your budget. If 3-6 months isn't going to work, tell the lender.

The Forbearance Agreement works only if the past due amount can be divided over the next 9-12 months.

If the lender agrees to the forbearance option that would stop further foreclosure proceedings you can remain in your home.

If for some reason the lender isn't willing to work with you on the first 3 options, you need to move onto the final 2 options.



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Options 4 & 5 Are the **final** two options. With these final two options you can't save your home, but you can avoid the foreclosure and salvage your credit.

Question: If I can't save my home, why would I want to avoid the Foreclosure?

Answer:

- It makes it easier to rent a place to live. Why?
- If your home goes into foreclosure and you go to rent something, 9 out of 10 times a credit report is ran, and the foreclosure will show up.
- The first thought in the Landlords mind will be. "If you can't pay your mortgage -how are you going to pay the rent?" It becomes difficult to rent.
- There's a quicker recovery time. By avoiding a foreclosure it makes it easier to recover & rebuild your credit.
- It'll become easier to obtain a new mortgage down the road.

4. The Deed in Lieu of Foreclosure

The Deed in Lieu of Foreclosure. Is Just that, "In Lieu of Foreclosure."

It's when a homeowner signs the deed and all the rights to the title and ownership of the property back to the lender. In lieu of, instead of being foreclosed on.

Assuming the lender takes this option, and once the agreement is made and all the documents have been recorded, the lender will provide the homeowner with a time frame that they must vacate the premises. This time frame varies.

In my opinion. The fourth option -"The Deed in Lieu of Foreclosure" is the last resort.

5. The Short Sale

The fifth and final option is the **Short Sale**.

Question: What is a Short Sale?

The Term **Short Sale** originated in the Stock Market to **Short Sale** a Stock.

But in the real estate industry, the term Short Sale means the lender is willing to take less than what is owed on the property as a pay off to satisfy the loan.

Question: Why is the Short Sale Option a Benefit?

- Avoids Foreclosure on Credit.
- There's a Negotiated Settlement vs. A Court Settlement.
- May Avoid Bankruptcy.
- No Deficiency Judgments.



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Note: In a Foreclosure there's a Deficiency Judgment. A Judgment comes from the court. A judge makes a Judgment. In a short sale there is no court nor judge involved. In a short sale there are no Deficiency Judgments.

While it is rare that a bank will come after you for any deficiency created by a short sale, it is not impossible. The key to a short sale is to get the bank to accept an amount short of the mortgage balance and specifically agree not to sue for the deficiency. If you and the lender are unable to agree, you will have to decide whether a short sale is right for them.

The only parties involved in a Short Sale are:

- The Homeowner.
- The Lender.
- The REALTORS®
- The Buyer

“No Court / No Judge”

Now out of the five foreclosure avoidance options we have just learned:

- 1. The Reinstatement of Mortgage**
- 2. The Loan Modification**
- 3. The Forbearance Agreement**
- 4. The Deed in Lieu of Foreclosure**
- 5. The Short Sale**

Four out of the five foreclosure avoidance options the Homeowner can implement and help themselves. The fifth option, “The Short Sale” is very difficult for a homeowner to implement on their own.

Question: Why is the Short Sale difficult for you to implement on your own?

There are many reasons why. These reasons are just the tip of the iceberg.

Answer:

- The property MUST be listed on the market with a real estate agent.
- The lender/bank knows that the real estate company will market the home to its full potential.
- 99.99% of the time the lender will NOT deal direct with the homeowner representing themselves.
- The lender wants a 3rdparty negotiator. (Real Estate Agent)
- There is a conflict of interest. It becomes too personal for the homeowner.

Question: If I hire a REALTOR® to short sale my home do I have to pay the commission?



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Answer: NO.

Question: Who pays the real estate commission?

Answer: The lender / bank.

Question: Can you continue to live in your home while it's being sold as a short sale?

Answer: Yes, the lender prefers you live in the home during the short sale process.

You might think: **WHY In the World would a Lender pay the commission to help me Avoid the Foreclosure?**

Here's why.

1. There's a negative financial & economic effect in a foreclosure.

For Example:

The foreclosure itself.

Every property the lender forecloses on it costs them money. It's called a non-performing asset.

- The Lender's cost's in the foreclosure are:
- Filing Fees
- Attorney Fees (Billable Hours)
- Auction Fee's
- Un-paid Property Taxes (State & County)
- Eviction Notices
- The Sheriff Dept charge for serving the eviction notices.

And so on.

2. Carrying Costs. The cost to maintain a vacant property.

- Maintaining the exterior of the property (lawn cutting, snow removal, etc.)
- Vacant insurance to protect their assets.
- Existing property taxes.
- Homeowner Associations dues or Condo Association dues (monthly/annually)
- Utilities (Gas, Water, Electric) Example: In warm climates the central air must be on, otherwise there may be a mold problem, there could be costs incurred to remove mold from the property. In colder climates, the lender must winterize the home, water lines can burst. There's another cost to repair pipes & drywall, etc.



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- Repairs to the property due to vandalism or theft. (i.e. Copper, Furnace, C/A)

3. The Declining Market.

In today's economy, almost every major city has declined to an all time low.

This means that millions of properties are worth less on a monthly average by thousands & tens of thousands EVERY MONTH.

With this in mind it's no wonder why a bank does NOT want another foreclosure in their inventory.

3.

Hardship Documents

Once the lender/bank agrees to work with you on a foreclosure avoidance option, you will need to gather specific documentation.

You will need to write a one-page letter explaining how you got in this position i.e. loss of job, A.R.M. expired, health issues etc.

Sample Letter

To Whom It May Concern:	
I'm unable to continue making my mortgage payments.	
Due To:	

Name _____	Name _____
Address _____	Address _____
City _____	City _____
State _____	State _____
Phone# _____	Phone# _____
SS# _____	SS# _____
Loan# _____	Loan# _____
Signature John Johnson	Date
Signature Jan Johnson	Date

Fully completed financial disclosure/worksheet form.

This is a form that would cover all living expenses.



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Note: You want to prove to the lender that you have more money going out than coming in.

Last two months of recent pay stubs and/or unemployment stubs.

Copies of most recent two months personal checking account statements for each borrower on the loan.

Past two years personal tax returns.

Note: If your going to implement the Short Sale option, you will need to sign an Authorization Letter, which authorizes your REALTOR® to negotiate the Short Sale with the lender.

Lender. Below is a sample letter.

TO WHOM IT MAY CONCERN:

I/We, John & Jan Johnson, give permission to Mr. Will Weaver of XYZ Realty, in Michigan to discuss my mortgage loan with ABC Mortgage Company including but not limited to selling the property and negotiating a short sale.

John Johnson
SS# 555-66-7777

Date

Jan Johnson
SS# 555-66-7777

Date

Address of Property: 1234 1st Street
Troy, MI 48085

Loan #

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- Where to Find your Answers

Your Foreclosure Avoidance Options.

- The Reinstatement of Mortgage



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- The Loan Modification
- The Forbearance Agreement
- The Deed in Lieu of Foreclosure
- The Short Sale

Why the Short Sale Option is a Benefit?

- Avoids Foreclosure on Credit.
- There's a Negotiated Settlement verses A Court Settlement.
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4.

Calling the Lender

When you call the lender for the first time and every time you call, this is what you will hear. "All calls may be monitored and recorded for training purposes" They **are recording**.

You should be prepared to give them four things.

The Loan Number
Social Security Number
Address of the property
Name on the account

Heads Up:

When you call the lender for the first time they you hear something like this.

Mrs. Smith your past due amount is _____ and your due date was back in June, 78 days ago. When will you be making this payment???

Ensure you don't get rattled, nervous, and do not debate with them.

Here's your reply.

"I understand. I would like to speak with the Loss Mitigation Dept. could you connect me please." They will connect you.

You must speak to the Loss Mitigation Department.

Be patient be courteous but persistent in speaking with the right representative.

The Loss Mitigation team at each lender are educated in dealing with foreclosure solutions.



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You may have to call back several times to get thru to the right person, so be prepared for that. Once you are connected to that department explain your situation and ask them if they would consider a **Reinstatement of Mortgage, The Loan Modification, The Forbearance Agreement, Deed in Lieu of Foreclosure or a Short Sale**

If the person you are speaking with says "NO" to every option, speak with their supervisor, if they resist, simply explain "I'm trying to avoid a foreclosure I would like to speak to your supervisor." Get the supervisor's info.

You ask it this way.

Their Name is? Their Number? Extension?

If they are not getting anywhere with that supervisor, ask to speak to that supervisor's supervisor, and so on.

Work the system. Do whatever you need to do, as long as it's legal, moral, ethical and honest. Persistence pays off.

When you call and get their voicemail, don't hang up...leave a message.

Be sure to include in the message your loan number, social security number, address and name on the account. Also tell them that you are calling to check the status on your _____, and to please call you back as soon as possible.

Also be sure to include your contact information: home phone, cell phone, work number (if you choose), and an email address.

If you do not get a call back within 24-48 hours, call again.

Be sure to listen closely to their voicemail.

Here's why:

The majority of the time your contact at the bank will leave their supervisor's contact information on the message. Make sure to capture that information.

If you have called your contact at the bank and its been a week or more and you haven't been able to speak to them, try them one last time...if nothing then call their supervisor.

If you're frustrated, take a deep breath, look at your family or that special person because they are worth all of the pain and frustration your going through to save your home.

Frustration can bleed through the phone. A smile can also come over during the conversation. Try to be in a good mood and speak from your heart -no frustration.



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If they answer or you get voicemail follow the process of identification.

Let's recap:

- My loan number is
- My social security number is
- Address
- Name on the account
- Tell them you have called _____ and state that persons name
- The number of times you have called
- How many voicemails you have left

Ask this question: Are they still employed there? No matter what their response is, explain to the supervisor what you want to accomplish, the supervisor will pull your file by the loan number.

Explain to the supervisor that you are trying to avoid a Foreclosure and would like to discuss your options.

And then start again from the top and go over your options one at a time. Remember -You tell them your options, don't wait for them to tell you. Take charge, but stay nice.

Note: Listen to each supervisors voicemail so you can gather their supervisors contact information and keep climbing.

Remember the lender wants to avoid the foreclosure too. The lender is willing to work with you and one of these options will work.

Once you and the lender agree on an option, it's important to get a contact name, employee number, an email address or a fax number. Here's why. You will need to send your hardship documents -making sure the loan number is on the right hand corner of each document sent.

Hardship Documents

- Fully completed Financial Disclosure Forms
- Homeowner to write a 1 page letter explaining how you got into this position
- Last 2 months of paystubs
- Copies of the most recent 2 months of Personal Checking Account Statements for each borrower on the loan
- Copy of signed last 2 years personal tax returns
- Agent Authorization Letter, if applicable.

Get the documents to the lender within the 24-48 hours and wait 72 hours. Make a follow-up call to the lender/contact person to make sure they have received the information. Don't wait for them to call you. Stay on top of this so you don't get lost in the shuffle.



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5.

In Closing

Now that you understand the Foreclosure process and what your options are you now have the information and the tools to negotiate an alternative to a Foreclosure. Its time to go to work for yourself.

I sincerely hope you take what you have learned and apply it. Earlier I stated that Lenders/Banks don't want to Foreclose, they don't want your house back. The question you may have is "Why are they Foreclosing?". They are simply following their procedure.

Its up to you to implement an option.

The Lenders/Banks are not your enemy, the Foreclosure process is the enemy. Its ruthless and it has devastating effects. Please avoid the Foreclosure and work out a solution with your Lender.

I'm looking forward to hearing your success. We have a blog on our website, www.HouseHelp101.com where you can post your accomplishments. We would like you to share them with us and with other homeowners.

Let me leave you with some food for thought.

"If anything is worth doing, it's worth doing poorly until you get it right." ~Zig Zigler

Saving your home is certainly worth the effort!

I believe if at first you don't succeed, try and try again. Keep moving forward and stay focused on the task. From the depths of my heart I wish you all the success in Avoiding Foreclosure.

Thank you,

Will Weaver
REALTOR®/Real Estate Educator



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Below are links to resources that may help you and answer questions you may have. We do not have any affiliation with these sites except for HouseHelp101, WWOCAR, Facebook Group and the Michigan Association of REALTORS®.

<http://www.hud.gov>
<http://www.hud.gov/foreclosure>
<http://www.freddiemac.com/avoidforeclosure>
<http://www.fanniemae.com/index.jhtml>
http://www.fanniemae.com/homepath/homeowners/in_foreclosure.jhtml
<http://www.hopenow.com>
<http://www.realtor.org>
<http://rismedia.com>
<http://www.wwocar.com>
<http://www.mirealtors.com/content/foreclosure.htm>
<http://rismedia.com/2007-12-18/top-three-short-sale-trends>
www.HouseHelp101.com
<http://www.hud.gov/offices/hsg/sfh/hcc/fc/>
<http://www.facebook.com/home.php?#/group.php?gid=59373469107>

(My Facebook group called F.A.C.T. Foreclosure Avoidance Comprehensive Training Post your questions and I will respond.)