



F.A.C.T.

**Foreclosure Avoidance
Comprehensive Training
Starter Kit**





Foreclosure Avoidance Comprehensive Training

Starter Kit Addenda

Foreclosure Prevention Law Public Acts 29 – 31 of 2009

- Requires lenders to send a default notice to borrowers; the notice may be sent any time after default.
- The notice must be sent by first class mail and certified mail with return service and indicate the borrower has the right to contact a MSHDA/HUD counselor and must include a list of counselors.
- The borrower has up to 14 days from the date the notice is sent to contact a counselor.
- The counselor has up to 10 additional days to communicate with the bank to initiate a mortgage modification to keep the borrower in the house.
- Goal is to establish mandatory procedures that help bring the parties to the table to prevent home foreclosures
- Open the mail!!

Contact:

- State of Michigan Save the Dream: 866-946-7432
- HOPE Hotline: 888-995-HOPE (4673)
- United Way: 2-1-1
- Michigan Foreclosure Prevention Project: <http://miforeclosure.mplp.org>
- HUD approved counselor <http://www.hud.gov/offices/hsg/sfh/hcc/fc/>

Mortgage Forgiveness Debt Relief Act of 2007/Emergency Economic Stabilization Act of 2008

- Generally allows exclusion of income realized as a result of modification of the terms of the mortgage, or foreclosure.
- Applies to qualified principal residence indebtedness forgiven in calendar years 2007 – 2012.
- Lender issues a Form 1099-C, Cancellation of Debt.

<http://www.irs.gov/individuals/article/0,,id=179414,00.html>

Saving the Dream of Homeownership in Michigan

- \$3 million in Federal grants to boost efforts to prevent foreclosures, including legal assistance funds and adding more homeownership counselors.
- MSHDA counselors can refer homeowners to a legal aid office in their area.

To locate a Homeownership Counseling Agency near you, visit the MSHDA site at www.michigan.gov/mshda and click on the Save the Dream icon, or call toll free 866.946.7432

Financial Stability Plan: Making Home Affordable

- Offers two different potential solutions for borrowers
 - Refinancing mortgage loans (HARP)
 - Modifying mortgage loans (HAMP)

<http://makinghomeaffordable.gov/>

Addenda: Prepared by Michigan Association of REALTORS® July, 2009



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ARE YOU AT RISK OF FORECLOSURE AND LOSING YOUR HOME?

Have you missed your house payment?

- [Search for a HUD-approved housing counselor](http://www.HUD.gov) (www.HUD.gov), or
- **Call Toll Free (800) 569-4287** to find a Housing Counselor near you, or
- **Call the HOPE NOW Alliance at (888) 995-HOPE.**

Haven't missed a house payment yet, but afraid you might?

Has your financial situation changed due to a mortgage payment increase, loss of job, divorce, medical expenses, increase in taxes or other reasons?

- Is your credit card debt becoming unmanageable?
- Are you using your credit cards to buy groceries?
- Is it becoming difficult to pay all your monthly bills on time?

If it's becoming harder to make your house payment each month:

- [Contact a HUD-approved Housing Counselor](#), or
- **Call Toll Free (800) 569-4287** to find a Housing Counselor near you.
- Read our [Tips for Avoiding Foreclosure](#).

Few people think they will lose their home, they think they have more time. Here's how it happens.

Note: Timeline varies by state.

- **First month missed payment** – your lender will contact you by letter or phone. A [housing counselor](#) can help.
- **Second month missed payment** – your lender is likely to begin calling you to discuss why you have not made your payments. **It is important that you take their phone calls.** Talk to your lender and explain your situation and what you are trying to do to resolve it. At this time, you **still may be able to make one payment** to prevent yourself from falling three months behind. A [housing counselor](#) can help.
- **Third month missed payment** – after the third payment is missed, you will receive a letter from your lender stating the amount you are delinquent, and that you have 30 days to bring your mortgage current. This is called a "Demand Letter" or "Notice to Accelerate". If you do not pay the specified amount or make some type of arrangements by the given date, the lender may begin foreclosure proceedings. They are unlikely to accept less than the total due without arrangements being made if you receive this letter. **You still have time** to work something out with your lender. A [housing counselor](#) can still help.
- **Fourth month missed payment** – now you are nearing the end of time allowed in your Demand or Notice to Accelerate Letter. When the 30 days ends, if you have not paid the full amount or worked our arrangements you will be referred to your lender's attorneys. **You will incur all attorney fees** as part of your delinquency. A [housing counselor](#) can still help you.
- **Sheriff's or Public Trustee's Sale** – the attorney will schedule a Sale. **This is the actual day of foreclosure.** You may be notified of the date by mail, a notice is taped to your door, and the sale may be advertised in a local paper. The time between the Demand or Notice to Accelerate Letter

and the actual Sale varies by state. In some states it can be as quick as 2-3 months. This is not the move-out date, but the end is near. You have until the date of sale to make arrangements with your lender, or pay the total amount owed, including attorney fees.

- **Redemption Period** – after the sale date, you may enter a [redemption period](#). You will be notified of your time frame on the same notice that your state uses for your Sheriff's or Public Trustee's Sale.

Important: Stay in contact with your lender and get assistance as early as possible. All dates are estimated, and vary according to your state and your mortgage company.

TIPS FOR AVOIDING FORECLOSURE

Are you having trouble keeping up with your mortgage payments? Have you received a notice from your lender asking you to contact them?

- Don't ignore the letters from your lender
- Contact your lender immediately
- Contact a [HUD-approved Housing Counseling Agency](http://www.HUD.gov) (www.HUD.gov)
- Toll FREE (800) 569-4287
- TTY (800) 877-8339

If you are unable to make your mortgage payment:

1. 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.

2. 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.

3. 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. Later mail may include important notice of pending legal action. Your failure to open the mail will not be an excuse in foreclosure court.

4. 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 in your state (as every state is different) by contacting the State Government Housing Office.

5. Understand foreclosure prevention options.

Valuable information about foreclosure prevention (also called loss mitigation) options can be found on the internet at portal.hud.gov/portal/page?_pageid=33,717348&_dad=portal&_schema=PORTAL .

6. Contact a HUD-approved housing counselor.

The U.S. Department of Housing and Urban Development (HUD) funds free or very 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. [Find a HUD-approved housing counselor near you \(www.HUD.gov\)](#) or call (800) 569-4287 or TTY (800) 877-8339.

7. Prioritize your spending.

After healthcare, keeping your house should be your first priority. Review your finances and see where you can cut spending in order to make your mortgage payment. Look for optional expenses-cable TV, memberships, entertainment-that you can eliminate. Delay payments on credit cards and other "unsecured" debt until you have paid your mortgage.

8. Use your assets.

Do you have assets-a second car, jewelry, 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.

9. 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 will charge you a hefty fee (often two or three month's mortgage payment) for information and services your lender or a [HUD approved housing counselor](#) will provide free if you contact them.

10. 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 becoming 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](#).

Q1: How do I know who my lender is and how to contact them?

Answer: Look at your monthly mortgage coupons or billing statements for the name of your lender and contact information.

Q2: I do not remember what type of mortgage loan I have, how can I find this information?

Answer: Look on the original mortgage documents or call your mortgage lender.

Q3: Do I need to keep living in my house to qualify for assistance?

Answer: Typically, yes, but call your lender to discuss your specific circumstances and get advice on options that may be available.

Q4: What type of information should I have ready to discuss with a lender?

Answer: Typical information requested by lenders in a workout package include:

- Brief explanation of circumstances
- Recent income documents
- List of household expenses

Q5: My employer has already announced layoffs within the coming months, what can I do now?

Answer: Through this website you have taken the first step toward educating yourself about available options. Determine if the layoffs will cause a financial hardship that will make it hard for your family to make your mortgage payments. If so, consider other resources that you have available to pay your mortgage. Review your spending habits and see where you can reduce spending. If you have a lot of consumer debt, consider contacting a non-profit, consumer credit counseling agency. Take advantage of any employer offered resources. If you still believe that you will have trouble making your mortgage payments, contact your lender right away.

Q6: Will there be any out-of-pocket expenses I will be responsible for if I am approved for a workout option?

Answer: Some workout options do include expenses that the borrower is expected to pay, for example, recording fees for a loan modification. Because, every situation is different you should contact your lender for more information. However, if a lender has no contact with a borrower and has to start foreclosure, the legal fees that the borrower will be expected to pay can be very expensive. To avoid unnecessary legal fees, call your lender as soon as you realize you are in trouble.

Q7: What happens when I miss my mortgage payments?

Answer: Foreclosure may occur. This is the legal means that your lender can use to repossess (take over) your home. When this happens, you must move out of your house. If your property is worth less than the total amount you owe on your mortgage loan, your lender or HUD could seek a deficiency judgment. If that happens, you not only lose your home, you also would owe your lender or HUD an additional debt.

Foreclosure or a deficiency judgment could seriously affect your ability to qualify for credit in the future. So you should avoid it if all possible!

Q8: What should I do if I miss mortgage payments?

Answer: Do not ignore the letters from your lender. If you are having problems making your payments, contact your lender immediately. Explain your situation. Be prepared to provide them with financial information, such as your monthly income and expenses. Without this information, they may not be able to help.

Stay in your home for now. You may not qualify for assistance if you abandon your property.

Contact a HUD-approved housing counseling agency. They have information on services and programs that could help you. The housing counseling agency may also offer credit counseling. These services are usually free of charge.

If you bought your home with a Veterans Administration (VA) guaranteed loan, call the VA office nearest you.

Q9: What are my alternatives?

Answer: Your options include the following:

Special forbearance: Your lender may be able to arrange a repayment plan based on your financial situation. Your lender may even provide for a temporary reduction or suspension of your payments. You may qualify for this if you have recently lost your job or your source of income or if you had an unexpected 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.

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 but your net income is less than it was before the default (failure to pay).

Partial claim: Your lender may be able to work with you to obtain an interest-free loan from HUD to bring your mortgage current.

You may qualify if your loan is at least 4 months delinquent but no more than 12 months delinquent; your mortgage is not in foreclosure; and you are able to begin making full mortgage payments.

When your lender files a Partial claim, HUD 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 will be due if you sell or leave your property, or when your mortgage matures.

Pre-foreclosure sale: This will allow you to sell your property and pay off your mortgage loan to avoid foreclosure and damage to your credit rating.

You may qualify if the "as is" appraised value is at least 70% of the amount you owe and the sales price is 95% of the appraised value; the loan is at least 2 months delinquent prior to the pre-foreclosure sale closing date; and you are able to sell your house within 3 to 5 months (depending on what your lender agrees to).

An additional benefit to this option is the assistance you will receive with the Seller-paid closing costs.

***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 will help your chances of getting another mortgage loan in the future.**

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.

How do I know if I qualify for any of these alternatives?

A housing counseling agency can help you determine which, if any, of these options may meet your needs. You should also discuss the situation with your lender.

Q10: How do I know if I qualify for any of these alternatives?

Answer: A housing counseling agency can help you determine which, if any, of these options may meet your needs. You should also discuss the situation with your lender.

Q11: Should I be aware of anything else?

Answer: Yes. Beware of scams! Solutions that sound too simple or too good to be true usually are. If you're selling your home without professional guidance, beware of buyers who try to rush you through the process. Unfortunately, there are people who may try to take advantage of your financial difficulty. Be especially alert to the following:

Equity skimming: In this type of scam, a "buyer" approaches you, offering to get you out of financial trouble by promising to pay off your mortgage or give you a sum of money when the property is sold. The "buyer" may suggest that you move out quickly and deed the property to him or her. The "buyer" then collects rent for a time, does not make any mortgage payments, and allows the lender to foreclose. Remember that signing over your deed to someone else does not necessarily relieve you of your obligation on your loan.

Phony counseling agencies: Some groups calling themselves "counseling agencies" may approach you and offer to perform certain services for a fee. These could well be services you could do for yourself, for free, such as negotiating a new payment plan with your lender, or pursuing a pre-foreclosure sale. If you have any doubt about paying for such services call a HUD-approved housing counseling agency. Do this before you pay anyone or sign anything.

Are there any precautions I can take?

Here are several precautions that should help you avoid being "taken" by scam artist:

- Don't sign any papers you don't fully understand.

- Make sure you get all "promises" in writing.
- Beware of any loan assumption where you are not formally released from liability for your mortgage debt and contracts of sale.
- Check with a lawyer or your mortgage company before entering into any deal involving your home.
- If you're selling the house yourself to avoid foreclosure, check to see if there are any complaints against the prospective buyer. You can contact your state's Attorney General, the State Real Estate Commission, or the local District Attorney's Consumer Fraud Unit for this type of information.

Q12: What are the main points I should remember?

Answer: Don't lose your home and damage your credit history if you can help it.

- Call or write your mortgage lender immediately.
- Stay in your home to make sure you qualify for assistance.
- Arrange an appointment with a HUD-approved housing counselor to explore your options.
- Cooperate with the counselor or lender trying to help you.
- Explore every alternative to losing your home.
- Beware of scams.
- Do not sign anything you don't understand. And remember that signing over the deed to someone else does not necessarily relieve you of your loan obligation.
- Act now. Delaying can't help. If you do nothing, You will lose your home and your good credit rating.

Q13: What is the Best Way to Avoid a Foreclosure?

Answer: The best way to avoid home foreclosure from the get-go is to understand that the purchase of real estate is one of the biggest transactions most people will face in their lives. Given such great importance, it is essential that a potential home buyer enter the process with both eyes wide open and educated on how to correctly go about buying the right property for them so that foreclosure never becomes an issue.

Q14: What is the Best Way to Avoid Foreclosure Once the Process Has Begun?

Answer: Once the foreclosure process has run its course, it is too late. Foreclosure leaves a black mark on the homeowner's credit history that may stay with them for as many as 10 years, making it harder and more expensive to obtain credit and to purchase things for anything other than cash.

Mistakenly, many homeowners facing foreclosure wait until the 11th hour to try and do something about it in order to avoid the after effects of home foreclosure. Once in default, the homeowner faces the real possibility of losing his or her home. Fortunately, there are a number of things that can be done to avoid home foreclosure:

- Cure the default by paying the loan current — in other words, pay up the back payments owed along with any penalties and interest.
- Redeem the property by paying off the entire loan amount owed before the property goes to auction (this is the only option once the period to cure the default has expired).
- Refinance the property, if the lender will allow it.

- Sell the property outright — depending on whether the current market climate is a seller's market or a buyer's market this may not be as easy as people think.
- Request a short sale from the lender — this option to sell the property for less than the amount owed on it also depends on the lender's mood and cooperation.
- File for bankruptcy and seek a "stay" of the foreclosure.

Foreclosure is something no one wants. But if you're facing the risk of foreclosure, the first thing is to arm yourself with information. We hope our FAQ has been a good source of free foreclosure help.

CONSUMER TIPS FOR AVOIDING FORECLOSURE RESCUE SCAMS

Foreclosures are increasing nationwide, and so are scams that promise to "rescue" homeowners from foreclosure. What these scams do is take your money, ruin your credit record, and wipe out any equity you have in your home.

Foreclosure con artists take advantage of people who have fallen behind on their mortgages and face foreclosure. Con artists know that people in these situations are vulnerable and likely to be desperate. Potential victims are easy to find: mortgage lenders publish notices before foreclosing on homes. After reading such notices, con artists approach their targets in person, by mail, over the telephone, or by e-mail. They advertise their services on Web sites or publications. They often refer to themselves with titles that sound official, such as "foreclosure consultant" or "mortgage consultant," and market themselves as a "foreclosure service" or "foreclosure rescue agency."

Your mortgage lender – or any legitimate financial counselor – can help you find real options to avoid foreclosure. If someone offers to negotiate with your lender and offers to arrange to stop or delay foreclosure for a fee, carefully check his or her credentials, reputation, and experience. To protect yourself, follow the recommendations contained in this Consumer Advisory.

WATCH OUT FOR FORECLOSURE RESCUE SCAMS

- **Lease-Back or Repurchase Scams** – Be very suspicious if someone offers to pay your mortgage and rent your home back to you. This scheme often involves signing the deed to your home over to the con artist. The con artist may promise to sell your home back to you, but this may be very difficult, if not impossible, under the terms of the contract.

Signing over the deed gives the con artist the power to evict you, raise your rent, sell the house, or steal the equity you have in your home. You will still be responsible for your mortgage, so if the con artist stops paying it, your lender would have the right to foreclose on your home, and the foreclosure and any other problems would go on your credit record.

- **Refinance Fraud** – Look out for people posing as mortgage brokers or lenders and offering to refinance your loan so you can afford the payments. Con artists may trick you into signing over the ownership of your home by saying that you are signing documents for a new loan.

Signing over the deed to your home exposes you to the dangers described above. Even if you are a victim of fraud, you could still lose your home.

- **Bankruptcy Schemes** – Several scams attempt to abuse the bankruptcy laws. For example, a con artist may ask you to give a partial interest in your home to one or more persons. Each

holder of a partial interest can then file bankruptcy, one after another. The bankruptcy court will issue a “stay” order each time to stop foreclosure temporarily. However, the stay does not excuse you from making payments or from repaying the full amount of your loan. In another kind of scam, a con artist may offer to obtain refinancing or negotiate a payment plan with your lender. If you may make payments to the con artist, he or she may keep the money rather than pay the lender on your behalf. The con artist may even file a bankruptcy case in your name, without your knowledge, as a part of the scam.

Bankruptcy laws provide important protections to consumers. Scams can only temporarily delay foreclosure, and they may keep you from using bankruptcy laws legitimately to address your financial problems. Signing over ownership of your home, or even partial ownership, can result in serious financial harm.

HOW TO PROTECT YOURSELF FROM SCAMS

- **Know what you are signing.** Read and understand every document you sign. If a document is too complex, seek advice from a lawyer or an approved, trusted financial counselor. Never sign documents with blank spaces that can be filled in later. Never sign a document that contains errors or false statements, even if someone promises to correct them later.
- **Get promises in writing.** Oral promises and agreements relating to your home are usually not legally binding. Protect your rights with a written document or contract signed by the person making the promise. Keep copies of all contracts you sign.
- **Make your mortgage payments directly to your lender or the mortgage servicer.** Do not trust anyone else to make mortgage payments for you.
- **Be very careful about signing over your deed.** Foreclosure scams often require you to sign over ownership of your home to a con artist or another third party. Never sign over your deed without getting the advice of your own lawyer, financial advisor, or other independent person that you know you can trust. Understand the terms of the deal you are making. By signing over your deed, you lose your rights to your home and any equity built up in the home.
- **Report suspicious activity to the Federal Trade Commission and to your state and local consumer protection agencies.** Reporting con artists and suspicious schemes helps prevent others from becoming victims.

HOW TO FIND LEGITIMATE HELP FOR YOUR FINANCIAL PROBLEMS

- **Contact your mortgage lender or mortgage servicer as soon as you think you are unable to make your mortgage payment.** Lenders are often in the best position to help, especially if you are current on your loan or not seriously late on your payments. Your mortgage lender or mortgage servicer may be able to identify options to help you bring the loan current or to modify your loan.
- **Contact a legitimate housing or financial counselor to help you work through your financial problems. To find one:**
 - Call (800) 569-4287, or visit www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm to find counselors approved by the U.S. Department of Housing and Urban Development (HUD).

- Call the Homeownership Preservation Foundation at (888) 995-HOPE, or visit www.995hope.org, to reach a nonprofit, HUD-approved counselor through HOPE NOW, a cooperative effort of mortgage counselors and lenders to assist homeowners.

- **Visit the following Web sites for information:**

- NeighborWorks America, www.nw.org/network/home.asp.
- Federal Trade Commission, www.ftc.gov/bcp/edu/pubs/consumer/homes/rea04.shtm.

Finally, if you have a complaint or question involving a national bank and cannot resolve it directly with the bank, contact the OCC's Customer Assistance Group by calling (800) 613-6743, by e-mailing customer.assistance@occ.treas.gov, or by visiting www.HelpWithMyBank.gov.

HOPE FOR HOMEOWNERS PROGRAM - Basic Consumer Facts

What is the HOPE for Homeowners Program (H4H)?

This new program, created by Congress, is intended to help borrowers at risk of default and foreclosure refinance into more affordable loans.

How can the H4H program help me?

If you are having trouble making your mortgage payments, this program may allow you to refinance your loan into a new 30-year fixed rate loan with lower payments.

Do I have to pay anything to apply?

There will be closing costs associated with HOPE for Homeowners loans; however, they may not be required to be paid out of pocket by the borrower. Please consult your lender or a HUD-approved Housing Counselor for more details.

How long will the process take?

Processing time will vary, but usually takes approximately 60 days. Please consult your lender when you apply.

What information do I need to apply?

Your lender is in the best position to answer this question based on your specific situation, but at a minimum you will need evidence of your income and assets, as well as your current mortgage information.

How long is the H4H program available?

The program began on October 1, 2008 and will end on September 30, 2011.

What interest rate will I receive?

The interest rate for the new H4H loan will be provided by the lender and is based on current market rates.

I don't want another adjustable rate mortgage. Will this interest rate be fixed or adjustable?

All HOPE for Homeowners loans are 30-year **fixed rate** mortgages insured by the Federal Housing Administration (FHA).

I contacted my lender and they are not interested in participating in this program. Can I apply with HUD?

HUD does not accept loan applications or lend money directly; however, you may apply with any FHA-approved lender who is participating in the program. You may also consult a HUD-approved housing counselor.

Eligibility Questions

My lender has started foreclosure proceedings. Can I still apply for H4H?

Yes, however, time is of the essence.

Is there an income restriction?

No, but you will need to demonstrate that you have sufficient, steady income to make the new H4H mortgage payments.

I recently filed for bankruptcy. Am I still able to apply for H4H?

Yes, borrowers in bankruptcy may participate; however, you will want to consult with the person handling your bankruptcy.

My lender has already foreclosed on my home. Can I still apply for H4H?

It may be possible depending on which stage of the foreclosure process you are in. You should talk to your lender immediately for more detailed information.

I have a first and second mortgage on my home. Can I still apply for H4H?

Yes, however, all your existing lenders must agree to release the liens against your home.

I am current on my mortgage. Can I apply for H4H?

Yes.

Lender Related Questions

Can you recommend a lender?

HUD does not recommend lenders; however, a list of participating lenders is located on our website at www.hud.gov. In the section marked "At your service," please click on the link "Find a HUD approved Lender in your area."

I can't reach my lender and I would like to apply. What should I do?

You may contact any participating lender to apply. For a list of HUD-approved lenders, please go to our website at www.hud.gov. In the section marked "At your service," please click on the link "Find a HUD approved Lender in your area."

My lender is not registered and I would like to apply. What should I do?

You may contact any participating lender to apply. For a list of HUD approved lenders please go to our website at www.hud.gov. In the section marked "At your service," please click on the link "Find a HUD approved Lender in your area."

Counseling Questions

I am not clear on what to do. How do I decide if this is the right choice for me?

You can contact a HUD-approved Housing Counselor in your area. They can help you evaluate the different options that may be available to you, and help you determine your best course of action. You can [locate a housing counselor](#) in your area on our website.

How can a housing counselor help me?

Housing counselors are knowledgeable about available programs to help struggling homeowners. They can review your specific situation, identify your options and help you make an informed decision.

Will I have to pay taxes on the portion of my loan(s) my current lender(s) "write off" or forgive?

You should contact the Internal Revenue Service at (800) TAX-1040, or your tax advisor regarding tax-related questions.

FINANCIAL HARDSHIP PACKAGE INSTRUCTIONS

Once a homeowner in foreclosure begins working with his lender, he or she will be asked for several financial documents in order to assess the homeowner's current situation, what was the cause of the default and what type of workout can be accomplished. The reason a homeowner needs to provide this information is in order to determine what their available options are based on their current financial situation.

A successful foreclosure workout that enables the homeowner to keep the property is dependent on the lender being able to determine that the homeowner suffered a financial hardship and through the financial paperwork provided will have the financial capability to be able to keep the loan current. Other options that may be available for a successful workout involve a pre-foreclosure sale or Deed In Lieu of Foreclosure which will be dependent on the lender being able to determine there was a financial hardship, but due to a homeowner's current circumstances, foreclosure is inevitable.

Most lenders will require the following documents as the minimum for considering a loan workout, and many lenders will not consider a workout until the loan has been delinquent for at least 90 days. This is why it is important for the homeowner to contact his or her lender to find out the particular guidelines that their lender uses.

Hardship Letter

This letter describes the hardship that caused the loan to go into default and describes your preferred solution to bring the loan current. The hardship should be involuntary, such as divorce, job layoff or medical reasons. This letter will also include your proposal for a workout and the reason you are confident the workout plan will succeed.

Paystubs

One or two current paystubs from each person occupying the property who is contributing to the payment of household expenses. The lender will use this to determine the feasibility of any repayment plan, or whether to determine foreclosure is inevitable.

Tax Returns

If the homeowner is self-employed, these types of borrowers will need to provide the last two years tax returns along with a current profit and loss statement. Many self employed borrowers don't receive paystubs, the lender will use the tax returns to determine income levels.

Financial Statement

The lender will ask for a financial statement outlining all of your income, assets and liabilities. This statement provides a "snapshot" of your financial situation allowing the lender to determine how the economic hardship can be overcome. In addition, many lenders also ask for a monthly expenses worksheet this includes other debt obligations such as credit card payments, utilities, food, etc. Make sure that as a homeowner you make a diligent effort to give an accurate estimate of your monthly expenses. It would also be advisable to begin to cut some of your discretionary expenses in your monthly budget.

The more organized the homeowner is in this process, the better the homeowner will be able to handle the myriad of questions that he or she will have to undergo with the lender. One key thing to remember if the homeowner is attempting to complete a workout without outside assistance is to submit ALL of their paperwork together as a package. Be sure to keep copies of everything and document when they were sent.

In addition, a homeowner should keep a notebook to record or summarize any and all conversations or documents sent to anyone that he or she discusses or communicates with regarding the loan. This

information can later be helpful in the event that there are any miscommunications and/or a homeowner may need to hire a lawyer.

The homeowner's lender needs all of the above information to be able to determine which type of workout may be appropriate. Once that is determined, the lender will communicate with the homeowner what their options may be and what will be the next steps a homeowner will need to address or act on. While this financial assessment process may be grueling to the homeowner, a realistic assessment of the situation may enable the homeowner to find a solution he or she might not have believed was previously available.

Sample Hardship Letter

Name: (Your Name)

Address: (Your Address)

Lender Name: (Your Lender)

Loan #: (your Loan #)

To Whom It May Concern:

I am writing this letter to explain my unfortunate set of circumstances that have caused us to become delinquent on our mortgage. We have done everything in our power to make ends meet but unfortunately we have fallen short and would like you to consider working with us to modify our loan. Our number one goal is to keep our home and we would really appreciate the opportunity to do that.

The main reason that caused us to be late is (insert reason here and don't be too lengthy and long winded) Soon after being late and our income not being nearly enough, we had fallen further and further behind. Now it's to the point where we cannot afford to pay what is owed to (lender). It is our full intention to pay what we owe. But at this time we have exhausted all of our income and resources so we are turning to you for help.

(The approximate date of hardship and we believe that our situation is Temporary or will be Permanent.) Our situation has got better because (reason here) and we feel that a loan modification would benefit us both. We would appreciate if you can work with us to lower or delinquent amount owed and or payment so we can keep our home and also afford to make amends with your firm. We truly hope that you will consider working with us and we are anxious to get this settled so we all can move on.

Sincerely and Respectfully,

Borrower's Signature

Date

Co-Borrower's Signature

	CURRENT SPENDING	NECESSARY CHANGES	PLANNED BUDGET
MONTHLY EXPENSES	\$	\$	\$
Shelter			
Electricity			
Garbage			
Gas			
Rent/Mortgage Payment			
Telephone			
Water			
Food			
Groceries			
School Lunches			
Work Lunches			
Transportation			
Car Insurance			
Car Payment			
Gasoline			
Repairs and Maintenance			
Other Basic Expenses			
Child Care			
Child Support			
Clothing			
Haircuts, Personal Care			
Insurance: Life, Health, Disability, Other			
Laundry, Dry Cleaning			
Medical and Dental			
Newspaper, Basic Cable			
School Expenses			
Taxes: IRS, Property			
Savings			
Emergencies			
Long-Term Goals			
Retirement			
Short-Term Goals			

	CURRENT SPENDING	NECESSARY CHANGES	PLANNED BUDGET
MONTHLY EXPENSES	\$	\$	\$
Credit Card Payments			
Installment Loan Payments			
Miscellaneous Expenses			
Alcoholic Beverages			
Books, Newsstand Purchases, Magazine Subscriptions			
CDs, Tapes, Music Supplies			
Charitable Contributions			
Children's Allowances			
Cigarettes, Tobacco Products			
Club Dues or Expenses (scouts, YMCA, health club)			
Dues (professional, social organizations)			
Entertainment, Eating Out, Ordering In			
Gifts and Cards (average for holidays, birthdays)			
Internet Access Fees			
Movies, Plays, Concerts			
Occupational Licenses, Fees			
Pets (average for vet dog/cat)			
Pet Food (if not purchased at grocery store)			
Snacks (at work, convenience stores, vending machines)			
Sports (spectator, bowling, softball, fishing, boating, etc.)			
STUFF (for house, kids, school, church, etc.)			
Vacations			
VCR Movie Rentals			
Other			
TOTAL MONTHLY LIVING EXPENSES			

Your Monthly Record

Name: _____

Year: _____

Month: _____

	GROSS INCOME	NET INCOME
MONTHLY INCOME	\$	\$
Income 1		
Income 2		
Other Income (child support, social security, military retirement, etc.)		
TOTAL GROSS/NET INCOME		
(Total Net Monthly Income) - (Total Monthly Living Expenses) = (+ or -)		
\$ _____	\$ _____	\$ _____

Request for Forbearance/Hardship/Unemployment Deferment

I understand that all information and supporting documents given will be held in strictest confidence and will not be subject to dissemination outside the requirements of the lending institution. I further understand that this arrangement will consist of reduced or deferred payments, as determined by the lending institution based on my financial situation. It may be necessary to make accelerated payments at the expiration of this arrangement to repay the loan within the maximum ten-year period.

Borrower's Name/Address: _____

Mail form to:
 ECSI
 181 Montour Run Road
 Cozopolis, PA 15108-9408

Email Address: _____

Account Number: _____

Section 1 Applicable Benefits

Benefit type 1: Applicable to federal Perkins, Nursing/Health profession, and selected Institutional loans.
 Benefit types 2 and 3: Applicable to Perkins loans.

My other title IV student loans have been granted economic or unemployment deferment and I am requesting the same for the Perkins Loan. I have attached documentation from the other lender showing the kind of deferment and the dates granted.

I may qualify for a temporary reduction of monthly payments due to financial hardship. I will contact ECSI, or my school directly to discuss the options.

Benefit type 1 – I request forbearance on my Loans because (Select one from A-D & check 1 or 2 on E):
 (A) My title IV SFA loan payments are equal to or greater than 20% of my total monthly income. (Complete section 2 and 3)
 (B) I am unable to make scheduled payments due to "Poor Health" (temporarily – totally disabled). (complete section 2 and 4)
 (C) Caring for a dependent who is disabled. (Complete section 2 and 4)
 (D) Other acceptable reason: _____ (Complete section 2)
 (E) Interest continues to accrue during this benefit type. For interest payment (1) bill me monthly (2) bill me at end of my benefit.
 (We recommend paying interest monthly to avoid a lump sum payment at the end of this benefit type or forbearance)

Benefit type 2 – I request economic hardship deferment because:
 (A) I have been granted economic hardship for William D. Ford Federal Direct Student Loan (FDSL) or Federal Family Education Loan (FFEL) for the current period of time. (Satisfactory documentation is required)
 (B) I am receiving payment under Federal or State Public Assistance. (AFDC, Supplemental Security income, Food Stamps, or State Public Assistance). (Complete section 2 and 3)
 (C) My title IV SFA loan payments are equal to or greater than 20% of my total monthly income, and my monthly gross income minus my Title IV loan payments is less than 220% of the earnings of individuals on minimum wage, or 150% of the poverty level for my family size. (Complete section 2 and 3)

Benefit type 3 – I request an unemployment deferment for a period of _____ month(s).
 1. I am currently unemployed and actively seeking employment. In order to verify that I am actively seeking employment, I must register with an employment agency and have this form certified.
 2. Certification by employment agency: Please complete the following and affix seal or stamp with agency name or attach letter verifying individual's original registration date with agency.

I, _____, certify that the above-mentioned individual has been duly registered with this employment agency.

Agency Name _____ Address _____

City _____ State _____ Zip _____ Phone number _____

Section 2 Borrower Certification

I certify that all statements made are true and correct. I also certify that I will immediately notify the lending institution of any change in my employment status or significant change in my financial situation. I authorize a representative of the lending institution to obtain from my applicable parties' pertinent information in order to verify this application. Final responsibility for completion and return of this form to the institution rests with the borrower. This account will remain in status quo until this form is approved if this form is incomplete; it will be returned to the borrower.

Signature _____ SS Number _____ Date _____

Day Phone _____ Evening Phone _____ Cell Phone _____

Marital Status _____ Dependents – Number _____ Age(s) _____

Please list the name, address, and phone number of someone who will always know your whereabouts:

Name _____

Address _____

Day Phone _____ Evening Phone _____ Cell Phone _____

Institutional Action

Date _____ - _____ Approved _____ Disapproved _____ Official _____ Date _____

Section 3 Income and Expenses

My Monthly Income

* _____ Gross Wages
 * _____ Spouse's
 ** _____ Public Assistance
 ** _____ Unemployment
 ** _____ Child Support
 ** _____ Other Income
 ** _____ Workmen Comp
 \$ _____ Total

Student Loan Information

Type	Loan Amt	Mthly Pmt
* _____	\$ _____	\$ _____
* _____	\$ _____	\$ _____
* _____	\$ _____	\$ _____
* _____	\$ _____	\$ _____
* _____	\$ _____	\$ _____
* _____	\$ _____	\$ _____
Total	\$ _____	\$ _____

*PLEASE FURNISH CHECK STUB **PLEASE FURNISH EVIDENCE

Section 4 Statement of Disability (Completed by Physician)

Patient's Name: _____ Subjective symptoms: _____
 Relationship to Borrower: _____ Objective Symptoms: _____
 Date when symptoms first appeared: _____ Diagnosis: _____
 Date accident occurred: _____ **If needed please attach a separate sheet of paper**

Treatment

First visit date _____ Last visit date _____ Frequency of visit (Weekly, Monthly, Other) _____

Progress

Present condition: Recovered _____ Unchanged _____ Improved _____ Retrogressed _____
 Is patient: Ambulatory _____ Bed Confined _____ House Confined _____ Hospital Confined _____

Extent of Disability

Is patient "NOW" totally disabled for
 If no, when is or was the patient able to go to work
 Will patient be able to resume any work
 Indefinite
 Never

Any Occupation		Regular Occupation	
YES _____	NO _____	YES _____	NO _____
MM/DD/YY _____		MM/DD/YY _____	
MM/DD/YY _____		MM/DD/YY _____	
YES _____	NO _____	YES _____	NO _____
YES _____	NO _____	YES _____	NO _____

If yes, is patient a suitable candidate for rehabilitation Yes _____ No _____

Physician Name _____ Physician License Number _____
 Address _____
 City _____ State _____ Zip _____
 Phone Number _____ Fax number _____ Date _____
 Attending Physician Signature _____

Forbearance, Rev. 09-08 ECSI

Approved, SCAO

STATE OF MICHIGAN JUDICIAL DISTRICT	ANSWER Civil	CASE NO.
--	-------------------------	-----------------

Court address

Court telephone no.

Plaintiff's name(s), address(es), and telephone no(s).	v	Defendant's name(s), address(es), and telephone no(s).
Plaintiff's attorney, bar no., address, and telephone no.		Defendant's attorney, bar no., address, and telephone no.

Defendant(s).

Attorney for defendant(s), in answer to the complaint, state(s):

(Number paragraphs in the answer to correspond to paragraphs in the complaint. Attach additional sheets if necessary.)

Date

Defendant attorney signature

Defendant's signature

CERTIFICATE OF SERVICE

I certify that on this date I served a copy of this answer on the plaintiffs or their attorneys by

personal service.

first-class mail addressed to their last-known address(es) as defined in MCR 2.107(C)(3).

Date

Signature

