

The 5 FASTEST WAYS TO STOP Foreclosure

**in
48 hours
or less**



**Compassionate Foreclosure Solutions of SE Michigan
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INTRODUCTION

Inside this report you will find 6 powerful strategies for stopping a foreclosure in 48 hours or less and 2 additional strategies that take a little bit longer. Be sure to read through each strategy to see which one best applies for you.

A foreclosure happens when you have gotten behind on your mortgage payments. If the situation has changed to where you now have enough money to bring the mortgage balance current and make up all of the back payments, then you are able to stop the foreclosure. Once the bank accepts the money that is owed to them, either to bring the mortgage current or to pay the loan off, the foreclosure is stopped immediately.

If the full amount needed to bring the loan current isn't available to be paid now, you may be able to work out a repayment plan by increasing the monthly amount that you pay every month after paying a lump sum to the bank.

Or you can work out a forbearance plan which is a formal written agreement between you and the bank that may reduce, suspend, or pause some of your monthly payments.

When you do this the bank will setup a specific program for how the arrearage (back payments) is either paid or added to the end of the loan balance and term. The important thing to do throughout this process is to stay in contact with your lender and be honest with them about your situation.

Always get any agreements or promises in writing, and keep a journal of all conversations, who you've talked to and any paperwork exchanged.

These options and others are discussed in more detail in the following pages.

If you have any questions, give us a call here at Compassionate Foreclosure Solutions. There is no obligation whatsoever – we're here to help. **734.786.9874**

1. BRINGING THE LOAN CURRENT a.k.a. REINSTATEMENT

Reinstatement occurs when the loan is brought current by paying the total amount past due. You have an absolute right to fully reinstate your loan within 90 days of being served with a Notice of Default. If you are now able to make your mortgage payments or your income has returned to its former level, you can negotiate with the bank or lender to bring your loan current by paying off any arrearage. The servicer may be able to arrange an increase in monthly payments until the loan is brought current. This means that each month you would add an additional amount of money (determined by the bank) to your regular monthly payment until the amount that was overdue has been repaid.

If you can show the bank that you are able to resume making payments, and that you can make up the past due balance by either a lump sum or over a short period of time (12 to 24 months), then you can reinstate your mortgage and keep your home.

A repayment plan can be agreed to bring the mortgage current over a period of time. The terms are generally a payment of ½ of the arrearage as a down payment, and 1 ½ payments a month until the loan is current. The delinquency may include certain legal fees and costs if the mortgage company has started the foreclosure process. (Many loan holders require certified funds for reinstatement.)

2. WORK OUT A "FORBEARANCE PLAN"

If you are unable to make your monthly mortgage payment, the mortgage company may extend forbearance by agreeing to suspend payments or accept partial payments for a limited period of time until the bank will be able to begin a repayment schedule.

Forbearance is a formal, written agreement between you and the bank to reduce or suspend monthly payments for a specific period of time. This means that for a period of time, you would either pay only a portion of your regular mortgage payment or not make any payments at all.

At the end of the agreed-upon period, you would be required to resume regular monthly payments as well as pay additional funds to make up for the past due amount. During the time that the payments are either suspended or reduced, it's your opportunity to resolve the financial hardship you are facing.

This type of agreement leads to reinstatement of the loan. There is no maximum duration, but the maximum arrearage due typically may not exceed 12 months arrearage of principal, interest, taxes and insurance. The bank may consider making

this option available to you if you have recently experienced a drop in your income due to unemployment or illness.

Lenders may also agree to wait before taking legal action against you and let you work out a repayment plan that is affordable for you.

3. SELL THE HOME TO A CASH BUYER

If the property is worth more than the amount owed on your mortgage, a quick sale to a cash buyer can help you avoid the foreclosure and all the hassle involved with a foreclosure.

Cash buyers are usually real estate investors who will buy your house in an "as is" condition, and you can sometimes negotiate a move out date with such a buyer, giving you time to find a new home. The foreclosure is halted as soon as the title is transferred, which means your credit score will not be as badly affected.

This is really only an option if you have equity available in the property. For homeowners who have to work to a deadline, selling a house for cash can provide the reliability and certainty that you require which in turn minimizes the stress and worry usually involved with the selling process.

When choosing to sell, consider your timeframe - selling a property using a Realtor can take an uncertain amount of time. And while selling a property at auction almost always results in a sale, the price you get is almost always much less than the market value.

By selling your house to a cash buyer you get the certainty of knowing when the sale will be and the certainty of knowing exactly how much money you will receive.

However, in today's economy, with so many properties actually losing their value compared to their amount owed, if you have equity in your property, there may be a higher likelihood that your lender will have new options available to you if you are looking to keep your property. Be sure to talk to your lender and explore these options as soon as possible in the process.

4. SELLING THROUGH A SHORT SALE

A short sale is when a bank or mortgage lender agrees to discount a loan balance due to an economic or financial hardship on the part of the borrower (you).

This negotiation is all done through communication with the lender's loss mitigation department.

You sell your property for less than the outstanding balance of the loan, and turn over the proceeds of the sale to the lender in full satisfaction of your debt. (ie; an amount 'short' of the full amount of the loan).

The lender has the right to approve or disapprove of a proposed sale. There are a lot of circumstances that will influence whether or not banks will discount a loan balance. These circumstances are usually related to the current real estate market climate and your financial situation.

A short sale typically is executed to prevent a home foreclosure. Often a bank will choose to allow a short sale if they believe that it will result in a smaller financial loss than foreclosing.

For the home owner, the advantages include avoidance of having a foreclosure on their credit history and partial control of the monetary deficiency. Additionally, a short sale is typically faster and less expensive than a foreclosure.

A short sale is nothing more than negotiating with lien holders, a payoff for less than what they are owed, or rather a sale of a debt, generally on a piece of real estate.

Some conditions must be satisfied in order to qualify for a short sale, but primarily you need to be able to provide documented proof of financial hardship and show why you are unable to meet the existing payment obligations.

At Compassionate Foreclosure Solutions, we specialize in helping people negotiate a short pay off with their lender. We're a unique local Michigan company that NEVER charges fees to homeowners, or their realtor if they have one. We've been successfully helping Michigan homeowners work out arrangements with their lenders since 2006 with an 80%+ closure rate – one of the highest in the region.

Please don't hesitate to give us a call to answer any questions or find out if this option would be the right fit for your situation or someone you know. If you're facing a possible foreclosure, time is of the essence – the earlier you take action, the better options you have available to you. **734.786.9874**

5. FILE FOR BANKRUPTCY

The bankruptcy reform act of 2005 changed the entire bankruptcy landscape as we used to know it. Today most bankruptcy attorneys need at least 3 weeks before any major event such as a foreclosure auction date in order to adequately prepare a bankruptcy petition and file the same with the Court.

Homeowners who have waited too long to deal with foreclosure often find out that there is little that can be done to help them by bankruptcy lawyers. The law still permits individuals to file their own bankruptcy petition on a pro-se basis (representing themselves). However, with the complexities involved, unrepresented individuals should NEVER file Chapter 7 bankruptcy without the assistance of a competent attorney.

Bankruptcy is a temporary solution and should always be a last resort option. Most homeowners have the possibility of filing two different types of Bankruptcy, a Chapter 13 Bankruptcy which is merely a reorganization of the debts, and a Chapter 7 which is a discharge of the debts. Unfortunately, bankruptcies can usually only prolong the foreclosure situation. In rare instances, a homeowner may be able to successfully use a Chapter 13 Bankruptcy as a way of restructuring all of their other debts where they can then free up enough cash in order to make their payments, such as their house payment. However, less than 10% of all people who file a Chapter 13 Bankruptcy ever successfully make it through to the end of the Bankruptcy.

Filing a Bankruptcy is the only adverse event that lasts longer on an individual's credit report than a foreclosure action. In order to file a Bankruptcy a homeowner is going to have to engage the services of a lawyer as well as attend various debt counseling classes all prior to being able to file Bankruptcy.

In instances where a homeowner knows that they will be unable to make their mortgage payments because their financial situation has changed for the worse, they would be wise to wait to file a Chapter 7 Bankruptcy *until after* the foreclosure process has come to conclusion. That way if there is any deficiency sought after by the lender, it can then be included in the bankruptcy.

Homeowners often assume incorrectly that a bankruptcy will solve the problem but unfortunate, it is not all inclusive and there are obligations that can still be the responsibility of the homeowner even with a filed bankruptcy.

Again, due to the complexities involved and your unique situation, if you are considering bankruptcy, it pays to seek advice from a qualified professional attorney prior to making your decision.

6. Hope for Homeowners (HoHo)

In July of 2008, the United States Congress passed and President Bush signed into law a bill commonly referred to as "Hope for Homeowners". In the land of acronyms, it got the nickname of HoHo.

HoHo has some characteristics that each homeowner who is thinking about needs to know before they try and access the 300 billion dollar loan guarantee designed to help homeowners who are underwater refinance their homes. The term "under water" is not referencing Katrina, but rather the fact that people now owe more on their house than what it is worth.

Under Hope for Homeowners a homeowner who now owes more on their house than what it is worth could apply to the program and receive a write-down of the value of their mortgage to 90% of its current market value. In addition to the 90% of the current market value, then there would be a 3% FHA refinance fee added to the new mortgage amount. The new mortgage would then come at current market interest rates of approximately 6.5% as of the date of this writing plus a 1.5% annual surcharge, bringing the interest rate of 8% as of today's writing. That interest rate is clearly not competitive in this market.

Finally, there is the back-end kicker in HoHo. When a homeowner has accessed the program and then later on realizes some value appreciation in their property due to the market changing then when the homeowner either refinances to lower the interest rate from the high 8% or sells the property, HoHo will take half of any appreciation. Perhaps the following illustration will help.

A person bought a \$200,000 home five years ago and made a 5% down payment and got a 5 year interest only ARM for \$190,000. The home has since fallen in value by 25% down to \$150,000. By making the interest only payments since the inception of the loan, she now owes \$190,000 entering a repayment amortization reset. HoHo will provide for a writedown of the current mortgage to 90% of the current market value, thus \$135,000 plus the 3% refinance fee taking it to \$139,050. Then in five years if the homeowner sees the house go up to \$165,000, when they sell the property, they will have to split the \$26,000 in equity with the Federal government and we can anticipate the Federal government will not split the costs of selling the property.

Finally, since Hope for Homeowners (HoHo) was new in 2008. The program qualifications may be limiting to most homeowners. Since then, other programs have been introduced, but again with specific qualifying criteria. Seeking advice from an experienced and reputable mortgage broker who takes the time to explain all aspects and how they pertain to your own situation, with patience and in easy to understand

terms (ie; not one who hedges on the details or tells you they'll take care of it for you), gives you options that you can consider to make your own best decision, will help you determine what is available to you.

BONUS INFORMATION

◆ A DEED IN LIEU OF FORECLOSURE

The Deed-in-Lieu of Foreclosure allows a mortgagor in default, who does not qualify for any other HUD Loss Mitigation option, to sign the house back over to the mortgage company. A homeowner is sometimes better off signing a deed-in-lieu rather than letting the lender start foreclosure proceedings. That's because with the signing of a deed-in-lieu the borrower is voluntarily giving the home back to the bank.

Although the loan default would be entered on your credit record it may not do the damage that a full foreclosure would. Foreclosures usually stay on your credit file for at least 7 years. You can also avoid the time and stress involved in fighting a foreclosure battle that the lender is sure to win.

The lender (the mortgage servicer) can pay, not to exceed \$2,000 compensation, to the mortgagor (you, the homeowner), however the \$2,000 compensation is not paid to you until you have vacated the property.

Any compensation must be applied to any junior lien(s) placed on the mortgaged property. The loan servicer may determine that a "current" mortgagor is eligible for the Deed-in-Lieu of foreclosure option.

Under no circumstance should you be encouraged to default on their mortgage for the purpose of qualifying for this option. Not all lenders will even approve this option.

A Deed-in-Lieu must be completed or foreclosure initiated within six (6) months of the date of default, unless the mortgagee qualified for an extension of time by first trying a different loss mitigation option or an extension of time was approved by HUD prior to the expiration of the time requirement.

If the Deed-in-Lieu follows a failed special forbearance agreement or the preforeclosure sale program, then the Deed-in-Lieu must be completed or foreclosure initiated within 90 days of the failure.

A deed-in-lieu can only be done when you have one mortgage on the property. If you have a first and second, you cannot do a deed-in-lieu. Also, there may be income tax consequences as a result of the Deed-in-Lieu of Foreclosure.

◆ LOAN MODIFICATION

The Loan Modification includes changing the original terms of the mortgage through several methods. This option provides for either a permanent change in one or more of the terms of a your loan, which allows a loan to be reinstated and results in a payment you can afford. If your mortgage is an adjustable loan, the lender might freeze the interest rate before it increases or change the interest rate to a more manageable rate for you. A lender might also extend the amortization period. This is called a loan modification.

A loan modification can consist of any of these things:

- A permanent change in the interest rate.
- Capitalization of delinquent principal, interest, or escrow items.
- Possible extension of loan term.

The use of any three of the above items will result in the re-amortization of the loan. Maximum interest rate adjustment to current market rate plus 150 basis points although at mortgagee's discretion, note interest rates may be reduced below market. All or a portion of the PITI arrearage (Principal, Interest, and Escrow Items) may be capitalized (added) to the mortgage balance. Foreclosure costs, late fees and other administrative expenses may not be capitalized.

The Mortgagee may collect the legal and administrative fees (resulting from the canceled foreclosure action), from you to the extent not reimbursed by HUD, either through a lump sum payment or through a repayment plan separate from, and subordinate to, the modification agreement.

However, no administrative fees for completing the Loan Modification documents can be passed on to you. The modified principal balance may exceed the principal balance at origination and the modified principal balance may exceed 100% loan-to-value. The following conditions typically apply:

- All Loan Modifications must result in a fixed rate loan.
- The Loan Modification must fully reinstate the loan.
- Subsequent defaults are to be treated as a new default.

>> Update <<

◆ 90 Day Extension

As of this writing, all homeowners who receive a Notice of Default from their lender should have information on steps to take to request a 90 day hold on their foreclosure proceedings. This information will be included in your Notice packet.

In this letter, homeowners are given State specific and county specific resources, typically a reputable debt counseling service that is authorized to assist you in working out solutions with your lender. The 90 day hold provides an opportunity to give you more time to make those arrangements. **However, you must make the request and you will have a limited time period in which to make the request.**

Unfortunately, there are have been cases when homeowners have had less than 48 hours to make those arrangements because by the time they received the letter, it had been more than 10 days since the letters' writing – and they were only given 14 days from the date of the letter in which to comply. *So, be sure you are paying attention and stay current with the paperwork you are receiving!*