



FORECLOSURE PREVENTION RESOURCES

FROM YOUR REALTOR® . . .
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Facing foreclosure can be overwhelming, but help may be just a phone call or a few computer clicks away. If you cannot make your mortgage payments, speaking with a housing counselor or other professional may help you determine what the consequences are and what your options may be. Other resources include banks, local community programs, information online, or your neighborhood REALTOR®. Some of the available Foreclosure Prevention Resources are as follows:

- **HUD-Approved Housing Counselors:** The U.S. Department of Housing and Urban Development (HUD) sponsors housing counselors who can talk to you about your situation and help you decide what to do. HUD-approved housing counselors are prohibited from charging you a fee for foreclosure prevention counseling services. For the list, call HUD's interactive voice system at (800) 569-4287 or go to <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>.
- **HOPE NOW:** HOPE NOW Alliance is a cooperative effort by mortgage counselors, lenders, and others to help homeowners avoid foreclosure. HOPE NOW has a Homeowner's HOPE Hotline that provides foreclosure prevention counseling free of charge at (888) 995-HOPE or go to <http://www.hopenow.com>.
- **NeighborWorks America:** This is a nonprofit organization that administers housing counseling agencies funded through the National Foreclosure Mitigation Counsel Program. For its list of foreclosure counseling agencies, call (202) 220-2300 or go to www.nw.org.
- **Making Home Affordable:** The Making Home Affordable Program provides government-subsidized refinances, loan modifications, short sales, and deed-in-lieu of foreclosure for homeowners in distress. Under the Home Affordable Refinance Program (HARP), eligible borrowers of loans backed by Fannie Mae or Freddie Mac can take advantage of historically low interest rates by refinancing up to 125 percent of current market value. Under the Home Affordable Modification Program (HAMP), eligible borrowers can obtain more affordable mortgage payments by modifying their existing loans. Under the Home Affordable Foreclosure Alternatives Program (HAFA), borrowers may be eligible for government-subsidized short sales and deeds-in-lieu of foreclosure. For more information, go to www.makinghomeaffordable.gov.
- **Office of the Comptroller of the Currency (OCC):** The OCC is the federal governmental agency that regulates all national banks. The Office of the Comptroller of the Currency has a number of resources for consumers, community groups, and bankers to help them preserve their home ownership, avoid foreclosure, and protect themselves against foreclosure and debt elimination scams. You may contact someone at the OCC Customer Assistance Group at (800) 613-6743 or go to the OCC's consumer website at www.helpwithmybank.gov.
- **Foreclosure Prevention Workshops:** You may attend a Foreclosure Prevention Workshop or other seminars or events to learn more about avoiding foreclosure. For a schedule of upcoming Foreclosure Prevention Workshops sponsored by community organizations, go to <http://www.freddiemac.com/avoidforeclosure/workshops.html>.
- **Other Resources:** There are many resources on foreclosure prevention. You may go to HUD's website at www.hud.gov/foreclosure, Fannie Mae's website at www.fanniemae.com or Freddie Mac's Avoiding Foreclosure Resource Center at www.freddiemac.com/avoidforeclosure/. For tax information, go to www.irs.gov and www.ftb.ca.gov. For credit information, go to www.fico.com.

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ALTERNATIVES TO FORECLOSURE

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Facing the prospect of foreclosure can be overwhelming, but less so if you know your other options. Homeowners with distressed loans often ignore their alternatives to foreclosure until it's too late. Don't make that mistake. Consider your other options right away. The more time you have before you ultimately lose your home through foreclosure, the more viable your other options may be. Things may seem bleak, but now is not the time to falter. Knowledge and determination will give you the resolve you need to overcome the financial challenges you face.

WHAT IS FORECLOSURE? Foreclosure is the legal process for a mortgage lender to sell property to satisfy a defaulting borrower's debt secured by that property. Foreclosure can take quite a toll on homeowners, both emotionally and financially. Depending on your circumstances, foreclosure may force you and your family out of your home, damage your credit, increase your tax liability, and expose you to other personal liability.

Consider These Alternatives to Foreclosure:

- 1. Loan Workout:** If you experience difficulty paying your mortgage, you should immediately contact your lender or a housing counselor to try to work something out. If you just need a little time to get back on your feet, your lender may agree to a loan workout plan to temporarily reduce or suspend your payments, allow you to repay what's past due in monthly installments, or provide some other type of relief.
- 2. Loan Modification:** Even if your financial difficulties are severe and long term, you should contact your lender or a housing counselor to try to work something out. Your lender may agree to a loan modification to permanently change one or more of your loan terms. A loan modification may involve a reduction of your interest rate, an extension of your loan term to 40 years, a reduction in your loan balance, or other changes to the terms of your loan to make your mortgage payments more affordable. Your lender may participate in the government-subsidized Home Affordable Modification (HAMP) program which gives monetary incentives to both lenders and borrowers for modifying certain distressed loans. For more information about the Making Home Affordable program, go to <http://makinghomeaffordable.gov/>.

CONTACT A HOUSING COUNSELOR: For assistance with foreclosure avoidance, you may contact a qualified housing counselor. A housing counselor may discuss your situation with you as well as interface with your lender on your behalf. A list of housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) is available at <http://www.hud.gov/offices/hsg/sfh/hcc/fc/>.

- 3. Short Sale:** Another way to handle a distressed loan is to sell your property. Selling, however, may be challenging if you're "upside down" which means your unpaid balance is more than your sales price. Even so, your lender may voluntarily agree to a short sale by accepting a loan payoff of less than what's owed. As with foreclosure, a short sale may affect your credit, tax liability, personal liability, and pose other consequences. If, however, your property is one-to-four residential units, your lenders are generally prohibited from holding you personally liable for any deficiency under California law. With a short sale you can avoid what some people perceive as a stigma of foreclosure. Doing a short sale also allows you to take a proactive approach to dealing with your distressed loan, rather than go through what can be an agonizing wait for the foreclosure process to run its course. For more information, contact your REALTOR® to get a better idea of your property's current market value and to find out about listing and selling your property. Your REALTOR® may also assist you for a short sale under the Home Affordable Foreclosures Alternative (HAFA) program which gives monetary and other incentives to both lenders and borrowers for doing a short sale.

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Alternatives to Foreclosure (Cont'd):

4. Refinance: If you cannot do a loan workout or loan modification with your existing lender, you may still be able to refinance your loan with your lender or another lender. Although low FICO scores, low appraisals, and the lack of income are common obstacles to refinancing distressed loans, whether you qualify for a refinance depends on your individual circumstances. You may also be eligible for federal assistance through the Home Affordable Refinance program for up to 125% of the property's value if you currently have a Fannie Mae or Freddie Mac loan, but other terms apply.

5. Deed-in-Lieu of Foreclosure: A deed-in-lieu of foreclosure is a voluntary agreement between a borrower and lender for the borrower to give title to a property to the lender in full satisfaction of the loan secured by that property. Your lender may look favorably at a deed-in-lieu of foreclosure because it will not have to spend time and money pursuing foreclosure.

6. Bankruptcy: Bankruptcy is a federal court proceeding for settling your debts with your creditors under a judge's supervision. If you face foreclosure, the filing of a bankruptcy case may provide an "automatic stay" to temporarily stop the foreclosure proceedings. If, however, you file for liquidation under Chapter 7 of the Bankruptcy Code, the court may, in time, lift the automatic stay to allow the mortgage lender to resume its foreclosure proceedings. Alternatively, if you file under Chapter 13, you may be able to keep your property, but you must generally repay the overdue amount in a three-to-five year plan along with your regular mortgage payments. For more information on bankruptcy, you may go to <http://www.uscourts.gov/bankruptcycourts/bankruptcybasics.html>.

7. Other Alternatives: There are many other alternative to foreclosure. You may be able to borrow money from friends. You may be able to supplement your income by renting out a bedroom or getting a second job. You may qualify for a business loan, personal loan, or other types of financing. If your mortgage lender fails to follow proper foreclosure procedures, you may be able to file a lawsuit seeking an injunction to stop the foreclosure process or other relief. You may also be able to come up with some other alternatives to foreclosure not mentioned here. For any of these alternatives to foreclosure, carefully consider their pros and cons, including possible credit, tax, legal, and other consequences. Also be able to come up with some other alternatives to foreclosure not mentioned here.



Contact a Professional for Your Real Estate Needs.

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AVOIDING FORECLOSURE SCAMS

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The best approach for avoiding foreclosure-related scams can be described in two words: Get tough. Being easy-going may work in social settings, but it's all wrong when you're facing foreclosure. Scam artists will intentionally seek you out. They hope to take advantage of you when you are distressed about possibly losing your home or unable to deal with the complicated issues surrounding foreclosures. As one homeowner who fell victim to a foreclosure-rescue scam said, "When you're down and out you'll believe anything." As difficult as it is to face foreclosure, it will be a lot worse if you get mixed up with unscrupulous people. So get tough by vigilantly watching out for scams. Here are some things to watch out for:

- **Appearing to be legitimate:** Outwardly, scam artists do not appear or act dastardly. On the contrary, scam artists may look nice and clean-cut, and they may seem to be kind, helpful, and trustworthy men and women. Scam artists often engage in "affinity marketing" which means they attempt to lure people by belonging to, or pretending to belong to, the same racial, religious, social or other group as their victims.
- **Asking for money upfront before providing any service:** One of the tell-tale signs of a possible scam is when someone makes a promise or representation, but asks you for money upfront before delivering on that promise. If you pay a scam artist, you're unlikely to see either your money or that scam artist again.
- **Making unqualified promises:** To lure you out of your money and home, a scam artist will often say whatever it is you want to hear in a very convincing manner. If you're facing foreclosure, the scam artist is likely to assure you that he or she can stop it, fix it, or make the problem go away. If it sounds too good to be true, it usually is.
- **Lacking credentials:** With certain exceptions, someone who charges you a fee to negotiate with your lender on your behalf must be licensed with the California Department of Real Estate. You can do a quick "License Status Check" at www.dre.ca.gov. You should also conduct further investigations before doing business with someone, such as checking public records, the Better Business Bureau, and the Internet, asking for and verifying references, and going to the business address to see if it actually exists.
- **Asking for you to do something immediately without delay:** Scam artists will push you to make quick decisions, often by making up fake deadlines. They don't want you to have a chance to mull things over, go over the paperwork, or discuss their scheme with your family, friends, lender, real estate agent, or anyone else.
- **Asking for your signature:** Whenever you sign a document, make sure you know what you are signing. Do not sign unless you have a chance to read and review the document. Do not sign if a document has lines left blank. Do not let someone con you by saying something in the document doesn't matter or doesn't mean what it says.
- **Asking you to do something improper or illegal:** Scam artists may ask you to participate in something improper or illegal. Proposing something a little improper may make their promises of stopping foreclosure more believable to you. Once you agree, you will be less likely to blow the whistle on the scam artist if you too are involved in the fraudulent scheme. Do not compromise your position by getting involved in anything underhanded.
- **Brushing aside your questions:** To help smoke out scam artists, ask a lot of questions, even if you know the answers. Be leery of doing business with someone who brushes aside your questions or gives the wrong answers. Indeed, an excellent way to protect yourself against scams is to learn as much as you can about foreclosure-related matters. Because scam artists prey upon ignorance, the more you know about foreclosures, the less likely you'll be duped.

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