

# PIMA COUNTY FORECLOSURE PREVENTION WORKBOOK



## *A Tool for Homeowners to Save their Homes*

Presented by the Pima County Foreclosure Prevention Coalition  
Improved with contributions from the Foreclosure Prevention Task Forces of  
Arizona, Nevada, Utah, Wisconsin, and Prince George's County, Maryland.

# Acknowledgements

This publication reflects the wisdom of many generous, compassionate, knowledgeable, and talented individuals who contributed their time, ideas and resources to create this tool for homeowners facing foreclosure. The Pima County Foreclosure Prevention Coalition joins the Pima County Board of Supervisors Chair, Richard Elías by expressing gratitude to all who helped to make this workbook possible.

In addition, we wish to thank our counterparts in other cities and states who are helping homeowners in their communities by providing them this tool, but with enhancements that we have added to this edition. They are:

The Arizona Foreclosure Prevention Task Force who published the “Arizona Foreclosure Information Workbook: A tool to educate homeowners about the foreclosure process”

The Utah Housing Coalition who published “Foreclosure Prevention Workbook: A decision-making tool for homeowners exploring ways to save their homes and their financial well-being from the foreclosure crisis”

The Nevada Foreclosure Prevention Taskforce who published “Nevada Foreclosure Information Workbook: A tool to educate homeowners on the foreclosure process”

The St. Croix Valley Foreclosure Intervention Task Force (Wisconsin) who published “Foreclosure Intervention Workbook: a decision-making tool for homeowners exploring ways to save their homes and their financial well-being from foreclosure”

The Prince George’s Community Foundation and Coalition for Homeownership Preservation in Prince George’s County who published “Keeping Your Home: A Guide to Foreclosure Prevention and Assistance in Prince George’s County, MD”

## Award

Recipient of the 2008 **Innovation Award** presented by the National Association for County, Community, and Economic Development (NACCED), the Pima County Foreclosure Prevention Coalition is very proud and grateful for this award.



**RICHARD ELÍAS**  
COUNTY SUPERVISOR - DISTRICT 5  
CHAIRMAN OF THE BOARD

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Dear Friends,

We are proud to provide you with the Pima County Foreclosure Prevention Coalition's Workbook. You have taken the first step in your decision-making process regarding difficult choices affecting your future. It is our hope that this workbook will serve as an effective tool to provide information to you and your family.

Pima County is the founding member and an important force in this Coalition, the formation of which is part of our local strategy to promote the national effort to resolve the country's foreclosure crisis. As this crisis unfolds, untold thousands of homeowners have lost their homes or face severe hardships in trying to retain their homes. This workbook is designed to be a very useful and valuable tool in dealing with a potential foreclosure.

The workbook will help you receive effective and efficient service from your mortgage lender and/or housing counseling agency as you face important decisions along the roadmap to solutions. It offers clear direction on what information you will need, including key documents, household income, property information, and calculations; it explains for what purposes they will be used. This will enable you to decide if you can afford to keep your home or take other steps that will be in your best interest.

Other tools in the workbook include a communications log to help you track names, phone numbers and the essence of important conversations you have with people who are critical to the solving your problems as you progress. Sample letters will help you state your case clearly to counselors, mortgage company representatives and others involved in your situation. A glossary of mortgage loan terms used in the mortgage lending industry is included along with additional online resources.

Pima County developed this workbook to help local residents deal with this difficult and often devastating crisis. We are pleased to share this workbook with other jurisdictions, organizations and groups that are taking steps to assist homeowners deal with foreclosure. We believe anyone in Arizona or beyond can use this workbook effectively to develop an understanding of the foreclosure process and to take the appropriate steps to determine solutions and options specific to their needs.

You have taken the first step in recognizing difficult choices affecting you and your family. I congratulate you for your courage in recognizing the complexity of the problem, in taking the steps to make informed decision and in seeking professional assistance and advice regarding your home and your future.

Sincerely,

Richard Elías  
Chairman  
Pima County Board of Supervisors

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## Warning Signs Due to Life Changes

Unexpected life changes are among the key factors to a mortgage delinquency and foreclosure, especially those that affect your finances such as:

- Loss of employment or reduction of hours
- Major illness, injury or permanent disability
- Divorce or separation
- Death of a spouse
- Assuming responsibility for aging parents or other family members

Ideally, everyone has a plan in place before one of these happens. When facing foreclosure, a person is not likely to be in the frame of mind necessary to create a plan of action. That is why developing a plan before a major life change happens is your best protection when a crisis hits home. Two key parts to such a plan are:

**Save Money.** Regularly setting aside money each month to build an emergency fund will be helpful in case something unexpected happens. Try to set the goal to be 3-6 months worth of living expenses.

**Reduce Expenses.** Think about areas where you can reduce your monthly discretionary spending. Remember, every little bit adds up and can help you through a period of financial hardship.

Warning signs may be more subtle. If you are having difficulty managing your credit cards or utility bills, you may be creating problems that will affect your ability to maintain your mortgage payment. Suddenly you may be facing foreclosure. If you ignore or do not recognize these warning signs, you will suffer serious consequences. Here are a few examples:

- Mortgage payment changes (changes in interest rate, property taxes, homeowner insurance, and other miscellaneous mortgage loan changes)
- Maxing out credit cards
- Using credit cards to pay for daily expense such as groceries and utilities
- Paying bills late
- Paying credit card minimum payments only
- Applying for new credit cards after maxing out existing ones
- Choosing between paying bills and paying essential living expenses

Any of these events affects borrowers' ability to make their mortgage payments on time. When this happens, foreclosure may result. To cope with foreclosure:

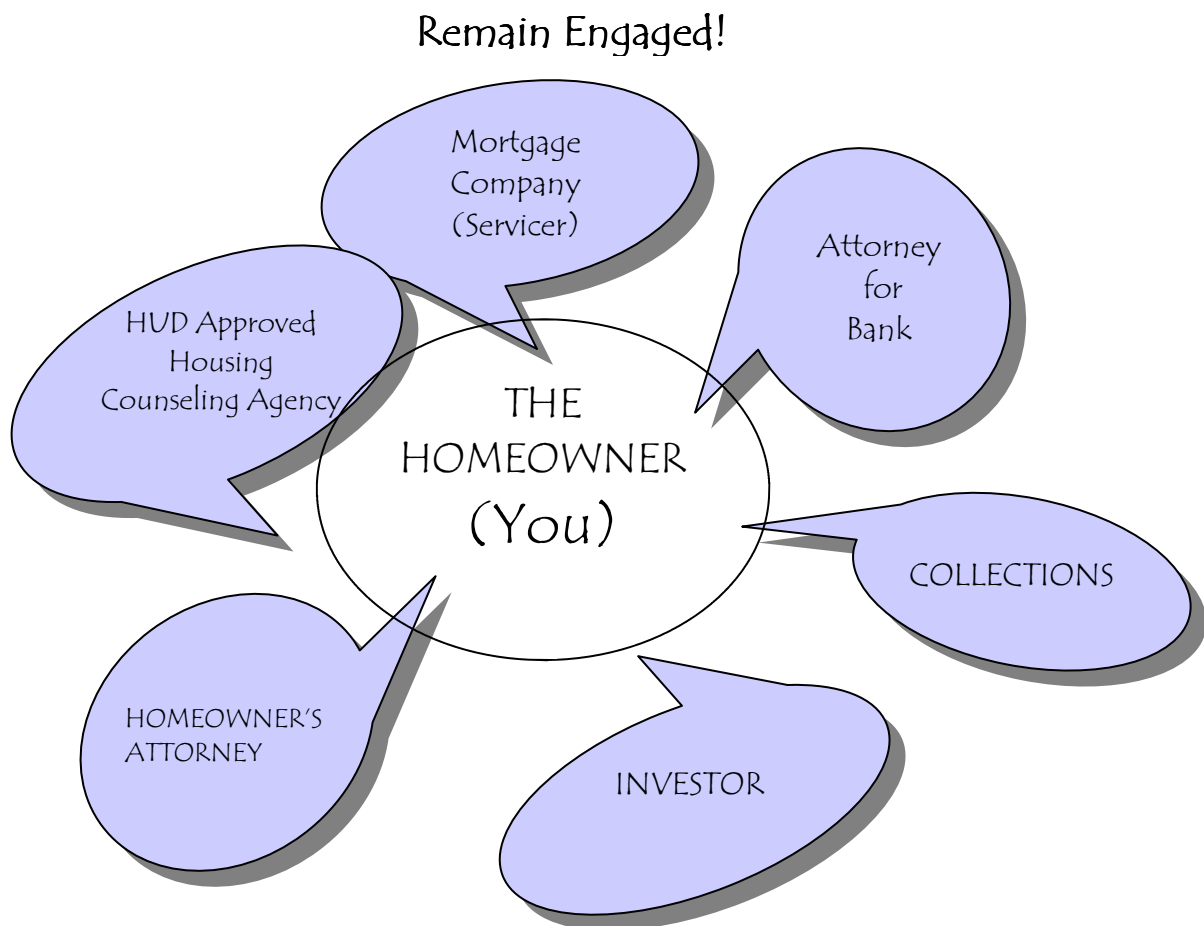
- **Understand** the Delinquency Cycle of a mortgage
- **Contact** your servicer as soon as possible to discuss your situation and
- **Call** Don't Borrow Trouble® Pima County (who can put you in touch with a HUD approved housing counseling agency), or
- **Seek** the advice of a HUD certified housing counselor at one of the agencies listed below.

**The sooner you take action, the better!**  
**Call your mortgage servicer and a housing counselor.**  
**They will help you stay in your home.**

## REMAIN ENGAGED!

As you learn more about your options, you will find there are many different people who will be involved in this process. It's up to you!

- Keep everyone informed about the latest developments regarding your mortgage loan modification, delinquency, refinance or foreclosure.
- Do not assume that because you have chosen one option, everyone knows. For example, if your loan was referred to a Trustee for foreclosure and your mortgage servicer agreed to a loan modification, do not assume the Trustee is aware of that modification. They may continue to process an Auction.
- It's very possible your mortgage lender's loan modification department will not be communicating with its attorneys in the foreclosure department.
- Open all mail, answer or return all calls and share with everyone important notices, letters, offers and anything else you know.
- Help yourself by communicating with everyone working with you. Create your Call List with the names and phone numbers of all parties working with you or with another party involved in your mortgage delinquency or foreclosure proceedings.



## Important Terminology

Adapted from Freddie Mac

Below are a few definitions that are important to know as you go through this workbook. A more detailed glossary is in the *Tools for Homeowner* section.

**Lender** – This is the entity that gave you the mortgage loan and may not be the same entity to whom you send your payments. Throughout this workbook, the term lender will be used interchangeably with servicer and mortgage company.

**Servicer** – The entity to which you send your monthly payments. The lender has contracted with the servicer to handle your loan after closing. The servicer is your contact for any issues you have with your mortgage loan. Also called **loan servicer** or **mortgage servicer**.

**Servicing** - The administration of the loan by the servicer from the time you obtain your mortgage loan until it is paid off. Administration of a loan includes the collection and application of payments, payment of insurance and real estate taxes, maintaining records of payments and balances and working with the borrower to resolve delinquencies.

**Investor** – The entity that owns the loan. Oftentimes, the lender will sell your loan to another entity after closing. Most likely, the investor is generally not the same as the servicer or the lender. The servicer must follow the investor's guidelines for servicing the loan.

**Delinquency** – A loan payment that is overdue but within the period allowed before actual default is declared.

**Default** – The failure of the borrower to make the loan payments as agreed in the promissory note or workout plan.

**Foreclosure** - The legal process by which an owner's right to a property is terminated, usually due to default. The mortgage lender sells at auction the property that secures a loan on which a borrower has defaulted. Typically, ownership of the property will be transferred to the financial institution. The institution will market and list for sale the property to recover the monies owed to them.

**Customer 'Workout'** – Process where a servicer and a borrower develop a mutual agreement to resolve a loan default and avoid foreclosure.

**Auction** – An **auction** is a [process](#) of [buying and selling](#) goods or services by offering them up for bid, taking bids, and then selling the item to the winning bidder. There are several variations on the basic auction form, including time limits, minimum or maximum limits on bid prices, and special rules for determining the winning bidder(s) and sale price(s).

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## TOPIC 1

### Understanding Mortgage Delinquency and What to Do

Delinquency Cycle of a Mortgage Loan

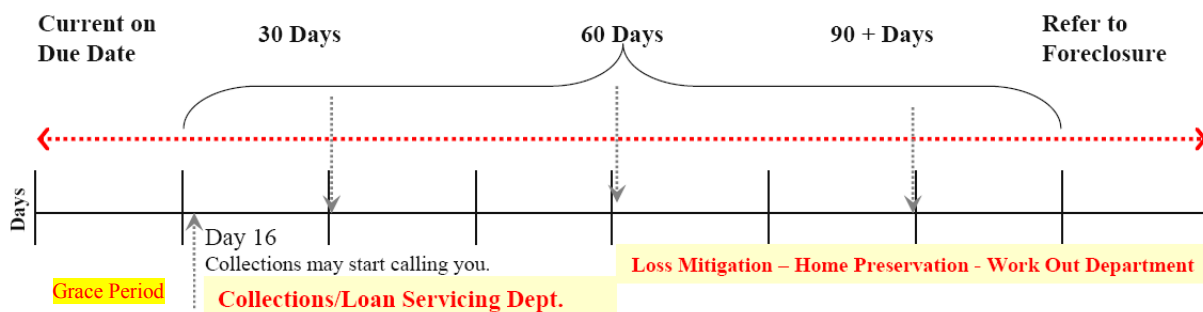
Role of the Housing Counselor

Who are the Certified Housing Counseling Agencies in Pima County?

A Letter of Authorization

### DELINQUENCY CYCLE OF A MORTGAGE LOAN – WHERE AM I?

Diagram of Delinquency Process from Late to Auction Date – 180 days



The loan servicer expects to receive your payment by the due date. If the servicer has not received your payment by that date (usually the 1<sup>st</sup>), it is delinquent. Most loans have a **Grace Period**, which is the of time between the due date and the date when late fees begin. Check your Promissory Note or mortgage statement for your due date.

#### What happens if I do not make my payment on the due date?

The Collections Department is a division of your loan servicer responsible for obtaining and applying payments due on mortgage loan. They contact you after the grace period ends and before the end of the payment period (for example, between the 16<sup>th</sup> and the 30th of the month).

**BE PROACTIVE! CALL YOUR MORTGAGE COMPANY/SERVICER IF YOU KNOW YOUR PAYMENT WILL BE LATE. DON'T WAIT FOR THEM TO CALL YOU. ALWAYS RETURN THEIR CALLS!**

When the Collections Department fails to obtain your payment or make acceptable payment arrangements with you, they will refer your account to the LOSS MITIGATION Department, also referred to as the HOME PRESERVATION Department, or the WORK OUT Department.

Where are you in the delinquency cycle? \_\_\_\_\_

## Early Steps to Prevent Foreclosure

Source: Adapted from Freddie Mac

It is best to have a back-up plan ready in case you suddenly find yourself in one of those life-changing events. The best time to develop a plan is when things are going well and you can calmly prepare for the unexpected.

### What is Loss Mitigation?

- This division of the loan servicer will work with you to establish an acceptable plan placing you back on track with your mortgage payments.
- You will begin to receive letters requesting that you call them. They will explore options with you. This is an ideal opportunity for you to work out a loan modification. Always open mail and answer phone calls from the Loss Mitigation, Home Preservation or Work Out division or department of your mortgage servicer.
- If you have any questions about whose sending you this mail or calling you, check your most recent mortgage statement. You may call and check with the company listed on your statement to verify the calls and mail you are receiving are not scams.

The Loss Mitigation representative from your mortgage servicer will be persistent with their calls and letters because they want to give you an opportunity to work out a plan you can afford before sending your account to foreclosure.

### What happens after I am 90 days late?

As soon as the 91<sup>st</sup> day (in Arizona) after your payment was due, your mortgage servicer may refer your account to a third party TRUSTEE who will begin the foreclosure process. They start by recording a Notice of Default and Notice of Sale with the Pima Count Recorder. At least 20 days prior to the auction date, a certified copy of the recorded notice will be mailed to the homeowner stating the auction date, time and location.

Immediately call your mortgage servicer when you receive a Notice of Default or Notice of Sale. There is still a chance the mortgage servicer can stop the foreclosure. For help, call a HUD certified housing counseling agency (see pg. 10) or Don't Borrow Trouble Pima County at 520-792-3087.

### ROLE OF THE HOUSING COUNSELOR

"Foreclosure prevention counseling services are provided free of charge by nonprofit housing counseling agencies working in partnership with the Federal Government. These agencies are funded, in part, by HUD and NeighborWorks® America. There is no need to pay a private company for these services."

<http://www.hud.gov/offices/hsg/sfh/hcc/fc/>

**FINDING A SOLUTION** If you are facing mortgage delinquency, a certified housing counselor can work with you to find a solution that best fits your situation. They will require very specific information from you as the homeowner. The more information provided to the housing counselor, the easier it will be to assess your expectations and situation.

**Negotiating with the Mortgage Lender/Servicer** A counselor will help you assess your financial situation, determine the options available to you and help you negotiate with your servicer. A counselor will be familiar with the various workout arrangements that lenders/servicers will consider and will know what course of action makes the most sense for you and your family, based on your circumstances. In addition, the counselor can call the servicer with you or on your behalf to discuss a workout plan.

**Preserving or Repairing your Credit** A good counselor will help you establish a monthly budget plan to ensure you can meet all of your monthly expenses, including your mortgage payment. Your personal financial plan will clearly show how much money you have available to make the mortgage payment. This analysis will help you and the servicer determine whether a reduced or delayed payment schedule will benefit you. Also, a counselor will have information on services, resources and programs available in your local area that may provide you with additional financial, legal, medical or other assistance that you may need.

**Counseling Free of Charge** The services of a foreclosure prevention or mortgage default counselor are provided at no cost to the homeowner. (A few may charge a nominal fee for the credit report.) If a counselor requires a fee either before any services are performed, or in several installments, this is a warning sign. Before you make any payments, contact HUD at 800-569-4287 to find out whether this counselor is working for a HUD approved housing counseling agency. See also the *Beware of Scams* section.

**Authorizing a Counselor to Represent You During Negotiations with the Mortgage Servicer** The housing counselor will need to speak with your servicer to obtain information about your loan; i.e., loan balances, arrearages (if any) and current payment amounts. Before the servicer may speak with the housing counselor about your loan, they must receive written permission from you. You will be asked to sign an *Authorization to Release Information* form. Without this authorization, the mortgage company or servicer will not share any information with the housing counseling organization.

#### **ROLE OF DON'T BORROW TROUBLE® PIMA COUNTY**

A free public education resource and community service, Don't Borrow Trouble® Pima County helps citizens avoid predatory lenders, find reliable financial education, and arrange appointments with HUD approved housing counseling agencies. Staff will help homeowners prepare for a successful meeting with a HUD approved housing counseling agency to make the most of your time and resources.

#### **DON'T BORROW TROUBLE® PIMA COUNTY, a Program of Southwest Fair Housing Council, Inc.**

Phone: 520-792-3087  
Fax: 520-620-6796  
Address: 2030 E. Broadway, Suite 106, Tucson, AZ 85719  
Email: [info@dbtaz.org](mailto:info@dbtaz.org)  
Website: [www.dbtaz.org](http://www.dbtaz.org)

#### **WHO ARE THE CERTIFIED HOUSING COUNSELORS IN PIMA COUNTY?**

The following are HUD approved, certified housing counseling agencies which can also be found at [www.hud.gov](http://www.hud.gov):

##### **ADMINISTRATION OF RESOURCES AND CHOICES**

Phone: 520-623-9383  
Fax: 520-623-9577  
Address: 3003 South Country Club, Tucson, AZ 85754

##### **CHICANOS POR LA CAUSA**

Phone: 520-882-0018  
Fax: 520-884-9007  
Address: 200 N. Stone Ave., Tucson, AZ 85701  
Website: [www.cplctucson.org](http://www.cplctucson.org)

##### **CONSUMER CREDIT COUNSELING SERVICES, A DIVISION OF MMI**

Phone: 800-308-2227/866-889-9347  
Fax: (520) 401-5491  
Address: 4732 No. Oracle Rd., Ste. 217, Tucson, AZ 85705  
*Also at 5515 E. Grant Road, Suite 211, Tucson, AZ 85712 Ph: 520-298-1910*  
Website: [www.moneymanagement.org](http://www.moneymanagement.org)

FAMILY HOUSING RESOURCES, INC.

Phone: 520-318-0993  
Fax: 520-323-3788  
Address: 1700 No. Ft. Lowell Rd., Ste. 101, Tucson, AZ 85719  
Website: [www.familyhousingresources.com](http://www.familyhousingresources.com)

OLD PUEBLO COMMUNITY SERVICES

Phone: 520-546-0122  
Fax: 520-777-4512  
Address: 4501 E. 5<sup>th</sup> St., Tucson, AZ 85711  
Website: [www.oldpueblocommunityservices.org](http://www.oldpueblocommunityservices.org)

PIO DECIMO CENTER, CATHOLIC COMMUNITY SERVICES OF SOUTHERN ARIZONA, INC.

Phone: 520-624-0551 ext. 109  
Fax: 520-622-4704  
Address: 848 So. 7th Ave., Tucson, AZ 85701  
Website: [www.ccs-soaz.org/pd](http://www.ccs-soaz.org/pd)

PRIMAVERA FOUNDATION, INC.

Phone: 520-882-5383  
Fax: 520-882-5479  
Address: 151 W. 40<sup>th</sup> St., Tucson, AZ 85713  
Website: [www.primavera.org](http://www.primavera.org)

TMM FAMILY SERVICES, INC.

Phone: 520-322-9557  
Fax: 520-322-5864  
Address: 3127 E. Adams St., Tucson, AZ 85716  
Website: [www.tmmfs.org](http://www.tmmfs.org)

TUCSON URBAN LEAGUE

Phone: 520-791-9522 ext. 2263  
Fax: 520-620-1987  
Address: 2305 S. Park Av., Tucson, AZ 85713  
[www.tucsonurbanleague.com](http://www.tucsonurbanleague.com)

**How to compare a HUD approved housing agency with a non-HUD approved housing counselor (“loan modification expert”)**

Standard	HUD Approved Housing Counseling Agency	Other
Accredited by the US Department of HUD	Yes	_____
Maintains audited financial statements	Yes	_____
Maintains a community presence	Yes	_____
Maintains the required license to do business in the State of AZ	Yes	_____
Complaints filed with the Better Business Bureau	No	_____
Complaints filed with the Arizona Attorney General	No	_____
Provides a written Action Plan after each counseling session	Always	_____
Requires payment for services	Never*	_____

\* A nominal fee for a credit report may be necessary.

## Role of the Mortgage Servicer

How did your mortgage servicer end up with your mortgage?

The servicing of almost every mortgage loan is transferred to another company after you close on your home. The mortgage servicer who buys the right to service your loan is responsible for carrying out the terms and conditions set forth in your mortgage documents. For example, they must keep your mortgage interest rate, mortgage payment (including taxes and insurance payments), mortgage term and all other features of your original loan in place as originally agreed to at the time of your closing.

Be prepared for your mortgage servicer to change. This is a very active business with frequent changes.

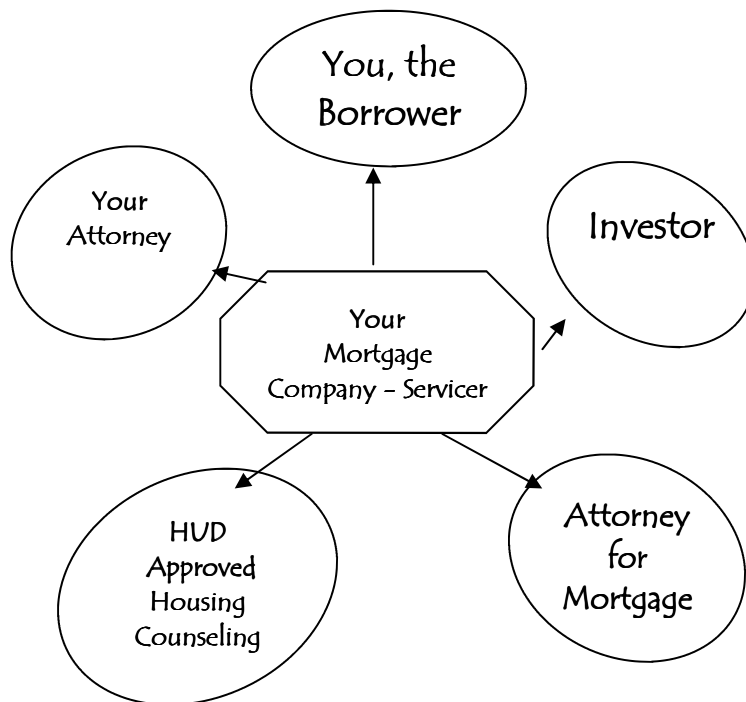
Mortgage servicers are usually very large organizations with thousands of employees who experience high rates of turnover. Don't be surprised if every time you contact your servicer, you must start over with someone new.

There are several departments at the mortgage servicer working with you. They may include the following:

Collections Department This department collects late payments from customers who are 30 to 90 days late. They are not involved in loan modification (or efforts to save your home).

Loss Mitigation Department also known as a Work Out Department or Home Preservation Department. Each department may be equipped with call center to manage incoming calls from all sorts of parties.

**Who is your mortgage servicer?** \_\_\_\_\_



# Release of Authorization Letter

Only after you have verified they are working with a HUD Approved  
Housing Counseling Agency

- Sample -

Date

Mortgage Servicer Name  
Mortgage Servicer Street Address  
Servicer City, State, Zip

*[You will find this information on your mortgage bill or payment notice]*

Re: Your Mortgage Loan Number

Dear Loss Mitigation Manager:

We the undersigned, hereby authorize \_\_\_\_\_ (*housing counseling agency*) to act on our behalf in all matters relating to our mortgage loan in the original amount of \$\_\_\_\_\_ for the property located at \_\_\_\_\_ (include the complete street address, city, state and zip code), including signing of all documents relating to this matter.

The housing counseling agency contact is: \_\_\_\_\_ (name) who can be reached by phone: (area code) \_\_\_\_\_ email: \_\_\_\_\_ or fax: (area code) \_\_\_\_\_.

Any and all acts carried out by \_\_\_\_\_ (*housing counseling agency*) on our behalf shall have the same affect as acts of our own.

This authorization is valid until further written notice.

Sincerely,

Borrower's signature

TIP

ASK your Mortgage Servicer if they would prefer to you use their Authorization Form.

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**Topic 2****Understanding Your Financial Situation****Preparing for your Conversation with the Servicer and Housing Counselor****Think about Your Situation**

What is Your Income?

How are You Spending your Money

What are Your Assets?

What a Crisis Budget can do for You?

Whether You Can Afford to Keep Your Home?

**THINK ABOUT YOUR SITUATION**

When you talk to your mortgage loan servicer or a HUD approved housing counseling agency, be prepared to tell them about your situation. Use this worksheet to summarize your circumstances. Please be as accurate and detailed as possible.

When did you miss your first payment (date)?

Why did you miss this and any other payments?

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How have you tried to fix your financial situation?

Do you expect your situation to change soon?

Do you have any other resources to help you?

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Once you complete this exercise, you will be ready to write a Hardship Letter. Mortgage lenders/servicers will require that you submit a Hardship Letter or provide you with a Hardship Affidavit (which achieves the same goal) before they will assist you. Following is a sample Hardship Letter.

# Hardship Letter

- Sample -

Date

Lender's Name  
Lender's Address  
Your Loan Number

Dear Loss Mitigation Manager:

Our names are/My name is \_\_\_\_\_ and I've/we've been paying the mortgage on our home at [Address] for \_\_\_\_ years now. I'm/We're writing to you to explain why I/we have unfortunately fallen behind on our monthly payments and are in need of your help.

*Explain your Hardship (include dates and specific incidents that caused you to get behind, also, if applicable, explain how it has been resolved).*

We/I have sat down with my/our family and taken a very hard look at our financial situation and we all have agreed to make the following sacrifices in order to make certain that we can pay our mortgage on time.

*Explain what steps you have taken to correct your Financial Position (cut back on spending, canceled some things... cable, eliminated activities, met with Credit Counseling services).*

My family and I are truly grateful for the opportunity that you've given us to own our home and have every intention of keeping it for a long while, as well as making timely mortgage payments to you for it.

Thank you again for your time. We truly hope that you will consider working with us. We are anxious to get this settled so we can move on.

Sincerely,

*Everyone in your family signs here*



## WHAT IS YOUR INCOME?

Your servicer and housing counselor will need to know **all** your current household income. Before you speak with them, complete the following worksheet. Based on your NET INCOME (amount of income after taxes and other payroll deductions), the following worksheet will help you determine what you can afford. When mortgage servicers evaluate your debt to income ratio (see Glossary) they use your GROSS INCOME.

### MONTHLY HOUSEHOLD INCOME:

Sources of Income	Homeowner A	Homeowner B	TOTAL A & B
1 <sup>st</sup> Job Income – Take Home Amount	\$	\$	\$
2 <sup>nd</sup> Job Income – Take Home Amount			
Social Security/SSI/SSDI			
Child or Spousal Support			
Unemployment Compensation			
Workers Disability Compensation			
Veterans Benefits			
Retirement Benefits			
Monies from Boarders or Roommates			
Child care assistance			
Housing assistance			
Rental income from other homes owned			
Other			
Other			
<b>Total for Homeowner</b>	\$	\$	
<b>Total Household Income (A + B)</b>			\$

**It is important that these amounts be accurate and exact.**

Include income for *all* those living in the home.

If the amount changes from month to month, look at your year-to-date amount and determine an average.

Be sure to let your servicer know if you expect a change in income in the near future.

Gross Pay is NOT equal to Net Pay! Do you know the difference?

Adapted from Consumer Credit Counseling Services, Inc.

## WHERE IS YOUR MONEY GOING?

Your servicer and housing counselor will also need to know **ALL** of your expenses. Before you speak with them, complete the following worksheet. Be realistic and thorough.

Monthly Expenses			
COLUMN 1 EXPENSE	MONTHLY	COLUMN 2 EXPENSE	MONTHLY
<b>Shelter*</b>		<b>Contributions &amp; Gifts</b>	
Mortgage Payment	\$	Church donations	\$
Homeowner Association Dues		Miscellaneous donations	
Home Maintenance		Gifts/cards/Wrapping Accessories	
Taxes & Insurance (if not included in mortgage payment)			
Line of Credit (Lien on your Home)			
<b>Food</b>		<b>Recreation</b>	
Groceries, beverages	\$	Club dues	\$
Cleaning supplies, paper products		Newspapers, magazines, books	
Food away from home		CDs, other music	
Tobacco/Alcohol		Movies	
		Hobbies	
<b>Utilities</b>		Sports	
Gas, light, water	\$	Vacations	
Phone		Entertainment	
Cell/Mobile Phone			
Garbage, sewer			
<b>Insurance</b>		<b>Other Expenses</b>	
Life	\$	Kids' allowances	\$
Auto		Day Care (Children/Seniors)	
Health		Babysitting	
		Postage	
		Cable/Satellite TV	
<b>Transportation</b>		Other services	
Gas & Oil	\$	Pets	
Repairs/Upkeep			
Registration		<b>Monthly Obligations</b>	
Bus, carpool		Alimony/Child Support	\$
Parking		Total Monthly Auto Loan Payments	
		Total Monthly Credit Card Payments	
<b>Education</b>		Other Monthly Obligation	
Tuition	\$	Other Monthly Obligation	
Books			
Special Lessons			
Sports			
<b>Health Care</b>		<b>Clothing</b>	
Medical	\$	New purchases	\$
Dental		Dry cleaning, Laundry	
Prescriptions			
<b>Personal Care</b>			
Beauty/Barber Shop	\$		
Nails			
Other Personal expenses			
COLUMN 1 TOTAL:		COLUMN 2 EXPENSE TOTAL:	
	\$		\$
COLUMN 1 + COLUMN 2 = TOTAL EXPENSES:			\$

TIP: Be Realistic! For example, if you include \$400 monthly cigarette expense, your mortgage servicer will question your commitment to modifying your mortgage loan (and willingness to make sacrifices to save your home).

## MONTHLY HOUSEHOLD EXPENSES: ARE THEY ALL THE SAME?

There are three types of expenses—fixed, variable and discretionary. This classification helps you determine what expenses you may need to reduce or eliminate.

What are your **fixed expenses**? These expenses have set or fixed payments on a weekly, monthly or annual basis. You know what the amount will be. Examples include your car payment, insurance payment.

What are your **variable expenses**? These expenses can change, fluctuate or vary from month-to-month depending on usage or where obtained. Examples include utility bills, childcare costs, gas for automobile and groceries. Review these expenses over several months to determine an accurate amount.

What are your **discretionary expenses**? These items are not essential to your well-being and, if needed, will be the first expenses to be reduced or eliminated. Examples include holiday shopping, eating out, hairdresser and entertainment. Estimate what you spend on these expenses each month.

Look at the expenses you have recorded on the worksheet and make a note next to each one indicating whether you can reduce or eliminate the expense.

## MONTHLY HOUSEHOLD EXPENSES: NEEDS OR WANTS?

Adapted from Freddie Mac Credit Smart Español, Module 2: Managing Your Money, pp. 68-

Take a few minutes and think about your personal needs and wants. Use the Needs Versus Wants Worksheet below to make a list of your needs (items necessary for survival) and a list of items that you have purchased out of “want”.

Estimate the monthly cost of each of these items. In other words, what is the total monthly cost of your “needs” such as housing, food and clothing? What is the total monthly cost of your “wants” or items for which you may be making payments that were purchased to satisfy your “want”.

Are you spending as much for your “wants” and your “needs”? Try to identify ways to “cut corners” in the future to save more money.

WHAT ARE YOUR NEEDS (survival)	Monthly Cost for NEEDS	WHAT ARE YOUR WANTS (desirable)	Monthly Cost For WANTS
<b>Total Cost of Needs:</b>	\$ _____	<b>Total Cost of Wants:</b>	\$ _____

What is the total dollar difference between your monthly needs and your monthly wants?

Total monthly **Needs**: \$ \_\_\_\_\_

Total monthly **Wants**: \$ \_\_\_\_\_

\*Difference: \$ \_\_\_\_\_ \*If this is a Negative Number, what should you do?

**PRIORITIZE YOUR DEBTS:** These are examples – your priorities may be very different!

1<sup>ST</sup> Mortgage, taxes, insurance, auto loans, and utilities

Your 1<sup>st</sup>: \_\_\_\_\_

2<sup>nd</sup> Other secured debt with financial institutions

Your 2<sup>nd</sup>: \_\_\_\_\_

3<sup>rd</sup> Credit cards, medical bills and unsecured creditors

Your 3<sup>rd</sup>: \_\_\_\_\_

## WHAT OTHER ASSETS DO YOU OWN?

List your household assets. Think about what you are willing to do: Sell some of your assets? Change your lifestyle? A certified housing counselor can help you with this.

First, record your assets on the chart below.

	<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>Household Assets</b>	<b>Value</b>	<b>Amount Owed</b>	<b>Price to Sell?</b>
Description			
a) Automobile #1	\$	\$	\$
b) Automobile #2	\$	\$	\$
c) Automobile #3	\$	\$	\$
d) Cash on Hand Over \$100	\$		
e) Checking Account	\$		
f) Savings Account	\$		
g) Anticipated Tax Refunds	\$		
h) Money Market Funds	\$		
i) Stocks/Bonds/CDs/Annuities, etc	\$		
j) <b>IRA / Keogh Accounts</b>	<b>\$</b>		
k) Computer/TV/Electronics	\$	\$	\$
l) Furniture	\$	\$	\$
m) Boats / Jet Skis	\$	\$	\$
n) RV/ Recreational Homes	\$	\$	\$
o) Motorcycles / Snowmobile	\$	\$	\$
p) Farm Equipment	\$	\$	\$
q) Trailers	\$	\$	\$
r) Other Property	\$	\$	\$
s) Other:	\$	\$	\$
t) <b>Total</b>		\$	\$

### TIP

A word of Caution about IRA/Keogh Accounts: Think very, very carefully about liquidating your IRA/Keogh Accounts. There are costly tax consequences to doing so and remember how long it took to accumulate this asset. It may include contributions from your employer that they make take back. Consult your Human Resources Department of your employer or discuss with your housing counselor.

Next, look at your list and in the last column (Price to Sell) enter the dollar value you believe you may receive if you sell this item. Total those items and see what additional 'cash' you may have to save or apply to your mortgage.

**Find extra money to help you through a crisis**

Adapted from Surviving a Lay-Off by Dahlstron+Company, Inc. pg. 11

**Collect old debts:** Does anyone owe you money? If so, list their names and how much. Here’s an example.

Brother Sam	Loan of \$100 to help buy a new TV	Amount Paid Back: \$0.00
Name:	Loan Amount/Purpose:	Amount Paid Back:
_____	_____	_____
_____	_____	_____

**Inventory your stuff:** Check your closets, bookshelves, garage, kids’ rooms. What “stuff” can you sell on eBay, in the newspaper or at a yard sale?

Item	Estimated Value	Yard Sale	eBay	Newspaper	Other (specify)
Children’s Clothing					
Children’s Toys					
Adult bicycle					
Extra Truck Tires					
TV Stand					

**Valuables:** Jewelry, collector’s items – things you hate to part with you may offer to relatives first.

**IMPLEMENT A SHORT-TERM, CRISIS BUDGET**

A Short-Term, Temporary, Crisis Budget will carry you through a financial difficulty (3 to 6 months) when you might take some drastic actions to help you work out a loan modification or explore other options. Here are a few suggestions to create a temporary budget (and weed out unnecessary wants):

**Work**

If you are employed, you may ask your Human Resource Department to:

- Reduce the amount of taxes withheld
- Reduce or temporarily halt contributions to employer-sponsored charity
- Reduce your 401k/pension savings contribution
- Reduce or temporarily halt contributions to your Health Savings Account

**Home**

Ask family members to consider the following short-term sacrifices:

- Suspend the family wireless cell phone service
- Switch high-speed internet service to dial up service (or cancel)
- Suspend or reduce the satellite TV service
- Sell one of the family cars or trucks, or park one of those vehicles, then notify your insurance company who can reduce the coverage (and reduce your premium)
- Consolidate trips (family goes out together for errands rather than individually going out – using car/gas)

**Entertainment:**

- Rent movies rather than go out to movies
- Make dinners at home rather than go to restaurants
- Borrow music, movies, books and magazines from the local library which is Free!

**Gift giving:**

For the holidays, special occasions (birthdays, graduations and others), offer your time and service rather than purchasing gifts (coordinating a party with everyone bringing homemade food, babysitting, cleaning, driving kids to practice, and help with organizing a household). Also, consider making gifts (dinners, arts & crafts) which are often more valued than anything you can buy.

Adapted from Arizona Saves Workshop March 7, 2009, Tucson, AZ

**CAN YOU AFFORD TO KEEP YOUR HOME?**

After cutting back on as many expenses as possible - changing your lifestyle and eliminating “Wants” - are you able to keep your home? Based on what you earn, spend, need, and can sell, are you able to keep (afford) your home?

If your mortgage payment cannot be adjusted, can you keep your home?

What amount can you afford for your mortgage?

**Income and Expenses:**

- 1. Total Monthly Income                    \$ \_\_\_\_\_ (from What Is Your Income -Total A+ B)
- 2. Total Monthly Expenses                \$ \_\_\_\_\_ (from Where is Your Money Going-Total Col. 1 & 2)
- 3. Line 1 – Line 2 (above)                \$ \_\_\_\_\_ This is what’s left to cover increased mortgage payments or other emergencies.

**Cash Available/Needed:**

- 4. Homeowner Cash on Hand                \$ \_\_\_\_\_ (from What are Your Other Assets - line d, Col. 1)
- 5. Homeowner Assets – SELL                \$ \_\_\_\_\_ (from What are Your Other Assets - line t, Col. 3)
- 6. Total Cash Available                    \$ \_\_\_\_\_ (Total (Line 4 + Line 5, above))

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## TOPIC 3: KNOW YOUR LOAN

### Gather Your Loan Documents

#### What Kind(s) of Loan(s) Do You Have

#### GATHER YOUR LOAN DOCUMENTS

It is important that you fully understand the terms of your mortgage. A certified housing counselor can help you with navigating through them. These documents may include:

- The Promissory Note** - This is the legal evidence of indebtedness and formal promise to repay the debt. It sets out your loan amount, your payment date, the payment amount or how your payment amount will be determined and the maturity date. It also includes the penalties and steps the lender and servicer can take if you fail to make your payments on time.
- Deed of Trust** - The deed of trust helps to verify and protect the legal interest in a property. The property is deeded by the titleholder (trustor) to a trustee (often a title or escrow company) which holds the title in trust for the beneficiary (the lender of the money).
- Adjustable Rate Mortgage Rider (ARM Rider)** - Adjustable-rate mortgages (ARMs) are loans with interest rate and payment changes. ARMs may start with lower monthly payments than fixed-rate mortgages.

There are two important considerations:

- adjustment period – how often does the interest rate change and when does the payment change
- borrower notification – when are you notified of the change

The interest rate on an ARM consists of two parts: the index and the margin. The index determines how the interest rate will change and the margin is an amount that is added to the index to determine the new interest rate. There are different types of ARMs - hybrid ARMs, interest-only ARMs and payment-option ARMs.

- Prepayment Penalty Rider** - A prepayment penalty allows the lender or servicer to charge the borrower additional interest, (typically six months), when a mortgage is repaid during the penalty period, which is usually somewhere in the first three to five years of the mortgage. If a mortgage contains a prepayment penalty, this should be clearly stated in the mortgage disclosures, mortgage note and/or prepayment penalty rider to the note .
- TIL (Truth in Lending) Disclosure Statement** - This document must be provided at application and at closing on certain loans. It shows the estimated total costs of borrowing, expected payment amounts over life of loan and other significant features of your loan such as a prepayment penalty.
- HUD 1 Settlement/Closing Statement** – This document contains all the costs to you that are associated with the purchase or refinance of your home and the loan. It is provided to you at the loan closing.
- Last Two Mortgage Statements**

Record information about your loan on the following worksheet.

**COMPLETE THIS CHART FOR EACH OF YOUR LOANS / LIENS ON YOUR HOME**

Where do I find this*?		
Original Mortgage Lender		DOT*
Original Loan Amount	\$	TIL*; P. Note*
Monthly Payment	\$	TIL; P. Note
Monthly Due Date		TIL; P. Note
Closing Date of the Loan		DOT; P. Note
Number of Payments		TIL; P. Note
Type of Mortgage Loan	<input type="checkbox"/> FHA or <input type="checkbox"/> VA or <input type="checkbox"/> Conventional or Rural Dev.	HUD 1*
Mortgage Insurance		HUD 1*
Other		
Fixed Rate		TIL; P. Note
Adjustable Rate (ARM) Type		ARM Rider*; P. Note
Initial Rate		ARM Rider; P. Note
Index		ARM Rider; P. Note
Margin		ARM Rider; P. Note
Adjustment Date		ARM Rider; P. Note
How often does the loan adjust		ARM Rider; P. Note
Interest Rate Adjustment terms		ARM Rider; P. Note
Payment Adjustment terms		ARM Rider; P. Note
Interest only payments		
Other		
Outstanding Balance	\$	
Mortgage Insurance	\$	
Homeowners Insurance	\$	
Taxes Escrowed	\$	
Insurance Escrowed	\$	

\***Abbreviations:** DOT (Deed of Trust); P. Note (Promissory Note); TIL (Truth-in-Lending); HUD 1 (Settlement Closing Statement); ARM (Adjustable Rate Mortgage)

**TIP**

IT'S VERY IMPORTANT TO TELL YOUR MORTGAGE LENDER/SERVICER AND HOUSING COUNSELOR ABOUT ALL LOANS THAT ARE TIED TO YOUR HOME. YOU CANNOT WORK OUT A LOAN MODIFICATION ON YOUR FIRST MORTGAGE WITHOUT THE APPROVAL AND COOPERATION OF ALL OTHER LIENHOLDERS ON YOUR HOME.

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## TOPIC 4: KNOW YOUR OPTIONS

Keeping or Not Keeping Your Home  
Options to Keep Your Home  
Options to "Not" Keep Your Home

### KEEPING OR NOT KEEPING YOUR HOME

There are a number of solutions for a distressed homeowner. Solutions are tailored to meet individual customer circumstances which include an assessment of **all** of the following:

- Reason for delinquency.
- Ability and willingness to pay. The servicer will consider your payment history (have you been making your payments on time until now) and your current financial condition (do your current income and expenses allow you to continue making payments as required).
- How delinquent you are.
- The investor or owner of your loan. The servicer will know the investor policies for working with delinquent borrowers. A servicer must always follow the investor requirements.
- The number of mortgages on your home.
- Occupancy status of the home.

What can you do? List those things you can do that do not involve the servicer. Examples include reducing your expenses, increasing your income and/or selling assets.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

### OPTIONS TO KEEP YOUR HOME

(Depends entirely on the investor)



HELP FOR AMERICA'S HOMEOWNERS

The Obama Administration's Making Home Affordable Program was created to help homeowners refinance or modify their mortgage payments to a level that would be affordable now as well as in the future. There are two options under this program including:

1. Home Affordable Refinance
2. Home Affordable Modification

**The website:** [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)

At this website, you can determine your eligibility, access to additional resources and learn how to get the help you need.

#### **Home Affordable Refinance**

Many homeowners pay their mortgage on time but are unable to refinance to take advantage of lower mortgage rates, perhaps due to a decrease in the value of their home. A Home Affordable Refinance will help borrowers whose loans are held by FANNIE MAE or FREDDIE MAC (Investors) refinance into more affordable mortgages.

#### **Home Affordable Modification**

Many homeowners are struggling to make their monthly payments. The Home Affordable Modification will help provide them with mortgage payments they can afford.

**Is your mortgage loan held by Fannie Mae or Freddie Mac?** The answer will be provided when you answer the questions on-line at [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov). (See next page).



More about the Home Affordable MODIFICATION Option:

#### **Do you need to be behind on your mortgage payments to be eligible for a loan modification?**

No. If you are struggling to stay current on your mortgage you may be eligible if you don't have the financial ability to make your payments.

**The mortgage you'd like to modify is a second home or rental property. Is this mortgage eligible for modification?** No. Only the mortgage on your primary residence may be eligible.

**You have a duplex and live in one of the units and rent the other. Are you eligible?** Yes. Mortgages on 2-, 3-, 4-unit properties are eligible so long as you live in one unit as your principal residence and meet the other eligibility requirements.

**You have two mortgages on your home. Can you still apply?** Yes, borrowers may be eligible for a Home Affordable Modification even if they have other loans on their home. Also, some second liens can be modified or even paid off through the **Home Affordable Second Lien Program**. Your mortgage servicer can tell you if your second lien is eligible.

**Is there a fee to modify your loan?** There is no fee to modify your loan, just as there is no fee to get help from a HUD-approved housing counselor. If anyone asks you to pay a fee in connection with the Home Affordable Modification Program – just say no!

**Is your mortgage servicer required to modify your loan?** No. Mortgage servicers participate in the Making Home Affordable Program on a voluntary basis. Loans are evaluated for modification on a case-by-case basis after a borrower's eligibility is determined. However, the program offers substantial incentives to mortgage servicers and it is expected that 3 to 4 million borrowers will get an affordable loan modification through the program. To find out if your servicer is participating go to [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov) – Contact Your Mortgage Servicer.

**How do you apply for a modification under the program?** If you think you qualify for a Home Affordable Modification, you may contact your mortgage servicer – the company that collects your monthly mortgage payment – or a HUD-approved counselor by visiting [www.HUD.gov](http://www.HUD.gov) or by calling Don't Borrow Trouble® Pima County at (520) 792-3087 or 1-888-995-HOPE (4673).

**If your loan is scheduled for foreclosure soon, what should you do?** Contact your mortgage servicer or HUD-approved housing counselor immediately. Participating mortgage servicers will determine if you meet the minimum eligibility requirements and, if so, will delay foreclosure.

Source: Need Help With Your Mortgage? Learn how you may be able to make your mortgage payment more affordable. Printed by The Department of the Treasury and the U.S. Department of Housing and Urban Development.

### **A Few Other Features Under the Making Home Affordable Programs you may consider\*.**

1. If you are in pending litigation or are active in bankruptcy, you may still apply for this program if you meet the other eligibility requirements.
2. If you are currently performing under another workout arrangement, but want to be considered for Making Home Affordable Modification, your mortgage servicer must consider you for this option (again you must meet the eligibility requirements of the program).
3. Under Making Home Affordable are eligible to apply for ONE modification only.

\* Source: Freddie Mac Publication Number 800 April 2009

In addition to the Making Home Affordable Program, mortgage servicers offer other options that have eligibility criteria unlike the government's program.

- **Refinance** - A new mortgage on the loan with no change in ownership. The ability to refinance a loan requires: (1) borrower not be delinquent at the time of application, (2) has not refinanced within the past twelve months, and (3) the LTV does not exceed 125%.
- **Repayment Plan** – Plan where delinquent payments are distributed over a period of time, usually no more than 12 months. The monthly amount is added to usual mortgage payment resulting in a higher payment until the delinquent amount has been repaid. This repayment plan brings the account up-to-date within a specified time frame.
- **Loan Modification** - Past-due interest and escrow are added to the unpaid principal balance, which is then re-amortized over a new loan term. Rate adjustments, term extensions, and principal forgiveness may be considered. Loan modification results in permanent, contractual changes in one or more mortgage terms. Additional loan fees may be involved, based on the type of the mortgage a customer holds and on the specific investor. A loan modification immediately brings the account up-to-date.
- **Partial Claim** - HUD advances a loan to repay the past-due interest and escrow amounts. The loan is due and payable when the borrower pays off the first mortgage or no longer owns the property. The loan is interest-free and the account is brought up-to-date immediately. **Only allowed on FHA loans.**
- **Forbearance** – A temporary reduction or suspension of a borrower's payment. The repayment plan is based upon the customer's financial situation. Because of long-term implications, this option is used only in severe hardship cases.
- **Bankruptcy** – which may or may not allow you to keep your home. Be sure you seek the advice of an attorney (see 'tools' for contact information).
  1. What will happen to your home if you file bankruptcy?

Bankruptcy cannot discharge your mortgage because it is a "secured" debt.
  2. What can bankruptcy help me do?
    - Force the mortgage company to take late payments over time

- Eliminate your obligation to repay the mortgage by deciding to give back the house/property.
3. What's happens if I can't continue to pay debt as worked out by the bankruptcy trustee?  
You cannot keep your home if you do not continue pay debts worked out by bankruptcy trustee.

Source: Southern Arizona Legal Aid, Inc.

### **OPTIONS WHEN YOU CHOOSE NOT KEEP YOUR HOME – HOW TO EXIT GRACEFULLY**

The following summarizes the ways to avoid foreclosure but not keep the home. Even though you may not be able to keep your home, it is important to work with your servicer during this process. Walking away from your home without consulting with your servicer may result in a foreclosure reported in your credit file, tax consequences, and/or a deficiency balance for loan proceeds not recovered in a foreclosure sale. If keeping your home is not a viable option, your loan servicer may have alternatives available to absolve the mortgage and home.

- **Sell the property** – This is the best option if you cannot afford the mortgage payment and if the house is worth more than the amount owed. Other considerations when deciding to sell your home include the condition of the home and how much time you have.
- **Assumption** - If allowed by loan documents and if you find another borrower willing and qualified to take over your mortgage and your home, they may assume your mortgage. The new borrower must meet the lender's criteria.
- **Short Sale** – If the market value is less than total amount owed, a short sale allows the borrower to sell the home and use the proceeds to pay the mortgage even though the proceeds will not be sufficient to pay off the outstanding balance. The investor and mortgage insurer must agree to this option.
- **Deed-In-Lieu of Foreclosure** – The borrower transfers the property to the servicer if the home cannot be sold at market value. This option requires that the property be listed for a specified period of time, generally 90 days. There may be tax consequences.
- **Bankruptcy** - Consult an attorney about your options under Bankruptcy. Information is also available at : Bankruptcy Court website [www.azb.uscourts.gov](http://www.azb.uscourts.gov) under Debtor Help or Creditor Help. Southern Arizona Legal Aid, Inc. – [www.sazlegalaid.org](http://www.sazlegalaid.org) (see website for contact information in your area). Other excellent Bankruptcy Information is available at the following websites:
  - [www.consumerlaw.org](http://www.consumerlaw.org)
  - [www.usdoj.gov](http://www.usdoj.gov)
  - [www.azlawhelp.org](http://www.azlawhelp.org)

**Second (and Additional Liens)** – Whatever work you do with the mortgage servicer on your first mortgage loan is subject to approval by all other lien holders. You and your HUD approved housing counseling agency must work with the other lien holders to agree with your first mortgage servicer about how to modify ALL liens on your home. (These additional lien holders will also have rights under your Bankruptcy proceedings.) Be sure to keep your attorney informed of any other lien holders on your home. If you don't, they will discover them later – but it may be too late for you too keep your home.

#### **When you need a lawyer**

It's important to hire a lawyer who understands the special area of foreclosure and how to protect your home. Here are a few services to help you find a lawyer to help you with your foreclosure:

#### **Lawyer Referral Service, a public service of the Pima County Bar Association**

Phone: (520) 623-4625

This phone is not answered by an attorney and does not provide legal advice.

Email: [Irs@pimacountybar.org](mailto:Irs@pimacountybar.org)

**Southern Arizona Legal Aid, Inc.**

Phone: 520-623-9461

Must call to determine your eligibility for this service.

<http://www.sazlegalaid.org/services.html>

**Lawyers Helping Homeowners**

<http://www.azlawhelp.org>

**Sometimes foreclosure** is the only option for a borrower to accept. If so, you will want to work closely with a certified housing counselor who can devise a plan of action on how to appropriately transition into alternative housing, budget and save for future moving costs, and obtain tips on how to re-establish your credit rating.

Be sure to call Don't Borrow Trouble® Pima County, a program of Southwest Fair Housing Council, Inc. (520) 792-3087 or visit [www.dbtaz.org](http://www.dbtaz.org) to discover the many nonprofit agencies which offer free classes in your community for budgeting, credit repair and coping with foreclosure.

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**TOPIC 5: COMMON SCAMS**

**Don't be a Victim!**

**How Scams Work**

Foreclosure “rescue” firms are plentiful these days. They find vulnerable homeowners from foreclosure postings in the newspaper and on the internet or through public files at local government offices. They use different tactics such as **internet websites that imitate government agencies. They promote misleading solutions through TV and newspaper advertisements.** They send personalized letters to the homeowners and post signs in neighborhoods. They call themselves “foreclosure specialists” or “Loss Mitigation experts.” They tell you that they have direct contact with your **mortgage lender/servicer.** They **intimidate** you **by suggesting** there are “federal laws” that require your lender to work with them **only.** They assure you that they can help and often ask for a fee – **upfront or in several installments.** Here are a few typical “sales pitches” to be wary of:

*“Stop Foreclosure Now!”*

*“We guarantee to stop your foreclosure.”*

*“Keep Your Home. We know your home is scheduled to be sold. No Problem!”*

*“We have special relationships within many banks that can speed up case approvals.”*

*“We Can Save Your Home. Guaranteed. Free Consultation”*

*“We stop foreclosures everyday. Our team of professionals can stop yours this week!”*

You may go to their websites or receive literature that looks official – with seals of governmental agencies – still beware! There are imitators! Call a trusted source to check out any of these offers. Failure to do so may be placing you and your family in a worse situation.

**Words of Wisdom from the Federal Trade Commission about Sales Pitches:**

**Don't Get Hit by the (Sales) Pitch.**

**Don't Pay for a Promise.**

**Don't Pay for Second Opinion.**

**Don't Offer to Pay.**

**Imitations = Frustrations.**

**Contact a FREE HUD certified housing counseling agency.**

**Send Payments Directly to your Mortgage Servicer and only to your Mortgage Servicer.**

**What Scams Have you Seen or Heard?**

1. What sales pitch have you seen or heard? \_\_\_\_\_
2. What fees have you been told to pay for help with your mortgage delinquency? \_\_\_\_\_
3. Have you sent your mortgage payments to your servicer only? \_\_\_\_\_
4. Who has given you advice about your mortgage delinquency? \_\_\_\_\_
5. Have you seen any websites imitating HUD, a housing counseling agency or the Federal Trade Commission? If so, where? \_\_\_\_\_
6. Who should you call if you suspect you've been a victim of a scam? Call Don't Borrow Trouble® Pima County, a program of the Southwest Fair Housing Council, Inc. (520) 792-3087 or register a complaint at the Federal Trade Commission Website <http://www.ftc.gov/bcp/consumer.shtm> or call the Arizona Attorney General (1-800-352-8431)

**Other common scams include the following:**

- **Bailout**– Includes various schemes where homeowners surrender their title to the house thinking they will be able to remain as renters and buy the house back in a few years. In actuality, the terms for buying the house back are so onerous that it is nearly impossible.
- **Bait and Switch** – Homeowners believe they are signing documents for a new loan to make the mortgage current, but sign away their home and are left holding the mortgage on a home they no longer own.
- **Phony Counseling or Phantom Help** –The “rescuer” tells the borrower that he can negotiate a deal with the servicer to save the house if the borrower pays a fee first. Once the fee is paid, the rescuer takes off with the money and provides no assistance.
- **Bankruptcy Foreclosure** - The rescuer promises to negotiate with the lender on the borrower's behalf for a fee. The rescuer takes the fee and files a bankruptcy case in your name and without your knowledge.
- **Equity Stripping** – a buyer purchases the home for the amount of the late payments and flips the home for a quick profit.

**Rent-to-Buy Schemes –Here are three examples.**

You may be told that surrendering title to your home while continuing to stay in your home as a renter will allow you to rebuild your credit based on regular rental payments. It may also give you a chance to attract a buyer. The terms of these deals are usually so burdensome that it becomes impossible. As a result, the deal falls through, the scam artist walks off with all or most of your home's equity and you may be evicted.

If you agree to surrender your title, the scam artist may raise your rent over time to the point that it's unaffordable. If you miss any payments, you may be evicted and the "rescuer" is free to sell the house.

Scam artists may offer to find a buyer for your home, but only if you sign over the deed and move out. The scam artist promises to pay you a portion of the profit when the home sells. Once you transfer the deed, the scam artist simply rents out the home and pockets the proceeds while your lender proceeds with the foreclosure. In the end, you lose your home – and you are still responsible for the unpaid mortgage. That's because transferring the deed does nothing to transfer your mortgage obligation.

### **Protect yourself:**

- Never sign over the deed to your home as part of a foreclosure avoidance transaction. A deed should be signed over only if you intend to sell the home for a fair trade;
- Consult an attorney, financial advisor, non-profit mortgage counseling agency, HUD-certified counselor or knowledgeable family member before signing any "rescue" documents;
- Read every document carefully. Do not sign contracts or documents that have blank spaces;
- Make the monthly mortgage payments directly to your original lender. Do not give your money to another person to make payments on your behalf or allow another person to make payments on your behalf;
- Contact your servicer first, when you are getting behind in your mortgage payments. If you are uncomfortable with contacting the servicer, call a certified housing counselor. Often a payment plan can be worked out that allows you to keep your home while working through financial problems;
- Never pay for foreclosure consulting services up front;

Other ways to check on a potential fraud or scam: Contact the Arizona Attorney General's Office 602-542-4266, the Federal Trade Commission ([www.ftc.gov](http://www.ftc.gov)) 1-877-FTC-HELP (1-877-382-4357) or the Better Business Bureau 1-877-291-6222. You may also visit [www.azag.gov](http://www.azag.gov) and/or [www.dbtaz.org](http://www.dbtaz.org), [www.arizonaforeclosuretaskforce.com](http://www.arizonaforeclosuretaskforce.com) or <http://www.freddiemac.com/avoidforeclosure/index.html>

### **Other Red Flags**

If you are looking for foreclosure prevention help, avoid any business that:

- guarantee to stop the foreclosure process – no matter what your circumstances
- instruct you not to contact your lender, lawyer, or credit or housing counselor
- collects a fee before providing you with any services
- accepts payment only by cashier's check or wire transfer
- encourages you to lease your home so you can buy it back over time
- tells you to make your mortgage payments directly to it, rather than your lender
- tells you to transfer your property deed or title to it
- offers to buy your house for cash at a fixed price that is not set by the housing market at the time of sale
- offers to fill out paperwork for you
- pressures you to sign paperwork you haven't had a chance to read thoroughly or that you don't understand.

## Questions you should ask of anyone who makes an offer to assist you with your foreclosure:

- What is the anticipated timeline to complete a work-out?
- Will the foreclosure sale be postponed while your servicer reviews the work-out option?
- What are your obligations under the work-out arrangement: due dates, amounts due, how long your servicer will postpone collection of payments, if applicable, and when such deferred payments must be paid back?

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### TOPIC 6: REBUILDING AFTER FORECLOSURE

#### Community Resources

- **Utility Assistance**
- **Alternative Housing**
- **Reverse Mortgages**
- **Help for Seniors**
- **Help with Emotional Stress**
- **Suicide Prevention Hotline**
- **Political Action Groups**
- **United Way of Tucson and Southern Arizona Services**
- **Employment Assistance**
- **Financial Literacy, Education and Empowerment Resources**

Rebuilding after foreclosure is possible especially with the many resources available in the community. Families who need help with rent, utilities, and other needs should contact the following agencies.

#### Are you having trouble paying your bills?

##### Pima County Community Action Agency HOTLINES

Emergency Assistance (520) 243-6688

Sewer Outreach Subsidy Discount Program (520) 243-6794

City of Tucson/Environmental Services/Water Bill Assistance (520) 243-6770

Telephone Assistance Program (TAP) – (520) 243-6697

Utility Assistance/City Residents Only/Call Tucson Urban League (520) 791-9522

Arizona Self Help (web-based resource that will help you find help with your bills):

<http://www.arizonaselfhelp.org/>

#### Need help finding affordable alternative housing?

##### HOMES FOR SALE / APARTMENTS FOR RENT

Pima County Search [www.pimacountyhousingsearch.org](http://www.pimacountyhousingsearch.org)

Family Housing Resources offers 12 exceptional apartment communities in Tucson and Benson to meet your affordable housing needs. Ph: 520-318-0993 <http://www.familyhousingresources.com/properties.html>

Public Housing/Section 8 Rental Assistance Program (520) 791-4616

Affordable Rental Program – EL PORTAL (520) 620-0130

Subsidized Apartments (See list at [www.HUD.gov](http://www.HUD.gov) under Search “Subsidized Apartment Search” for Pima County, State of Arizona)

**Need help for tenants with landlords who may be in foreclosure?**

If you are a tenant facing eviction, utilities shut off due to foreclosure or being asked to leave before your lease expires, you may find help by contacting Don't Borrow Trouble® Pima County or any HUD approved housing counseling agency.

Many resources are also available at this website provided by the **National Low Income Housing Coalition**  
<http://www.nlihc.org/template/page.cfm?id=227>

**Need help for seniors dealing with foreclosure, reverse mortgages, power of attorney, co-signing on loans?  
Concerned about possible elder abuse?**

Pima Council on Aging  
HELP line: (520) 790-7262  
Address: 8467 E. Broadway, Tucson, AZ 85710  
Website: [www.pcoa.org](http://www.pcoa.org)

Local Law Enforcement  
Includes the Police and Sherriff's Elder Abuse Task Force  
Phone: (520) 791-5809

Adult Protective Services  
Arizona Department of Economic Security  
Division of Aging and Adult Services  
Phone: 1-877-767-2385  
TDD: 1-877-815-8392

**For residents in a Care Facility**

Arizona Department of Health Services  
Phone: (602) 674-9775

Administration of Resources and Choices  
Reverse Mortgage: (520) 327-8250  
Elder Shelter 24/7: (520) 566-1919  
Late Life Domestic Violence: (520) 623-3341

Crime, Fraud and Victim Resource Center of the AZ Attorney General's Office  
Elder Help Line (602) 542-2124  
Tucson Office of Consumer Information and Complaints  
400 W. Congress, South Building, Suite 315, Tucson, AZ 85701  
Phone: (520) 628-6504 or (800) 352-8431  
[www.consumerinfo@azag.gov](mailto:www.consumerinfo@azag.gov)

**Need help with the emotional stress?**

Arizona Self Help  
[www.arizonaselfhelp.org](http://www.arizonaselfhelp.org)

CODAC Behavioral Health Services, Inc.  
Phone: (520) 327-4505

Community Partnership of Southern Arizona  
24 Hour Crisis Hotline: (520) 622-6000 or 1-800-796-6762  
General Behavioral Health Services Information: (520) 318-6946 or 1-800-771-9889

COPE Behavioral Services, Inc.  
Phone: (520) 792-3293

La Frontera Center, Inc.  
Phone: (520) 327-4505

Suicide Prevention Hotline: 1-800-SUICIDE (1-800-784-2433) or 1-800-273-TALK (1-800-273-8255)

**Need help with food?**

Community Food Bank – by checking their website, you will also find farmers’ markets, value food programs and other helpful services.

Website: <http://communityfoodbank.com/>

Phone: (520) 622-0525

Fax: (520) 624-6349

Address: 3003 South Country Club Road, Tucson, AZ 85713

**Interested in becoming politically active about foreclosure issues?**

Foreclosure Fighters – ACORN – [www.acorn.org](http://www.acorn.org)

Pima Interfaith Council, an affiliate of the Arizona Interfaith Network and Industrial Areas Foundation  
639 E. Speedway Blvd., # 1, Tucson, AZ 85705

Phone: (520) 903-2333

Fax: (520) 903-2444

**Want to help your neighborhood?**

If your neighborhood has been hard hit by foreclosures, there are resources to help you and your neighbors take action to improve and enhance your community by contacting this agency.

PRONeighborhoods: People, resources and organizations in support of neighborhoods.

Phone: (520) 882-5885

Fax: (520) 882-5811

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United Way of Tucson and Southern Arizona

Phone: (520) 903-9000

Fax: (520) 903-9002

Address: 330 North Commerce Park Loop, Suite 200, Tucson, AZ 85745

**The following websites and services are also posted at the United Way’s website:**

<http://www.unitedwaytucson.org/index.php>

Financial Education and Prosperity Resources

Calendar of community workshops

<http://www.unitedwaytucson.org/fecsa-calendar>

Consumer Credit Counseling, Inc. – A Division of Money Management International

<http://www.crediteducation.org/>

Earned Income Tax Credit (EITC) Task Force

**Helping low-income receive and use earned income tax credits to develop assets**

(Implemented during tax season)

<http://www.unitedwaytucson.org/income-eitc.php>

## Help with finding a new job, or fear of losing your job

Arizona Workforce Connection  
<http://www.arizonaworkforceconnection.com/>

Pima County Comprehensive One-Stop Centers

340 North Commerce Park Loop, Suite Tortolita Building, Tucson, AZ 85745  
Phone: (520) 798-0500

2797 East Ajo Way, Tucson, AZ 85713  
Phone: (520) 243-6700

## Help with free healthcare

Walgreen's and Take Care Health Systems  
[http://news.walgreens.com/article\\_display.cfm?article\\_id=5171](http://news.walgreens.com/article_display.cfm?article_id=5171)

## Need help with your rights under Fair Housing Laws?

Southwest Fair Housing Council, Inc.  
Phone: (520) 798-1568  
Outside Pima County: (888) 624-4611  
Address: 2030 E. Broadway, Suite 101, Tucson, AZ 85719  
Website: <http://www.swfhc.com/>

## Need help reporting a lender or broker whom you suspect is a fraud?

Arizona Department of Financial Institutions  
Website: <http://www.azdfi.gov/>  
If you think you are a victim of mortgage fraud, send an email to [fraudline@azdfi.gov](mailto:fraudline@azdfi.gov)

See "Tools for the Homeowner" Section for other helpful links at the Arizona Department of Financial Institution about Financial Literacy/Education/Empowerment/Responsibility.

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## TOPIC 7: TOOLS FOR THE HOMEOWNER

### How to Find and Contact Your Lender or Loan Servicer

#### Servicer Telephone Numbers

#### Filing a Complaint

#### Glossary

#### Restoring your Sense of Well-Being

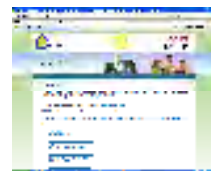
## HOW TO FIND & CONTACT YOUR LENDER OR LOAN SERVICER

### *Don't know who your mortgage lender/servicer is?*

Check your monthly mortgage billing statement.  
Check your payment coupon book.

### *Don't know how to reach your lender?*

Search on the Internet.



The Hope Now Alliance includes most of the mortgage servicers actively involved in helping homeowners preserve their homes. For a list of these servicers and their contact information go to <http://www.hopenow.com/members.php/mortgage>.

### **FILING A COMPLAINT**

You can file a complaint if you think a bank or financial institution has been unfair or misleading, discriminated against you in lending, or violated a law or regulation. *Here are several organizations where you may file a complaint.*

- Federal Reserve Consumer Help - <http://www.federalreserveconsumerhelp.gov/>
- Federal Trade Commission, Division of Financial Practices - <http://www.ftc.gov/bcp/bcpfp.shtm>
- Financial Institutions Division: for State of Nevada chartered banks, trust companies, credit unions, thrifts, savings & loans - <http://fid.state.nv.us/Forms/FID-Complaint.pdf>
- Division of Mortgage Lending: for Nevada licensed mortgage companies or brokers - [http://mld.nv.gov/Forms.htm/complaint\\_forms](http://mld.nv.gov/Forms.htm/complaint_forms)
- Office of the Comptroller of the Currency: for national banks (Bank of America, Wells Fargo, US Bank, Citibank, etc.) - <http://www.occ.treas.gov/customer.htm>
- National Credit Union Administration (NCUA) : for Federal credit unions - <http://ncua.gov/ConsumerInformation/Consumer%20Complaints/complaintmain.htm>
- Office of Thrift Supervision (OTS) : for Federal thrifts - <http://www.ots.treas.gov/resultsort.cfm?catNumber=88&dl=17&edit=1>

### **Checking your Credit Report**

Consumer Credit Counseling Services, Inc., a HUD approved housing counseling agency, recommends a homeowner check their credit report every year with each of the three credit reporting agencies. They suggest you stagger your requests to receive one from each organization at three different times during the year. Make sure each one has the correct information about you.

Equifax: 1-800-685-1111; [equifax.com](http://equifax.com)

Experian: 1-888-397-3742; [experian.com](http://experian.com)

TransUnion: 1-800-916-8800; [transunion.com](http://transunion.com)

According to Federal law every consumer has a right to receive a free credit report once every year. See this website for more details: <http://www.ftc.gov/freereports>

Free credit reports can be obtained at this website: <http://www.annualcreditreport.com/>

TIP: There are others who offer to provide you with your credit report, but charge a fee. You don't need to pay!

### **Making Notes on your Credit Report**

Your mortgage servicer/lender may put a note on your credit report when a loan modification has been approved. If a consumer objects to the note and the mortgage servicer refuses to remove it, the consumer has a right to add a statement that will remain on the credit report for 7 years, but it may be changed or removed at any time.

Remember, as long as a borrower is making timely payments on a loan modification, that will appear on the credit report and should be considered positive by anyone reviewing your credit report.

## **GLOSSARY OF MORTGAGE TERMS**

Accelerate – An option given to lenders through an “acceleration” clause in the mortgage or deed of trust requiring the borrower to pay the entire balance of the loan in full (if their loan is in default) before the maturity date.

Amortization – The gradual repayment of a mortgage loan with equal periodic payments of both principal and interest calculated to retire the obligation at the end of a fixed period of time.

Annual Percentage Rate – The cost of your loan expressed as a yearly rate. Mortgages include interest, points, origination fees, and any mortgage insurance required by the lender.

Appraisal – The process in which a third party, licensed appraiser provides an estimate of property value.

Amortization – The gradual repayment of a mortgage loan with equal periodic payments of both principal and interest calculated to retire the loan at the end of a fixed period of time.

Appreciation – The difference between the increased value of the property and the original value when the property was purchased.

Auction – A process of buying and selling goods or services by offering them up for bid, taking bids, and then selling the item to the winning bidder. There are several variations on the basic auction form including item limits, minimum or maximum limits on bid prices and special rules for determining the winning bidder and price.

Deed-in-Lieu of Foreclosure – An instance where the homeowner/borrower voluntarily conveys title to the lender in exchange for a discharge of the delinquent debt, rather than going all the way through the foreclosure process. Second mortgage lien-holders must be willing to waive their claims when a deed-in-lieu of foreclosure is used.

Debt-to-Income Ratio – A percentage calculated by dividing the total house payment (including principal, interest, insurance, taxes and Homeownership Dues) plus all other debt (as appears on the credit report) by the borrower’s gross monthly income. This percentage is used to determine whether a borrower can afford a mortgage loan modification.

Due Date – The date when the mortgage loan payment is due as stated in the Note and Truth-In-Lending Disclosure Statement.

Equity – The difference between the amount (including all liens) owed on a home and the current value of the home.

Escrow Account – An account held by a lender for payments of taxes, insurance, or other periodic debts against real property. Part of a borrower's monthly mortgage payment may include a prorated amount of each of these items so that funds will be available to pay taxes, insurance and other impounded matters when due. This helps a borrower avoid the burden of paying a lump sum payment at the time one of these items is due.

Grace Period – The period of time between the due date and the date when late fees are assessed.

Good Faith Estimate – A written estimate of costs and fees associated with a mortgage loan.

Housing Ratio – Maximum percent of gross monthly income that can be used for a monthly mortgage payment.

Interest Rate – Percentage of a sum of money charged for its use.

Investor – Owner of the loan.

Lis Pendens – A recorded notice of pending lawsuit.

Loan-to-Value Ratio – The comparison of the amount of the loan to the value or selling price of real property expressed as a percentage. For example, if a home with a \$100,000 value has an \$80,000 mortgage on it, the loan to value is 80% .

Loss Mitigation – The Department within your Mortgage Servicer that handles foreclosure. Work outs are also processed here.

Mortgage Insurance - A policy that protects lenders against some or most of the losses that can occur when a borrower defaults on a mortgage loan; mortgage insurance is required primarily for borrowers with a down payment of less than 20% of the home's purchase price.

Negative Amortization – Unlike regular amortization when monthly mortgage payments pay down a portion of the principal and the interest, negative amortization occurs when there is a gradual increase in the mortgage loan balance. This happens when the monthly payment is not enough to cover the monthly principal and interest. The monthly shortfall is added to the balance from the previous month. This increases the amount owed the lender. Adjustable rate mortgages with payment caps and negative amortization are re-amortized at some point in time so that the remaining loan balance can be fully paid off during the term of the loan. This can result in a substantial increase in the borrower's monthly payment.

Notice of Trustee Sale - A legal notice giving specific information about the loan default, the date, time and location of the foreclosure proceedings and who to contact regarding this sale. Such notice is recorded in the County where the property is located. This notice is advertised as required by the Deed of Trust or in compliance with State law. Arizona law requires the Trustee to send the Notice by Certified Mail to all parties named in the Deed of Trust with in five days of filing such notice with the County Recorder's Office.

Postponement – In Arizona, the Trustee may postpone the sale to a later time or another place by giving notice of the new date, time and place at the time and place where the original Trustee Sale was scheduled to occur. The new date must take place within 90 calendar days of the Postponement. No other notice is required.

Pre-foreclosure (or Short) Sale – If homeowners cannot afford to keep their home, they may sell the home to avoid foreclosure. If the amount owed on the home is greater than its current value, the mortgage company may agree to accept less than its owed. There may be tax consequences to a short sale. Any other lien holders can interfere with the short sale unless they are contacted and asked to accept the proposed sale.

Prepayment Penalty – Fee charged by a mortgage servicer when a borrower pays off the mortgage loan in full or in part prior to the maturity date. Typically applied within the first few years of the loan, it will be assessed on twenty percent of the loan balance or more.

Public Notice – In Arizona, public notice is the publication of a Trustee Notice of Sale once a week for four consecutive weeks in a newspaper of general circulation in the area where the mortgaged property is situated. The fourth and final notice must be published not less than ten (10) days prior to the sale date. A notice must also be conspicuously posted at the property at least twenty (20) days before the sale date. This notice must also be posted in the Superior Court of the County where the mortgage property is situated at least twenty (20) days before the date of sale.

Rate Lock – During loan application, a rate lock holds the interest rate for a specific period of time. Sometimes the mortgage lender requires a fee to lock the rate.

Refinance – A borrower may qualify for a new mortgage (refinance the original mortgage loan) to pay off the existing mortgage.



## Restoring Your Sense of Well-Being

To restore your emotional, spiritual and intellectual balance, the following suggestions may help you regain your sense of well-being.

### Communication

- Talk to your friends, spouse, someone you trust.
- It is best to include another person in your thinking when the thinking affects them.
- If you are single, then confide in a close friend or your clergy person or keep a journal.

### Writing

- Write on paper your thoughts and concerns for a different perspective.
- Often your problems in written form appear more manageable, doable and workable.
- List the positives in your life such as your spouse, your children, your health, and special possessions.

### Getting Organized

- Get organized and stay organized.
- Invest in files, folders or large envelopes and label them.
- Once you established a system of filing and recording information yourself, stick to it. This will help you feel better about yourself and your situation because you have more control.

### The Value of Time

- Take time for yourself. It does not have to be expensive or time consuming. It can be as simple as sitting back with your feet up with a cup of hot tea.
- Take 5 or 10 minutes alone every day or every other day for yourself. People with many other people dependent on them rarely have time alone. It's important to your mental health to relax, clear your mind, recharge and get back into the thick of things.

### Exercise

- Research has proven that exercise is a great tonic for stress.
- Take 10 minutes every day or every other day to walk, stretch, dance or move in any way you can.

### Taking Care of You

- Take care of yourself by limiting alcohol intake.
- Take part in things you enjoy that are legal and within your budget.
- Keep your doctors' appointments; take your medications as prescribed.
- Get extra rest if possible.

### Tapping into your Spirituality

- Embrace spirituality in a way that comforts you.

### Recognizing and Understanding Shame

- This can be a very powerful force – do not let it get the best of you.
- Recognize it for what it is - do not allow it to overcome you.

### Professional Help

- Seek professional help at anytime you feel the need.
- Check your Human Resource Department for a list of services.

**What will you do to relieve your stress?** \_\_\_\_\_

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## Topic 8

### Document List

#### “Stay on Top of It” Communication Log

#### Negotiating Tips

#### Resources for Financial Education for the Homeowner

#### Tips for the Borrower

### Document List

The following documents are usually necessary before you begin to work with a mortgage lender, servicer or housing counselor.

#### Financial Information

- Hardship Letter
- Income Worksheet
- Expense Worksheet
- Asset Worksheet
- Pay Stubs for the last 30 days for each member of the household
- Award letter for Social Security/Unemployment/Pension Income
- Federal Tax Returns for at least 2 years
- Bank Statements (most current 2 months) for all accounts/assets
- Statements/bills for all household expenses

#### Loan Documents

- Promissory Note
- Mortgage
- Riders to the Note and Mortgage
- Truth in Lending (TIL) Form
- HUD 1 Settlement/Closing Statement
- Home Equity Loan/Line of Credit

#### Other

- A Release of Authorization letter
- ALL correspondence, letters (opened and unopened envelopes) from banks, courts or anyone regarding your home or the foreclosure



## “Stay On Top of It” Communication Log

Keeping track of everyone you talk to during this process is very important. You are the key to all communication. Everyone is communicating with you; not necessarily anyone else. Since you have everything to gain, or lose, isn't it important to stay on top of it all?

The following information will help you quickly find names, numbers and general comments that will help you when you are talking to a variety of different parties.

- Who did I talk to? When?
- What was discussed?
- What is their phone number?
- Their address?
- When will they call back?
- When am I supposed to call back?
- What notice did I receive and from whom?

### Sample Notes for “Stay On Top of It” Log

Date	Ph. Number	Notes about our conversation Call Back (CB), Left Message (LM)
01/10/2010	1-989-243-6666	Spoke with Katie @ Wilshire who requested a Hardship Letter from me. Fax to her @ 1-888-222-0000, then she will CB. If I don't hear from her by 1/15/2010, I will call her.
1/11/2010		Sent Hardship Letter by Fax to Katie.
1/15/2010	1-989-243-6666	LM with Katie to verify she received fax/hardship letter.
1/19/2010		Katie called. Received letter. Now reviewing our file with her manager to decide next step. She will CB next week. Mark calendar to call Katie on 1/26/2010 if she has not called me.
1/27/2010	1-989-243-6666	LM for Katie who has not called as promised. Asked her to call back.



## **NEGOTIATING TIPS**

### **How to explore options with your mortgage lender/servicer**

Now that you have done the hard work of preparing a budget, learning terminology and understanding the various options, you are ready to work out a solution. This may require negotiation with your mortgage lender/servicer.

For many, the term “negotiate” is a scary thought. Here are a few tips to help you communicate your wants and needs to the servicer. If you are working with a HUD approved housing counseling agency, they will be doing the negotiations for you, but it’s good to understand what they are doing and they may appreciate your taking an active role in the process.

#### **Prepare**

Make sure you will be talking to the right person. That’s where the above “Stay on Top of It” Log is helpful. Think about and write down what you intend to say including the ideal solution you’d like to achieve. Write down any acceptable alternatives to your ideal solution. Think of options you want. Prioritize your options. Think of options they may offer. Be prepared to counter-offer.

Be as concise and focused as possible! Although many other issues and concerns are affecting your situation, they may not be directly relevant. You will lose the attention of the person on the other end of the phone if you explain your personal story. That should be covered in your Hardship Letter or Affidavit.

#### **Set Limits**

Where must you draw the line and say no to the mortgage servicer?

Remember, only You, the Borrower, know what you can afford. Don’t accept any offers from the mortgage servicer that will make your situation worse, or postpone the problem. Be prepared to explain why you can not accept their proposal. They may understand and be willing to offer a workable solution!

Think about what you believe is a fair and reasonable. If the mortgage servicer offers options that honestly won’t work for you, be willing to say so. You may have just one chance to modify your mortgage loan, so make sure it’s done right the first time.

#### **Keep Your Cool**

Be calm. Don’t let your emotions take over. Be able to stop or step back from the conversation when you feel yourself becoming emotional, angry or frustrated. Silence can be golden.

#### **Listen**

“The experienced negotiator often gains control of the negotiation through listening. In fact, studies show successful negotiators spend more time listening than talking.” (Negotiating for Dummies, pg. 8)

#### **Speak Carefully**

Make each word count. Don’t ramble or talk too much. Although your situation is all that you care about, the mortgage servicer has been listening to hundreds of other Borrowers, too. They are human, like you, and as much as we want them to give us 100% attention, they may not if you provide a lot more information than they need to help you work out a solution.

## Finalizing the Offer

This is a skill that you can learn where you either close the deal or walk away. Your HUD approved housing counselor will know how to close. They are working for you to get the results you want. If you decide to negotiate directly with a mortgage lender/servicer, you may want to study the skills of negotiation.

## Tax & Legal Consequences

Whenever you negotiate with your mortgage lender, be sure to ask your mortgage lender/servicer or the HUD approved housing counseling agency what steps you should take to ensure compliance with any possible tax and legal consequences to any options you undertake. They may tell you to watch out for certain notices and court dates that will have serious consequences if you fail to respond or appear.

Remember YOU are responsible for all that's happening. YOU may be the only who knows what everyone else in this situation is doing. Everyone includes anyone who has a hand in your financial situation – creditors, counselors, servicers, collections, trustees, court recorders, family members, anyone who co-signed on any of your loans, any lien holders on your home or other properties.

## Resources for further financial education for the homeowner.

Financial Literacy & Education Summit 2009	<a href="http://www.practicalmoneyskills.com/summit2009">http://www.practicalmoneyskills.com/summit2009</a>
Arizona Attorney General's Top Ten Consumer Scams - 2007	<a href="http://www.azag.gov/consumer/TopTenScams07.pdf">http://www.azag.gov/consumer/TopTenScams07.pdf</a>
Financial Literacy & Education Summit 2008	<a href="http://www.practicalmoneyskills.com/summit2008">http://www.practicalmoneyskills.com/summit2008</a>
Free "My Money" Tool Kit	<a href="http://www.mymoney.gov/">http://www.mymoney.gov/</a>
Financial Literacy & Education Summit 2007	<a href="http://www.practicalmoneyskills.com/summit2007">http://www.practicalmoneyskills.com/summit2007</a>
Take Charge America	<a href="http://www.takechargeamerica.org/Pages/default.aspx">http://www.takechargeamerica.org/Pages/default.aspx</a>
The Budget Doctor	<a href="http://www.budgetdr.org">http://www.budgetdr.org</a>
Fresh Start for Women	<a href="http://www.wehelpwomen.com/who/index.html">http://www.wehelpwomen.com/who/index.html</a>
American Institute of Certified Accounts "Feed the Pig"	<a href="http://www.360financialliteracy.org/">http://www.360financialliteracy.org/</a>
U.S. Financial Literacy and Education Committee	<a href="http://www.mymoney.gov/">http://www.mymoney.gov/</a>
America Saves	<a href="http://www.americasaves.org/">http://www.americasaves.org/</a>
America Saves, Saving on Auto Purchases, Car Buying Videos	<a href="http://www.americasaves.org/strategies/auto/videos.asp">http://www.americasaves.org/strategies/auto/videos.asp</a>

American Bankruptcy Institute	<a href="http://www.abiworld.org//AM/Template.cfm?Section=Home">http://www.abiworld.org//AM/Template.cfm?Section=Home</a>
Jump\$tart Coalition for Personal Financial Literacy	<a href="http://www.jumpstart.org/">http://www.jumpstart.org/</a>
FECSA – Financial Education Collaborative of Southern AZ	<a href="http://www.unitedwaytucson.org/education.php">http://www.unitedwaytucson.org/education.php</a>

TIPS to help you succeed:

1. Be Realistic - about your expenses, income and ability to change your lifestyle to keep your home.
2. Be Involved - Stay engaged - Follow up with everyone you talk to—if they don't call back as promised, call them.
3. Open ALL mail from everyone.
4. Report any new information, correspondence, notices, invoices about your mortgage loans (including 1<sup>st</sup>, 2nds and others) to all parties.
5. Assume no one is talking to anyone else about your particular loan.
6. Understand and accept change.
7. Remain positive, patient, and persistent!

## Disclaimer

Unless otherwise specifically stated, the information contained herein is made available to the public by the Pima County Foreclosure Prevention Coalition for use as an example of the kinds of documents and advice one may receive in the process of negotiating with a mortgage company, housing counseling agency or any other party involved in the delinquency or foreclosure of one's home. The intent of the workbook is to assist individuals in resolving their foreclosure crisis.

Neither the Pima County Foreclosure Prevention Coalition nor any other agency or entities involved in the development of this workbook, assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, product or process disclosed in these examples.

Reference herein to any specific commercial product, process, service by trade name, trademark, manufacturer, or otherwise, does not constitute or imply its endorsement, recommendation, or favoring by the Pima County Foreclosure Prevention Coalition or any entities thereof.

The views and opinions of the originators expressed therein do not necessarily state or reflect those of the Pima County Foreclosure Prevention Coalition or any agency or entities thereof.



# **PIMA COUNTY FORECLOSURE PREVENTION COALITION**

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Please contact Pima County Department of Community Development and Neighborhood Conservation Affordable Housing Program Manager (phone: 520-243-6700) or [www.pima.gov/ced/cdnc](http://www.pima.gov/ced/cdnc). As part of its commitment to make this information widely available, the Pima County Foreclosure Prevention Coalition has produced this workbook in print and in electronic form.

Electronic copies are available at the websites of Pima County ([www.pima.gov](http://www.pima.gov)) and Don't Borrow Trouble® Pima County, A Program of the Southwest Fair Housing Council, Inc. ([www.dbtaz.org](http://www.dbtaz.org)).

Designed to provide general information, this workbook is not intended to give specific legal advice. While we have made every effort to provide accurate and timely information, programs, requirements, and laws change frequently. Therefore, we encourage you to use the contact information provided for the most up-to-date information.