

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, Ohio, Texas, 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”

The Texas Foreclosure Prevention Task Force created the Texas Foreclosure Intervention Resource Guide based on the Pima County Foreclosure Workbook

Save the Dream Ohio Work Group created a Save the Dream Ohio Foreclosure Prevention Effort workbook as a tool to help Ohio homeowners through the process of their state based on the Pima County Workbook.

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
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Dear Friends,

We are proud to provide you with the new edition of the Pima County Foreclosure Prevention Coalition Workbook. You have taken the first step in your decision-making process regarding difficult choices affecting your future. We believe this workbook can serve as an effective tool in providing important 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 foreclosure or a potential foreclosure.

The workbook will help you receive effective and efficient service from your mortgage lender or housing counseling agency as you face important decisions along the path 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. You can decide if you can afford to keep your home, or need to take other steps that are in your best interest.

The workbook contains 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 acting to make informed decisions, and in seeking professional assistance and advice regarding your family home and your family's future.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Elías".

Richard Elías
District Five Pima County Supervisor

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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. Throughout this process, here are a few suggestions to help you manage:

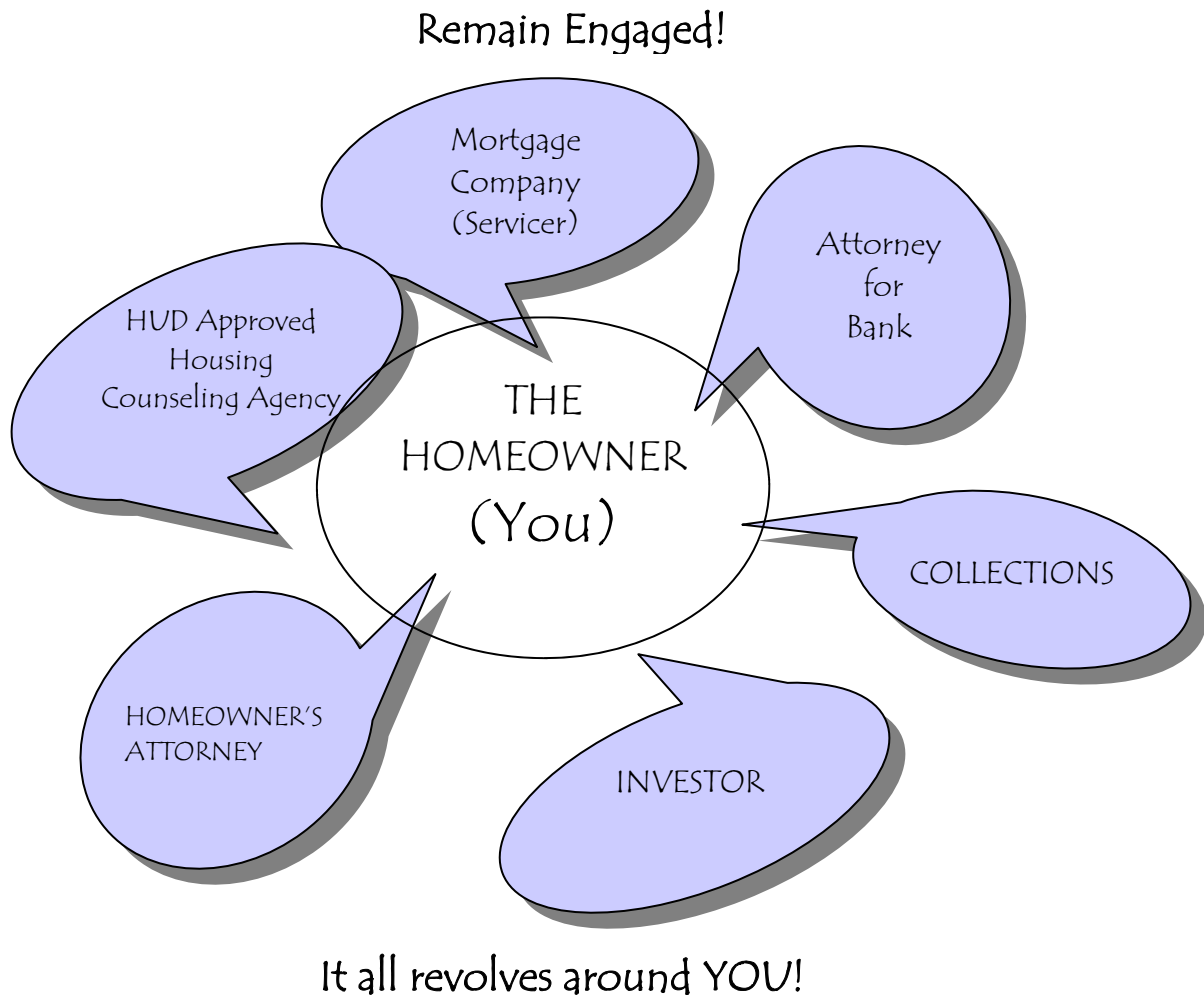
- **Understand** the Delinquency Cycle of a mortgage
- **Contact** your servicer as soon as possible to discuss your situation and
- **Call** Don't Borrow Trouble® Pima County (who can put you in touch with a HUD approved housing counseling agency), or
- **Seek** the advice from a HUD approved housing counseling agency (see list on pages 10 – 11).

The sooner you take action, the better!
Call your mortgage servicer and a HUD approved housing counseling agency.
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 will stop the foreclosure process. It's possible your mortgage lender's loan modification department will not be communicating with attorneys in the foreclosure department.
- Open all mail, answer or return all calls and share with everyone involved important notices, letters, or offers. 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).

TOPIC 1

Understanding Mortgage Delinquency and What to Do

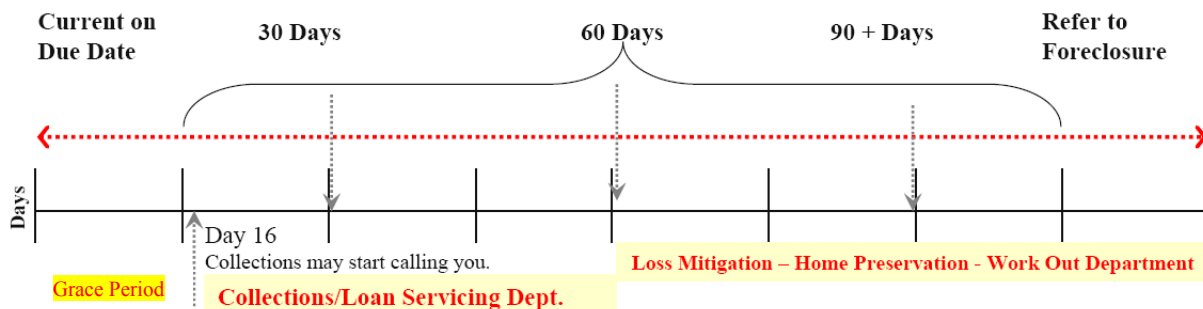
Delinquency Cycle of a Mortgage Loan

Role of the HUD approved housing counselor agency

Who are the HUD approved housing counseling agencies in Pima County?

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 1st), it is delinquent. Most loans have a **Grace Period** which is the period 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 16th 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.

Do you know where you are 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. The Pima County Foreclosure Prevention Workbook follows the general mortgage modification standards and forms established by the Making Home Affordable Programs.

What is Loss Mitigation?

The mortgage servicing operation that processes your mortgage payments also operates a Loss Mitigation Department or Division staffed with Mitigators who try to prevent defaults and foreclosures where possible. The Mitigators work with homeowners to develop a repayment plans and other options, should they be determined after much review and discussion the best alternative for a homeowner's unique situation. Those options are discussed under Topic 4.

- 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 91st 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 County 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 approved housing counseling agency (see pg. 10) or **Don't Borrow Trouble® Pima County** at **520-792-3087**.

ROLE OF THE HUD APPROVED HOUSING COUNSELING AGENCY

“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 HUD 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 HUD 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 counselor will 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. NOTE: Your Mortgage Servicer may prefer you use their Authorization Form.

ROLE OF DON'T BORROW TROUBLE® PIMA COUNTY

Is a nonprofit program designed to educate the community for FREE about predatory lending practices and general financial education with a focus on foreclosure prevention and intervention. Don't Borrow Trouble® Pima County will refer homeowners to HUD approved housing counseling agencies.

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
Website: www.dbtaz.org

WHO ARE THE HUD APPROVED HOUSING COUNSELING AGENCIES IN PIMA COUNTY?

The following are HUD approved housing counseling agencies. Check HUD at www.hud.gov for any updates.

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

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

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

OLD PUEBLO COMMUNITY SERVICES

Phone: 520-546-0122
Fax: 520-777-4512
Address: 4501 E. 5th St., Tucson, AZ 85711
Website: 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

PRIMAVERA FOUNDATION, INC.

Phone: 520-882-5383
Fax: 520-882-5479
Address: 151 W. 40th St., Tucson, AZ 85713
Website: 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

TUCSON URBAN LEAGUE

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

NEW LIFE COMMUNITY RESOURCE CENTER

Phone: 520-889-8225
Fax: 520-777-8137
Address: 504 W. Nebraska Street, Tucson, AZ 85706

How to compare a HUD approved housing agency with any one else who offers to help you with your mortgage:

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.

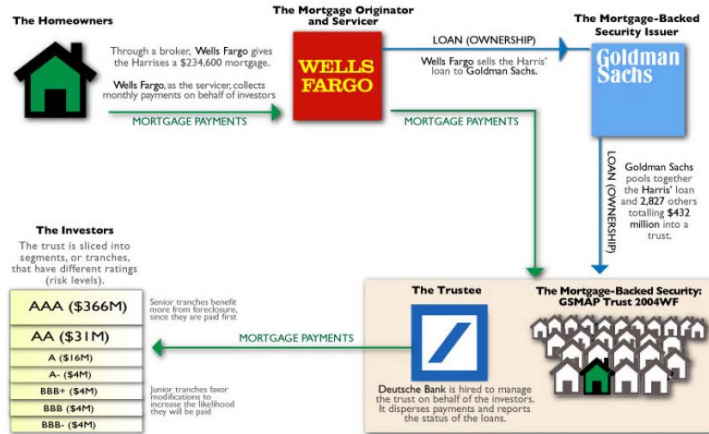
There are several departments at the mortgage servicer working with you. They may include the following:

Your mortgage servicer's **Collections Department** collects late payments from customers who are 30 to 90 days late. They are **not involved in loan modification**. They are not trying to help you save your home. They usually know nothing about modifications or options to save your home.

Your mortgage Servicer's Loss Mitigation Department, Work Out Department or Home Preservation Department will work with you to save your home. Like a Collections Department, they may give you a call center number to call, but they will be able to assist you with a mortgage loan modification.

Who is your mortgage servicer? _____

Where you stand in the big picture



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?

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? _____

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?

INCOME, EXPENSES, ASSETS

As you prepare to modify your mortgage loan, you will be asked to complete the REQUEST FOR MODIFICATION form. Before you complete this form, there are a number of questions you should ask yourself in the areas of Income, Expenses and Assets.

INCOME: HAVE YOU COUNTED ALL YOUR MONEY?

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.

It is important that these amounts be accurate and exact.

Include income for *all* those living in the home and contribute to the mortgage payment.

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.

EXPENSES: 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.

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).

Household Expenses: How can they be tracked?

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. Are you spending as much for your “wants” as your “needs”? Try to reduce your “wants” which will help you cover your needs and help you save.

Prioritize Your Fixed Expenses. For example:

1 ST Mortgage, taxes, insurance, auto loans, and utilities	Your 1 st : _____
2 nd Other secured debt with financial institutions	Your 2 nd : _____
3 rd Credit cards, medical bills and unsecured creditors	Your 3 rd : _____

When you find your debt exceeds your income, it's time to prioritize your obligations and talk to your creditors (or a housing counselor) for help.

ASSETS: HAVE YOU COUNTED ALL YOUR ASSETS?

In addition to cash, saving and your house, assets are things of value such as furniture, computers, other electronics, jewelry or anything that you insured or of value if you were to sell it. Make sure to include them on the RMA form. Also, include things of value for all members living in the household.

TIP

A word of Caution about IRA/Keogh Accounts: Think very, very carefully about liquidating your IRA/Keogh Accounts. There may be 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.

A WORD ABOUT BUDGETING: Consider 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

CONCLUSION: 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?

NOW THAT YOU'VE DECIDED YOU WANT TO KEEP YOUR HOME, WHAT'S NEXT?

Begin to request a modification by completing a Request for Modification Form (**RMA**) provided by the Making Home Affordable Program. Note: Over 100 mortgage servicers participate in this program, but not all use this form. This form is standard among mortgage loans serviced by Fannie Mae and Freddie Mac. To find out whether your mortgage is serviced by these agencies, you may go to this website (or ask your mortgage servicer): <http://www.makinghomeaffordable.gov/>. How to find out whether your mortgage servicer is participating in the Making Home Affordable Program, you may check this website (or ask your mortgage servicer): <http://www.hopenow.com/members.php>

The Pima County Workbook follows the Making Home Affordable Program Modification process.

A copy of this form is included on the following pages. You may also complete on-line at <http://makinghomeaffordable.gov/docs/RMA%20Interactive%20-%20Updated%2011.10.09.pdf>

Specific instructions to help you complete the form are also available on line at

<http://makinghomeaffordable.gov/docs/RMA%20Instructions%20revised.pdf>

IMPORTANT: Things to do when submitting your RMA:

- KEEP COPIES OF EVERY PAGE/EVERY DOCUMENT YOU SUBMIT
- SIGN AND DATE ALL DOCUMENTS AS REQUIRED
- NUMBER ALL PAGES: OF ... (TOTAL #)
- WRITE YOUR NAME AND LOAN NUMBER AT THE TOP OF EACH PAGE

WHY? Taking these few steps will save you time and grief. Thousands of homeowners are submitting their RMA's along you. By carefully identifying your documents, you will help those receiving thousands your package.

For help with any of these forms, call **Don't Borrow Trouble® Pima County**, a program of Southwest Fair Housing Council, Inc. **(520) 792-3087**.

**Making Home Affordable Program
Request For Modification and Affidavit (RMA)**



REQUEST FOR MODIFICATION AND AFFIDAVIT (RMA) page 1

COMPLETE ALL THREE PAGES OF THIS FORM

▶ Loan I.D. Number _____ ▶ Servicer _____

BORROWER		CO-BORROWER	
Borrower's name		Co-borrower's name	
Social Security number	Date of birth	Social Security number	Date of birth
Home phone number with area code		Home phone number with area code	
Cell or work number with area code		Cell or work number with area code	

I want to: Keep the Property Sell the Property

The property is my: Primary Residence Second Home Investment

The property is: Owner Occupied Renter Occupied Vacant

Mailing address _____

Property address (if same as mailing address, just write same) _____ E-mail address _____

<p><i>Is the property listed for sale?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><i>Have you received an offer on the property?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><i>Date of offer</i> _____ <i>Amount of offer \$</i> _____</p> <p><i>Agent's Name:</i> _____</p> <p><i>Agent's Phone Number:</i> _____</p> <p><i>For Sale by Owner?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><i>Have you contacted a credit-counseling agency for help?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><i>If yes, please complete the following:</i></p> <p><i>Counselor's Name:</i> _____</p> <p><i>Agency Name:</i> _____</p> <p><i>Counselor's Phone Number:</i> _____</p> <p><i>Counselor's E-mail:</i> _____</p>
--	--

<p><i>Who pays the real estate tax bill on your property?</i></p> <p><input type="checkbox"/> I do <input type="checkbox"/> Lender does <input type="checkbox"/> Paid by condo or HOA</p> <p><i>Are the taxes current?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><i>Condominium or HOA Fees</i> <input type="checkbox"/> Yes <input type="checkbox"/> No \$ _____</p> <p><i>Paid to:</i> _____</p>	<p><i>Who pays the hazard insurance premium for your property?</i></p> <p><input type="checkbox"/> I do <input type="checkbox"/> Lender does <input type="checkbox"/> Paid by Condo or HOA</p> <p><i>Is the policy current?</i> <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><i>Name of Insurance Co.:</i> _____</p> <p><i>Insurance Co. Tel #:</i> _____</p>
--	--

Have you filed for bankruptcy? Yes No If yes: Chapter 7 Chapter 13 *Filing Date:* _____

Has your bankruptcy been discharged? Yes No *Bankruptcy case number* _____

Additional Liens/Mortgages or Judgments on this property:

Lien Holder's Name/Servicer	Balance	Contact Number	Loan Number

HARDSHIP AFFIDAVIT

I (We) am/are requesting review under the Making Home Affordable program.
I am having difficulty making my monthly payment because of financial difficulties created by (check all that apply):

<input type="checkbox"/> My household income has been reduced. For example: unemployment, underemployment, reduced pay or hours, decline in business earnings, death, disability or divorce of a borrower or co-borrower.	<input type="checkbox"/> My monthly debt payments are excessive and I am overextended with my creditors. Debt includes credit cards, home equity or other debt.
<input type="checkbox"/> My expenses have increased. For example: monthly mortgage payment reset, high medical or health care costs, uninsured losses, increased utilities or property taxes.	<input type="checkbox"/> My cash reserves, including all liquid assets, are insufficient to maintain my current mortgage payment and cover basic living expenses at the same time.
<input type="checkbox"/> Other:	
Explanation (continue on back of page 3 if necessary): _____	

Regarding hardship, Once you complete this exercise, you will be ready to select the **Request for Modification Application (RMA)** Hardship that applies to you (See HARDSHIP AFFIDAVIT BOX on page 1of the RMA). We recommend a one-page Hardship Letter where you can explain in detail the hardship you chose on the RMA form. See Section 8 for a sample Hardship Letter.

INCOME/EXPENSES FOR HOUSEHOLD¹

Number of People in Household:

Monthly Household Income		Monthly Household Expenses/Debt		Household Assets	
Monthly Gross Wages	\$	First Mortgage Payment	\$	Checking Account(s)	\$
Overtime	\$	Second Mortgage Payment	\$	Checking Account(s)	\$
Child Support / Alimony / Separation ²	\$	Insurance	\$	Savings/ Money Market	\$
Social Security/SSDI	\$	Property Taxes	\$	CDs	\$
Other monthly income from pensions, annuities or retirement plans	\$	Credit Cards / Installment Loan(s) (total minimum payment per month)	\$	Stocks / Bonds	\$
Tips, commissions, bonus and self-employed income	\$	Alimony, child support payments	\$	Other Cash on Hand	\$
Rents Received	\$	Net Rental Expenses	\$	Other Real Estate (estimated value)	\$
Unemployment Income	\$	HOA/Condo Fees/Property Maintenance	\$	Other _____	\$
Food Stamps/Welfare	\$	Car Payments	\$	Other _____	\$
Other (investment income, royalties, interest, dividends etc.)	\$	Other _____	\$	Do not include the value of life insurance or retirement plans when calculating assets (401k, pension funds, annuities, IRAs, Keogh plans, etc.)	
Total (Gross Income)	\$	Total Debt/Expenses	\$	Total Assets	\$

INCOME MUST BE DOCUMENTED

¹Include combined income and expenses from the borrower and co-borrower (if any). If you include income and expenses from a household member who is not a borrower, please specify using the back of this form if necessary.

²You are not required to disclose Child Support, Alimony or Separation Maintenance income, unless you choose to have it considered by your servicer.

INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the federal government in order to monitor compliance with federal statutes that prohibit discrimination in housing. **You are not required to furnish this information, but are encouraged to do so. The law provides that a lender or servicer may not discriminate either on the basis of this information, or on whether you choose to furnish it.** If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, the lender or servicer is required to note the information on the basis of visual observation or surname if you have made this request for a loan modification in person. **If you do not wish to furnish the information, please check the box below.**

BORROWER <input type="checkbox"/> I do not wish to furnish this information		CO-BORROWER <input type="checkbox"/> I do not wish to furnish this information	
Ethnicity: <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino		Ethnicity: <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino	
Race: <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White		Race: <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White	
Sex: <input type="checkbox"/> Female <input type="checkbox"/> Male		Sex: <input type="checkbox"/> Female <input type="checkbox"/> Male	
To be completed by interviewer			
This request was taken by: <input type="checkbox"/> Face-to-face interview <input type="checkbox"/> Mail <input type="checkbox"/> Telephone <input type="checkbox"/> Internet	Interviewer's Name (print or type) & ID Number		Name/Address of Interviewer's Employer
	Interviewer's Signature Date		
	Interviewer's Phone Number (include area code)		

ACKNOWLEDGEMENT AND AGREEMENT

In making this request for consideration under the Making Home Affordable Program, I certify under penalty of perjury:

1. That all of the information in this document is truthful and the event(s) identified on page 1 is/are the reason that I need to request a modification of the terms of my mortgage loan, short sale or deed-in-lieu of foreclosure.
2. I understand that the Servicer, the U.S. Department of the Treasury, or their agents may investigate the accuracy of my statements and may require me to provide supporting documentation. I also understand that knowingly submitting false information may violate Federal law.
3. I understand the Servicer will pull a current credit report on all borrowers obligated on the Note.
4. I understand that if I have intentionally defaulted on my existing mortgage, engaged in fraud or misrepresented any fact(s) in connection with this document, the Servicer may cancel any Agreement under Making Home Affordable and may pursue foreclosure on my home.
5. That: my property is owner-occupied; I intend to reside in this property for the next twelve months; I have not received a condemnation notice; and there has been no change in the ownership of the Property since I signed the documents for the mortgage that I want to modify.
6. I am willing to provide all requested documents and to respond to all Servicer questions in a timely manner.
7. I understand that the Servicer will use the information in this document to evaluate my eligibility for a loan modification or short sale or deed-in-lieu of foreclosure, but the Servicer is not obligated to offer me assistance based solely on the statements in this document.
8. I am willing to commit to credit counseling if it is determined that my financial hardship is related to excessive debt.
9. I understand that the Servicer will collect and record personal information, including, but not limited to, my name, address, telephone number, social security number, credit score, income, payment history, government monitoring information, and information about account balances and activity. I understand and consent to the disclosure of my personal information and the terms of any Making Home Affordable Agreement by Servicer to (a) the U.S. Department of the Treasury, (b) Fannie Mae and Freddie Mac in connection with their responsibilities under the Homeowner Affordability and Stability Plan; (c) any investor, insurer, guarantor or servicer that owns, insures, guarantees or services my first lien or subordinate lien (if applicable) mortgage loan(s); (d) companies that perform support services in conjunction with Making Home Affordable; and (e) any HUD-certified housing counselor.

▶ _____ Borrower Signature	_____ Date
▶ _____ Co-Borrower Signature	_____ Date

HOMEOWNER'S HOTLINE

*If you have questions about this document or the modification process, please call your servicer.
 If you have questions about the program that your servicer cannot answer or need further counseling, you can call the Homeowner's HOPE™ Hotline at 1-888-995-HOPE (4673). The Hotline can help with questions about the program and offers free HUD-certified counseling services in English and Spanish.*



NOTICE TO BORROWERS

Be advised that by signing this document you understand that any documents and information you submit to your servicer in connection with the Making Home Affordable Program are under penalty of perjury. Any misstatement of material fact made in the completion of these documents including but not limited to misstatement regarding your occupancy in your home, hardship circumstances, and/or income, expenses, or assets will subject you to potential criminal investigation and prosecution for the following crimes: perjury, false statements, mail fraud, and wire fraud. The information contained in these documents is subject to examination and verification. Any potential misrepresentation will be referred to the appropriate law enforcement authority for investigation and prosecution. By signing this document you certify, represent and agree that: "Under penalty of perjury, all documents and information I have provided to Lender in connection with the Making Home Affordable Program, including the documents and information regarding my eligibility for the program, are true and correct."

If you are aware of fraud, waste, abuse, mismanagement or misrepresentations affiliated with the Troubled Asset Relief Program, please contact the SIGTARP Hotline by calling 1-877-SIG-2009 (toll-free), 202-622-4559 (fax), or www.sigtar.gov. Mail can be sent to Hotline Office of the Special Inspector General for Troubled Asset Relief Program, 1801 L St. NW, Washington, DC 20220.



WHAT TO EXPECT AFTER YOU SUBMIT YOUR REQUEST FOR MODIFICATION

With 10 business days

Within ten business days, you should receive written confirmation from your lender/servicer that your Request for Modification has been received.

Within 30 business days

Within thirty business days, you will be notified that you have (or have not) been approved for a trial modification. A trial modification consists of at least three monthly payments. This period may be extended at the discretion of the lender/servicer.

3 Month Trial Period

All trial payments should be made on time EACH MONTH for the entire trial period, but you may submit your payment any time during the month when payment is due. If you have not heard from your lender/servicer after your final trial payment, you should contact your lender/servicer as soon as possible. Completing the trial payment plan does not guarantee you will be offered permanent modification payment plan. Work with a HUD approved housing counseling agency to explore any other alternatives that may be available to you.

After the 3 Month Trial - No response from your lender

If you have not heard from your servicer and would like to receive help, call **Don't Borrow Trouble® Pima County**, a program of Southwest Fair Housing Council, Inc. **(520) 792-3087**.

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 HUD 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.

WHERE YOU WILL FIND IMPORTANT INFORMATION ABOUT YOUR MORTGAGE LOAN

What you need to know	Where to find it	Answer
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 _FHA _VA _USDA _CONVENTIONAL	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	Note	
Outstanding Balance	TIL	
Mortgage Insurance (PMI)	Note; TIL	
Homeowners Insurance	HUD 1	
Taxes Escrowed	HUD 1	
Insurance Escrowed	HUD 1	

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

IT'S VERY IMPORTANT TO TELL YOUR MORTGAGE LENDER/SERVICER AND A HUD HOUSING COUNSELOR ABOUT ALL LOANS THAT ARE TIED TO YOUR HOME. IT WILL BE WORK OUT A LOAN MODIFICATION ON YOUR FIRST MORTGAGE WITHOUT THE APPROVAL AND COOPERATION OF ALL OTHER LIENHOLDERS ON YOUR HOME.

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)

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 Program (HAMP)
3. Home Affordable Foreclosure Alternatives (HAFA)
4. Unemployment Program (UP)

All four programs are explained on-line at the website: www.MakingHomeAffordable.gov

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

1. 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.

2. Home Affordable Modification

Many homeowners are struggling to make their monthly payments. The Home Affordable Modification will help provide you with mortgage payments you can afford. It's easy to determine if you are eligible for a Modification. Just answer these 5 questions:

1. Is your home your primary residence?
2. Is the amount you owe on your first mortgage equal to or less than \$729,750?
3. Are you having trouble paying your mortgage?
4. Did you get your current mortgage before January 1, 2009?
5. Is your payment on your first mortgage (including principal, taxes, insurance and homeowner's association dues, if applicable) more than 31% of your current gross income? At the website, there is a tool at the website to calculate this percentage.



If you answer yes to all of these questions, fill out two forms including the following:

- Request Modification Form.
- Tax Form (4506T-EZ).

These forms are downloadable at the website <http://makinghomeaffordable.gov/requestmod.shtml>

Step 1 – Complete the Request Form

Instructions for completing the Request Modification Form are available at this website or by calling the DON'T BORROW TROUBLE® PIMA COUNTY (520) 792-3087.

Step 2 – Complete the Tax Authorization Form (IRS FORM 4506-T or 4506-EZ)

Step 3 – Gather Proof of Income

Step 4 – Send Documents to Your Mortgage Servicer

You may also discuss this application with a HUD housing counselor. If you have already missed one or more payments, call a HUD housing counselor, Don't Borrow Trouble® Pima County (520-792-3087) or HOPE NOW at 1-888-995-HOPE (4673)

Note: Things change! Please check the website for any updates or new forms that may become available after this publication.

If you have questions about the Making Home Affordable Program, call Don't Borrow Trouble® Pima County at (520) 792-3087.

THE MAKING HOME AFFORDABLE PROGRAM ALLOWS ELIGIBLE BORROWERS TO APPLY FOR ONE MODIFICATION ONLY.

HOME AFFORDABLE FORECLOSURE ALTERNATIVES (HAFA and UP)

The following information taken from the Making Home Affordable website can be found at this link:

https://www.hmpadmin.com/portal/programs/foreclosure_alternatives.html

The **Home Affordable Foreclosure Alternatives (HAFA)** Program provides additional options to avoid costly foreclosures and offers incentives to borrowers, servicers and investors who utilize a short sale or deed-in-lieu (DIL) to avoid foreclosures. HAFA alternatives are available to all HAMP-eligible borrowers who: 1) do not qualify for a Trial Period Plan; 2) do not successfully complete a Trial Period Plan; 3) miss at least two consecutive payment during a HAMP modification; or, 4) request a short sale or deed-in-lieu.

In a short sale, the servicer allows the borrower to list and sell the mortgaged property with the understanding that the net proceeds from the sale may be less than the total amount due on the first mortgage. Generally, if the borrower makes a good faith effort to sell the property but is not successful, a servicer may consider a DIL. With a DIL, the borrower voluntarily transfers ownership of the property to the servicer - provided title is free and clear of mortgages, liens and encumbrances. With either the HAFA short sale or DIL, the servicer may not require a cash contribution or promissory note from the borrower and must forfeit the ability to pursue a deficiency judgment against the borrower.

HAFA simplifies and streamlines the short sale and DIL process by providing a standard process flow, minimum performance timeframes and standard documentation.

The guidelines for HAFA are detailed further in the documents listed below. See instructions and documents at https://www.hmpadmin.com/portal/programs/foreclosure_alternatives.html

The **Home Affordable Unemployment Program (UP)** is a supplemental program providing assistance to Unemployed Borrowers. The Unemployment Program grants qualified unemployed borrowers a forbearance period reducing or suspending their mortgage payments. The program is effective for participating HAMP servicers on July 1, 2010.

Eligibility criteria apply (and may change). Please check the website for the most current information available. https://www.hmpadmin.com/portal/docs/hamp_servicer/upoverviewfornongseservicers.pdf

If you cannot reach the internet for any reason, call **Don't Borrow Trouble® Pima County at (520) 792-3087** whose staff will help you find the documents you need and help explain the program requirements.

If you do not qualify for a Making Home Affordable Program, you have other options! See the following section for an explanation of alternatives. Then ask your mortgage servicer to consider you for those options that you want to pursue.

In addition to the Making Home Affordable Programs, other options are available. Talk to your HUD housing counselor or your mortgage servicer. Here are several alternatives.

- **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** – This 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

Sometimes homeowners decide it’s best to not keep the home they’ve mortgaged. The following section summarizes alternatives to foreclosure. Whatever option you choose, communicate with your servicer throughout the process. Walking away without cooperating with the servicer may cause a foreclosure on your credit report, unexpected tax requirements, or a deficiency judgment equal to loan proceeds that would have been recovered by your mortgage servicer had a foreclosure sale taken place. We also recommend homeowners talk to a trusted tax advisor before walking away from their homes.

- **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 under Debtor Help or Creditor Help. There are Self-Help Bankruptcy Centers in Tucson and Phoenix. Check Section 8 below.

Southern Arizona Legal Aid, Inc. – www.sazlegalaid.org (see website for contact information in your area). Other excellent Bankruptcy Information is available at the following websites:

- www.consumerlaw.org
- www.usdoj.gov
- 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 to 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

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, we recommend working closely with a HUD approved housing counseling agency who will help you devise a plan of action including: a successful move into alternative housing; obtaining moving expenses, if possible, from the mortgage servicer; starting and maintain a viable budget and savings plan; and receiving tips on how to re-establish your credit rating.

TOPIC 5: COMMON SCAMS

Don't be a Victim! How Scams Work

Foreclosure “rescue” firms are plentiful and constantly changing to keep up with the new ‘good’ financial services and products available. Financial difficulties create vulnerable homeowners. Scam artists recognize these conditions as ideal business opportunities. Good decisions are not made under pressure. Be careful!

Frauds and scams imitate legitimate financial programs and services creating newspaper advertisements, radio and TV campaigns that appear to have the endorsement of the federal government, well-known and respected sponsors and others.

They may call you at your home after combing public files at the Pima County Recorder’s Office where Notices of Trustee Sale are available. With these records, they find your names and addresses, then send personalized letters and posting signs.

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!” or “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” or
“The bank let us know that you need help”*

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

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

When in doubt, call **Don't Borrow Trouble® Pima County** at **(520) 792-3087** or any one you trust.

Report Scams that you've witnessed and find out what others have reported. The following are a few places to report your suspicions about scams.

www.preventloanscams.org

Prevent Loan Scams is a website created for homeowners to report a scam AND see a list of alleged scammers in Arizona and throughout the United States. Note: Scammers move across state borders to find new victims.

www.LoanScamAlert.org or call 1-888-995 HOPE (4673)

Federal Trade Commission

www.ftccomplaintassistant.gov or www.ftc.gov/bcp/menus/consumer/credit/mortgage.shtm
(877) FTC-HELP OR (877) 382-4357

Arizona Attorney General www.azag.gov

Tucson: (520) 628-6504 Phoenix: (602) 542-5763 Outside Tucson and Phoenix Metro Areas: (800) 352-8431

State, County and City Consumer Protection Offices: www.consumeraction.gov/state.shtm

Better Business Bureau www.bbb.org (877) 291-6222

FBI – Tucson Field Office: (520) 623-4306 (Press 0)

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** - 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, HUD approved housing counseling agency, or trusted 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 HUD 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.
- ALWAYS keep copies of EVERYTHING you sign, send, receive, e-mail and record notes for all conversations regarding your mortgage loan!

Other references to check for a potential a fraud or scam:

Arizona Attorney General's Office:
520-628-6504
www.azag.gov

Federal Trade Commission
1-877-FTC-HELP (1-877-382-4357)
www.ftc.gov

Better Business Bureau
877-291-6222

Don't Borrow Trouble® Pima County
(520) 792-3087
www.dbtaz.org

Arizona Foreclosure Prevention Task Force
www.azforeclosureprevention.org

Freddie Mac
www.freddiemac.com/avoidforeclosure/index.html

Prevent Loan Scams
www.Preventloanscams.org

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

- What is the anticipated timeline to complete a workout?
- Will the foreclosure sale be postponed while your servicer reviews the workout option?
- What are your obligations under the workout 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?

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

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 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

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

Need help with the emotional stress?

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

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

Interested in community services and programs available to you and your family?

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

Many different community services are available at the United Way of Tucson:

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

Earned Income Tax Credit (EITC) Task Force – Helping low income families file Income Tax Returns, receive earned income tax credits and invest for financial security and opportunity.

(Implemented during tax season)

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

Arizona Self Help – A website designed for individuals to find out what community services and resources they may be entitled to receive.

www.arizonaselfhelp.org

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

FOR LAID OFF WORKERS ONLY

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

Concerned about your rights under Fair Housing Laws?

Discrimination in mortgage lending is prohibited by the federal Fair Housing Act. If you believe you have been treated differently – and adversely – in any aspect of the home buying or lending process because of your race, skin color, nation of origin, religion, gender, disability or the fact there is a child under the age of 18 yrs old in your household. SWFHC enforces fair housing-fair lending laws and provides no cost fair housing-fair lending education to the public and private sector and to housing providers and housing consumers throughout greater Arizona. Southwest Fair Housing Council, Inc.

Phone: (520) 798-1568

Phoenix (602) 252-3423

Outside Pima County: (888) 624-4611

Address: 2030 E. Broadway, Suite 101, Tucson, AZ 85719

Email: swfhc@dakotacom.net Website: <http://www.swfhc.com/>

Blog address: www.southwestfairhousing.typepad.com/fair_housing

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

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

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
- 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

HUD approved housing counseling agencies recommend homeowners review their credit report every year with each of the three credit reporting agencies. Stagger your reviews throughout the year to compare the services and how they report on your current situation.

Equifax: 1-800-685-1111; equifax.com	Experian: 1-888-397-3742; experian.com	TransUnion: 1-800-916-8800; transunion.com
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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 100-word statement to your credit report. Your statement may be changed or removed at any time.

Remember, as long as you are making timely payments on a loan modification, your statement will appear on the credit report and should be considered positive by any new, prospective creditors 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.

Reinstatement – When a borrower pays the full amount of the delinquency (past due monthly payments plus fees) in a lump sum before a specific date determined by the mortgage lender.

Repayment Plan – An arrangement by which a borrower agrees to make additional payments to pay down past due amounts while maintaining regularly scheduled payments.

Servicing - Administration of mortgage loans by companies who receive mortgage payments, make payments on borrower's taxes and insurance, assist borrowers with late payments, loan modifications, short sales and forecloses.

Work Out – Process whereby a mortgage servicer and a borrower mutually agree how to resolve a default or delinquency to avoid foreclosure. Work out options include loan modification, short sale or forbearance plan.

For more terminology, check the U.S. Department of Housing and Urban Development (HUD) website:

<http://www.hud.gov/offices/hsg/sfh/buying/glossary.cfm>

Restoring Your Sense of Well-Being

To restore your emotional, spiritual and intellectual balance, consider the following suggestions:

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.

Topic 8

Document Checklist (What you'll need when you talk to your counselor or servicer)

Sample Mortgage Statement

Hardship Letter

"Stay on Top of It" Communication Log

Tips for talking to your lender/servicer

Tips to help you succeed

General resources

Document List

The following documents are usually necessary before you begin to work with a mortgage lender, servicer or HUD 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
- Any Trustee Sale information from your mortgage company or its attorney
- Evidence of outstanding judgments and tax liens

SAMPLE MORTGAGE STATEMENT (How to read them)

YOUR MORTGAGE COMPANY

*Return Mail Operations
PO Box 12345
Any Town, USA 12345-0000*

Quarterly Mortgage Statement

Statement Date 03/10/09
Payment Due Date 04/01/09
Loan Number 01234567890 **2**

1 Customer Service

Online
youmortgagecompany.com

Telephone
(866) 012-3456

Fax
(866) 012-0123

Payments PO Box 01234
Big City, USA 01234

Correspondence PO Box 56789
Any Town, USA 56789

01234567 1 AT 1.123 012345678901234 012 01 ABCDEFG 012

JOE HOMEOWNER
1234 MAIN STREET
SMALLTOWN USA 00000-1234

Summary

Payment (Principal and/or Interest, Escrow)	\$1,033.50	Property Address	
Optional Product(s)	\$0.00	1234 MAIN STREET	
Current Monthly Payment	\$1,033.50	SMALLTOWN USA 00000-1234	
Overdue Payments	\$0.000	Unpaid Principal Balance	\$128,022.58 3
Unpaid Late Charge(s)	\$0.00	<i>(Contact Customer Service for you payoff balance)</i>	
Other Charges	\$0.00	Interest Rate	5.875% 3
TOTAL PAYMENT	\$1,033.50 5	Interest Paid Year-to-Date	\$1,893.80
		Taxes Paid Year-to-Date	\$.50 4
		Escrow Balance	\$910.87

Activity Since Your Last Statement

Date	Description	Total	Principal 6	Interest 7	Escrow 8	Late Charge	Other
03/01	PAYMENT	\$1,033.50	\$293.18	\$629.03	\$111.29		
02/01	PAYMENT	\$1,033.50	\$290.94	\$631.27	\$111.29		
01/01	PAYMENT	\$1,033.50	\$288.70	\$633.50	\$111.29		

Understanding Your Mortgage Statement

- 1** **Mortgage Company Contact Information** – name, address, and phone number of the mortgage company. Some statements will also identify the loan officer that originated the loan along with their contact information.
- 2** **Loan Number** – shows the account number for your loan.
- 3** **Interest Rate** – the amount charged for the use of borrowing money for your mortgage, expressed as a percentage of the principal.
- 4** **Taxes Paid/ Escrow Balance** – shows how much property tax has been paid by the lender for the year and how much money is remaining in the escrow account. An escrow account provides the lender with the funds – included in each monthly payment – needed for such expenses as property taxes, homeowners insurance, mortgage insurance, etc.
- 5** **Total Monthly Payment** – displays total amount due for each specific line item. The total monthly payment generally includes payments for: principal, interest, taxes, and insurance. In some cases, the borrower may decide not to escrow the taxes and insurance and pay them separately from the mortgage payment.
- 6** **Principal Payment** – displays dollar amount of principal included in the monthly payment. Principal is the amount of money owed on the loan, not including interest.
- 7** **Interest Payment** – displays dollar amount of interest included in the monthly payment. Interest is a fee charged for the use of borrowing money for the mortgage.
- 8** **Escrow** – displays dollar amount sent to escrow account in the monthly payment, if the borrower decides to have the mortgage company set aside an escrow.

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

“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.

TIP: Personnel may provide you with a fictitious name. Always ask for their BADGE Number.

Tips for talking to your 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. If you decide to talk directly to your lender/servicer, here are a few tips to help you communicate your wants and needs to the servicer.

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 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.

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 1st, 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!

General Resources

FDIC Foreclosure Prevention Website: www.fdic.gov/foreclosureprevention
(877) ASKFDIC or (877) 275-3342

Government-sponsored Mortgage Modification and Refinance Programs
Making Home Affordable: www.makinghomeaffordable.gov
HOPE for Homeowners (H4H) <http://portal.hud.gov/>
(800) CALL FHA or (800) 225-5342

Foreclosure Mitigation Assistance and Counseling
U.S. Department of Housing and Urban Development
www.hud.gov/offices/hsg/sfh/hcc/fc or www.hud.gov
(800) 569-4287

Homeownership Preservation Foundation: www.995hope.org
(888) – 995-HOPE

NeighborWorks America
www.findaforeclosurecounselor.org or www.nw.org/network/home.asp

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, HUD approved 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.

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Please contact Martha Martin at martha.martin@pima.gov. 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) and Don't Borrow Trouble® Pima County, A Program of the Southwest Fair Housing Council, Inc. (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.

**PIMA COUNTY
FORECLOSURE PREVENTION COALITION**

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