SEVEN

WAYS TO

FORECLOSURE!!!

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INTRODUCTION

Inside this report you will find powerful strategies for stopping a foreclosure. Be sure to read through each strategy to see which one best applies to you.

A foreclosure may happen when you fall behind on your mortgage payments. If you now have enough money to bring your mortgage balance current and make up all of the back payments, you will be able to stop the foreclosure. Once the bank accepts the money that is owed to them, either to bring the mortgage current or to pay the loan off, the foreclosure is stopped immediately. However, if the full amount needed to bring the loan current isn’t available, you may be able to work out either a repayment plan by increasing the monthly amount that you pay every month after paying a lump sum to the bank. Or you can work out a forbearance plan which is a formal written agreement between you and the bank that may reduce, suspend, or pause some of your monthly payments. When you do this the bank will setup a specific program for how the arrearage (back payments) are either paid or added to the end of the loan balance and term. The important thing to do throughout this process is to stay in contact with your lender and be honest with them about your situation. Always get any agreements or promises in writing. These options and others are discussed in more detail in the following pages.

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

Reinstatement occurs when the loan is brought current by paying the total amount past due. If you are now able to make your mortgage payments or your income has returned to its former level, you can negotiate with the bank or lender to bring your loan current by paying off any arrearage. The servicer may be able to arrange an increase in monthly payments until the loan is brought current. This means that each month you would add an additional amount of money (determined by the bank) to your regular monthly payment until the amount that was overdue has been repaid. If you can show the bank that you are able to resume making payments and that you can make up the past due balance by either a lump sum or over a short period of time (12 to 24 months), then you can reinstate your mortgage and keep your home. A repayment plan can be agreed on to bring the mortgage current over time. The terms are generally a payment of 1/2 of the arrearage as a down payment, and 1 1/2 payments a month until the loan is current. The delinquency may include certain legal fees and costs if the lender has started the foreclosure process. Many lenders require certified funds for reinstatement.

2. LOAN MODIFICATION

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

- A permanent change in the interest rate
- Capitalization of delinquent principle, interest or escrow items.
- Possible extension of loan term.
- All or a portion of the PITI arrearage (Principal, Interest and Escrow Items) may be capitalized (added) to the mortgage balance. Foreclosure costs, late fees and other administrative expenses may not be capitalized.

The Lender may collect the legal and administrative fees (resulting from the canceled foreclosure action) from you to the extent not reimbursed either through a lump sum payment or through a repayment plan separate from and subordinate to the modification agreement. No administrative fees for completing the Loan Modification documents can be passed on to you. The modified principal balance may exceed the principal balance at origination and the modified principal balance may exceed 100% loan-to-value. The following conditions will apply:

- All Loan Modifications must result in a fixed rate loan.
- The Loan Modification must fully reinstate the loan.

Subsequent defaults are to be treated as a new default.

Hope for Homeowners (HoHo)

In July of 2008, the United States Congress passed and President Bush signed into law a bill commonly referred to as "Hope for Homeowners". In the land of acronyms, it got the nickname of HoHo. HoHo has some characteristics that each homeowner should know before trying to access the 300 billion dollar loan guarantee designed to help homeowners who are underwater refinance their homes.

The term “under water” is referencing the fact that people now owe more on their house than what it is worth. To find out more about Hope for Homeowners, go to http://portal.hud.gov/portal/page/portal/FHA_Home/consumers/hope_for_homeowners

3. WORK OUT A “FORBEARANCE PLAN”

If you are unable to make your monthly mortgage payment, the mortgage company may extend forbearance by agreeing to suspend payments or accept partial payments for a limited period of time until the bank will be able to begin a repayment schedule. Forbearance is a formal, written agreement between you and the bank to reduce or suspend monthly payments for a specific period of time. This means that for a period of time, you would either pay only a portion of your regular mortgage payment or not make any payments at all. At the end of the agreed-upon period, you would be required to resume regular monthly payments as well as pay additional funds to make up for the past due amount. During the time that the payments are either suspended or reduced, you would have the opportunity to resolve the financial hardship you are facing. This agreement leads to reinstatement of the loan. There is no maximum duration, but the maximum arrearage due may not exceed 12 months arrearage of principal, interest, taxes and insurance. The bank may consider making this option available to you if you have recently experienced a drop in your income due to unemployment or illness. Lenders can agree to wait before taking legal action against you and let you work out a repayment plan that is affordable for you.

4. SELL PROPERTY TO A CASH BUYER

If the property is worth more than the amount owed on your mortgage, a quick sale to a cash buyer can help you avoid the foreclosure and all the hassle involved with a foreclosure. Cash buyers are usually real estate investors who will buy your house in an ‘as is’ condition, and you can sometimes negotiate a move out date with such a buyer giving you time to find a new home. The foreclosure is halted as soon as the title is transferred, which means your credit score will not be as badly affected. This is really only an option if you have equity available in the property. For Property Owners who have to work to a deadline, selling a house for cash can provide the reliability and certainty that you require which in turn minimizes the stress and worry usually involved with the selling process. Selling a property using a Realtor can take an uncertain amount of time and while selling a property at auction almost always results in a sale, the price you get is almost always much less than the market value. By selling your house to a cash buyer you get the certainty of knowing when the sale will be and the certainty of knowing exactly how much money you will receive.

5. SELL THROUGH A SHORT SALE

A short sale is nothing more than negotiating with lien holders, a payoff for less than what they are owed. A lender agrees to discount a loan balance due to an economic or financial hardship on the part of the borrower (you). This negotiation is all done through communication with the lender’s loss mitigation department. A short sale typically is executed to prevent a home foreclosure. You sell your property for less than the outstanding balance of the loan and turn over the proceeds of the sale to the lender in full satisfaction of your debt. The lender has the right to approve or disapprove of a proposed sale. There are a lot of circumstances that will influence whether or not a lender will discount a loan balance. These circumstances are usually related to the current real estate market climate and your financial situation. Often a bank will choose to allow a short sale if they believe that it will result in a smaller financial loss than foreclosing.

There are many advantages to a short sale for the homeowner. The advantages include:

- NO Foreclosure listed on Credit Report
- NO repairs necessary – Sell AS-IS
- NO taxable event (Foreclosure Tax Relief Bill – December 2007)
- NO bringing property taxes current
- NO deficiency judgment (lender acceptance)
- NO need to file bankruptcy on home
- No real estate commission owed
- GET out from underneath mortgage debt
- Home ownership possible in 2 years vs 7 years with foreclosure

Additionally, a short sale is typically faster and less expensive than a foreclosure.

Certain conditions must be satisfied to qualify for a short sale. The property owner must be 31 days delinquent or more at the time of the pre-foreclosure sale closing and must provide documentation of a reduction in income or an increase in living expenses as well as other documentation. To find out more about the short sale process, visit http://www.reinnovationsandsolutions.com/.

Real Estate Innovations and Solutions are **industry experts** in **Short Sale Solutions. Contact us today** to discuss a short sale for your property.

"Don't Lose Your House, Sell Your House"

6. A DEED IN LIEU OF FORECLOSURE

The Deed-in-Lieu of Foreclosure allows a property owner in default, who does not qualify for any other Loss Mitigation option, to sign the house back over to the mortgage company. By signing a Deed-in-Lieu the property owner is voluntarily giving the home back to the bank. A Deed-in-Lieu is most likely done when you have only one mortgage on the property. If you have a first and second mortgage, you will probably not qualify for a Deed-in-Lieu. There may be income tax consequences as a result of the Deed- in-Lieu of Foreclosure. For more information on the Deed in Lieu option, see: http://www.hud.gov/offices/hsg/sfh/nsc/rep/dilfact.pdf

7. FILE FOR BANKRUPTCY

If you are considering Bankruptcy as an option, always consult a Bankruptcy attorney for legal advice. The information contained in this article is an overview of bankruptcy options and is not intended to be construed as legal advice.

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

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

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

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

In instances where a homeowner knows that they will be unable to make their mortgage payments because their financial situation has changed for the worse, they would be wise to wait to file a Chapter 7 Bankruptcy until after the foreclosure process has come to a final conclusion.

Chapter 13 – Repayment Plan

The 2005 reform legislation has made Chapter 13 the most common type of bankruptcy. Essentially, Chapter 13 is a court-supervised and court-monitored repayment plan where the debtor provides the court with a listing of all of their debts and a budget for their monthly needs. Any extra money left over each month is applied to pay the arrearage owed on the debts. One of the benefits of a Chapter 13 Repayment Program is that a lot of the outrageous late fees, interest rates and other charges can no longer apply on these kinds of debts. The typical repayment program usually lasts between 48 and 60 months.

The typical Chapter 13 plan sends the debtor wages to the Court appointed trustee who pays all of the creditors according to a plan presented by the debtor and agreed to by the creditors.

The vast majority of Chapter 13 Repayment Plans falter and eventually fail. Plans can falter even where the debtor gets a "grace period" from the court for additional time to try and catch up for missed payments to the trustee.

Many times people will not include their house payment in the Chapter 13 plan. This is frequently the result of individual preferences of the attorneys they hire to represent them as well as the characteristics of the trustees appointed by the court to administer Chapter 13 plans. Even if a house is not included in any Chapter 13 bankruptcy, the bankruptcy does protect the house by filing a stay on the foreclosure action and that stay remains in effect as long as the homeowner then gets and remains current on their house payments.

Chapter 7 – Discharge Debts

Chapter 7 bankruptcies provide for the total discharge and liquidation of debts. Because of this powerful debt relief tool, individuals are only able to file a Chapter 7 bankruptcy once every eight years. In a Chapter 7 Bankruptcy, people may list their home and mortgage as one of the debts that they are seeking to discharge. If this is the case there is clear intention they have abandoned all hopes of saving the property and continuing to live in the property. If an individual chooses not to include their house in a Chapter 7 Bankruptcy then they are still intending to keep the house and must stay current on the payments on the house while the other debts are being discharged.

Many people think that if they can discharge their other debts, then they will have enough available cash to get caught up on their house payments and stay current. More often than not, they are wrong. Even if the house is not included in a Chapter 7 Bankruptcy, the stay granted by the filing of the bankruptcy will apply to the mortgage and the foreclosure action. If the homeowner can then bring the mortgage current, then the foreclosure action goes away. Most of the time though the homeowner is unable to bring or keep the mortgage current and the bank then files a motion for relief of stay. Chapter 7 is a valuable tool and a homeowner who realizes that they are going to lose their house may be best served by waiting until after the foreclosure action is completed or until after the short sale is done and then using the Chapter 7 Bankruptcy to wipe out any deficiency judgment that may remain.

8. What Do Others Say About Working With R.E.I.S.?

This is a big thanks to Pam and all the staff at Real Estate Innovations & Solutions. I had run into a perfect storm of circumstances i.e. job loss, housing market downturn, terrible real estate agent etc, etc. Out of the blue I received a call from Pam and the rest went without a hitch. It was a stressful time as you can imagine and they helped tremendously. From the negotiations with bankers, finding buyers and getting me out of a very rough patch in life, I can't thank them enough. I highly recommend them to anyone who is feeling like their housing situation is going out of control. In hindsight I wish I would have hired them first over a real estate agent. Thanks to all. J & S

I am in the military and many times I'm not even available. The entire R.E.I.S. team really helped make the entire process very easy for me and my family so I didn't have to worry about what was happening and could just focus on my military duties. I can't thank them enough. They have saved me and my family from having a foreclosure on my credit report and best of all - I got to sell my house and move on. C and L

I can't thank you enough! I don't know what I would have done without you. I was down to the wire with the sheriff's sale right around the corner. I had lived in my house for 30 years but due to health issues I could no longer keep up the house payments and didn't have any money to make the repairs that were needed. I didn't want to admit to my neighbors that I was having problems. I talked to your team and you got to work right away and saved my house from being sold at the auction. I was so fortunate because I could tell my neighbors that "I sold my house (I didn't lose my house)". Thank you so much. R and J

We have just finished the final closing on our home. My husband and I feel a sense of relief and excitement. R.E.I.S. went above and beyond what we expected. They have made a very stressful time in our life almost stress free. The team never waivered that our home would sell and that continual positive attitude helped us remain hopeful. We are proud of all the hard work and time R.E.I.S. has done for us. You are making the right choice when you work with R.E.I.S. They've truly got a 'no-fail' attitude. The K. Family

TAKE ACTION…

Which option is right for you? It depends. Every situation is a unique one.

Real Estate Innovations & Solutions specializes in **Short Sale Solutions**. We negotiate with your lender to get them to accept less than owed for your property. How does this help you? It helps you sell a house that was otherwise unsellable, keeps your property from going to auction and it saves you from a FORECLOSURE on your credit report!!!

Remember – THERE IS NEVER ANY COST TO YOU – EVER!!!

We pay realtor fees, closing costs, back taxes and other negotiated liens!!!

Contact us…

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