



Texas Foreclosure Intervention Resource Guide



Following the Path to Preserving Homeownership

**Presented to the Citizens of Texas
by the
Texas Foreclosure Prevention Task Force**

Adapted from the Foreclosure Prevention Workbook created by the
Pima County Foreclosure Prevention Coalition

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Acknowledgement

The Texas Foreclosure Prevention Task Force (Task Force) gratefully acknowledges the Pima County Foreclosure Prevention Coalition and the Nevada Foreclosure Prevention Taskforce for providing their workbooks to be adapted for use in Texas. By working together across the country, we leverage our resources to help stabilize homeowners.

Disclaimer

The intent of the workbook is to assist individuals in resolving their foreclosure crisis. This Guide does not purport to be exhaustive but rather aims to provide basic guidelines to avoid foreclosure. You should consult with an attorney or housing counseling agency for specific advice.

Unless otherwise specifically stated, the information contained herein is made available to the public by the Task Force for use as examples of the kinds of documents and advice one may receive in the process of working with a mortgage company, housing counseling agency or any other party involved in the delinquency or foreclosure of one's home.

Neither the Task Force nor any other agency or entity 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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The views and opinions of the originators expressed herein do not necessarily state or reflect those of the Task Force.



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

Dear Texas Homeowner:

Information is key to avoiding foreclosure when you find yourself in financial distress. Too often, homeowners are not equipped with the knowledge that is critical to understanding every available option to save their homes. The Texas Foreclosure Prevention Task Force (TFPTF) has created this workbook to serve as a guide for Texas homeowners who, like you, are facing a potential foreclosure.

This workbook is filled with valuable information that details your options during this difficult time. The TFPTF workbook will give you the confidence to seek assistance at the first sign of financial trouble -- which can sometimes be the most difficult step. This workbook will help you evaluate your current financial situation as you prepare for meetings with your mortgage servicer or housing counselor. You will also find a list of frequently asked questions and a glossary of terms that are intended to help you understand the process.

Importantly, the workbook also contains a section on foreclosure rescue scams. Sadly many unscrupulous scam artists are attempting to profit from the financial crisis by offering fraudulent "mortgage rescue" services. Many of these services collect fees from struggling homeowners who they promise to save from foreclosure. Instead these scams often speed up the foreclosure process by taking excessive fees and advising the homeowner to avoid resolving their problems by speaking to their lender. The Office of the Attorney General is cracking down on foreclosure scams as swiftly as they come to our attention; but as a homeowner, you need to be aware of these scam artists preying on vulnerable Texans.

A home is often the biggest single investment in a Texan's lifetime. It is very important that Texans are fully informed of their rights and responsibilities as a homeowner. By providing resources for homeowners who are having trouble keeping up with their mortgage payments, the TFPTF workbook goes hand in hand with the Office of the Attorney General's other homeowner protection efforts. My hope is that homeowners will use this workbook to tackle their financial problems and make informed decisions about their homes.

Sincerely,

Greg Abbott
Attorney General of Texas

Important Tips to Avoid Foreclosure

- Don't ignore the problem.
- Contact your servicer sooner rather than later if you think there may be a problem.
- Don't ignore communications from your servicer. Return their calls and open mail from them.
- Understand foreclosure prevention options.
- Contact a **HUD-approved non-profit housing counselor** for assistance (see page 11 for information on locating a housing counselor in your area).
- Review your budget and make changes as necessary. If you don't have a budget, create one and stick to it!
- Be aware of foreclosure scams and don't become a victim.
- Know your mortgage rights.

Understanding Mortgage Delinquency

Today's economic environment is very stressful. Many Texans are dealing with multiple personal challenges, including:

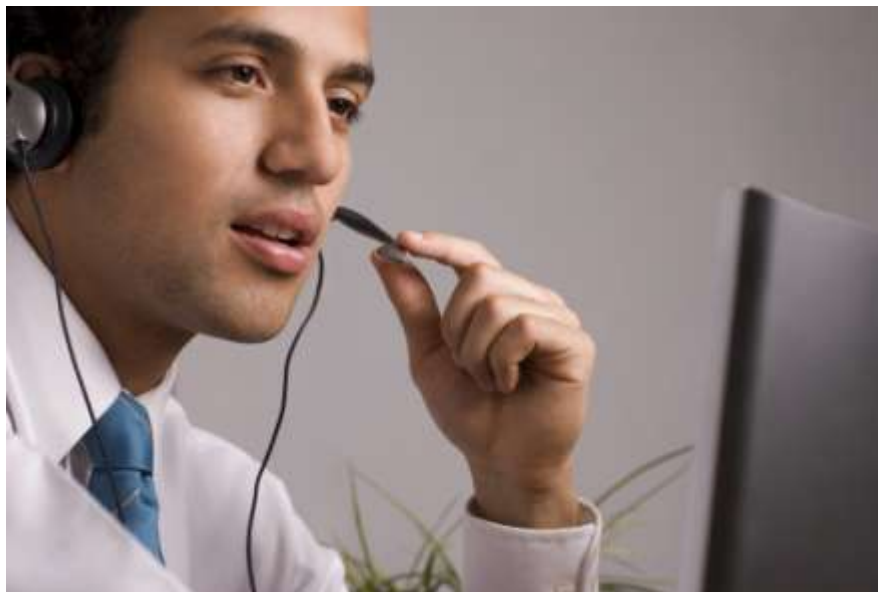
- Loss of employment
- Changes in mortgage payment
- Unpaid bills
- Caring for an elderly parent
- Reduction in income
- Divorce or separation
- Sudden disability
- Other life-changing events

These events can affect a borrower's ability to make their mortgage payment on time and as agreed. When this happens, foreclosure may result.

If you are facing financial challenges and are at risk of defaulting on your mortgage, it is important to:

- Understand when delinquency begins and when foreclosure can occur;
- Contact your servicer as soon as possible to discuss your situation; and,
- Seek the advice of a HUD-approved housing counselor.

The sooner you begin working with your servicer and/or a housing counselor, the more likely the servicer will be able to find a solution to help you stay in your home.



Delinquency and Foreclosure

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

The loan servicer expects to receive your payment by the due date. If the servicer has not received your payment by that date, the loan is considered to be delinquent. You can find the due date in the promissory note and also in the monthly statement that the servicer sends to you. The lender has the option to declare the loan in default at any time after the due date. It is almost unheard of these days for there to be a “grace period” after the due date.

Will the servicer call me to collect my past due payment?

The Collections Department may contact you to start the collection process. The Collections Department is a division of the loan servicer that is responsible for obtaining and applying payments due on mortgage loans. Generally, they will try to make contact with you before the payment is 30 days late.

What happens if I can't make my payments as agreed?

If the Collections Department is not able to collect the full payment or make acceptable payment arrangements with you, your account may be referred to the **LOSS MITIGATION DEPARTMENT**, sometimes called **HOME RETENTION**, or a similar name. Loss mitigation is a division of the loan servicer that will work with you to establish an acceptable plan to get you back on track with your mortgage payments. You will begin to receive letters requesting that you call them.

ALWAYS RETURN THEIR CALLS!

Communication is the strongest tool you have in avoiding foreclosure. This is the period where you may have other options available to you. Loss mitigation representatives will make many attempts to contact you. Most likely, you will be asked to submit a request for assistance. The request may include, but not be limited to, a letter explaining your situation (also called a hardship letter), an income and expense statement and evidence of current income.

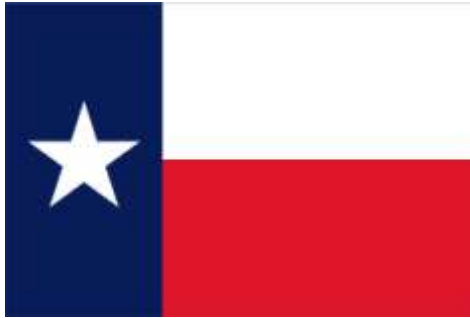
REMEMBER:

**DON'T WAIT FOR THE SERVICER TO CALL YOU.
CALL YOUR MORTGAGE COMPANY/SERVICER IF YOU KNOW YOU WILL BE LATE.**

ALWAYS RETURN CALLS FROM THE SERVICER!

When can the foreclosure process begin?

While lenders and servicers will try to contact the homeowner to try to bring the loan current, the foreclosure process can start at any time after default. (See “Important Terminology” on page 36 for the definitions of default and delinquency.)



Texas Foreclosure Process and Timeline

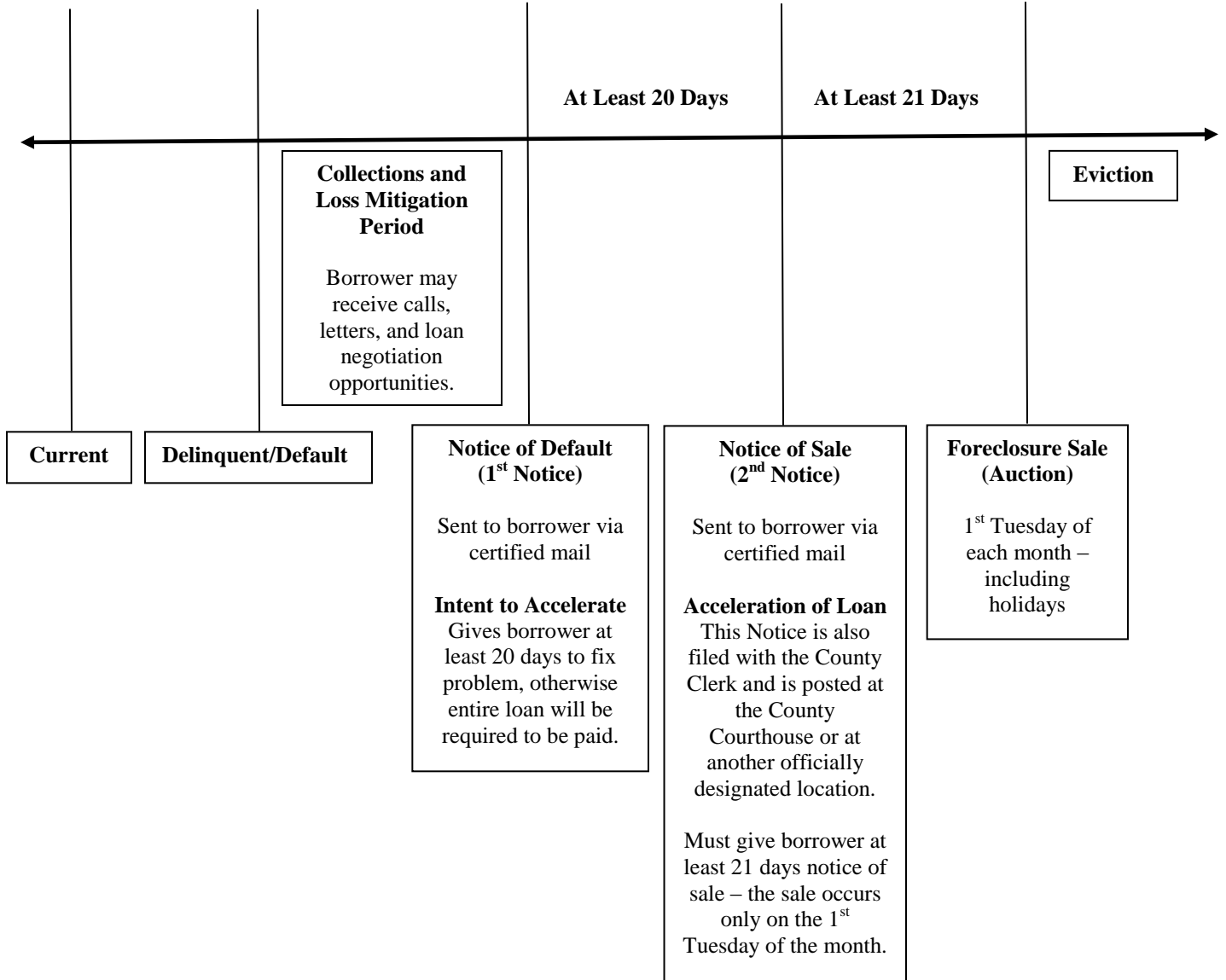
The foreclosure process in Texas is relatively simple and has a short timeline. If a borrower is in default and the mortgage lender (or servicer) wants to initiate foreclosure proceedings, the lender is required by law to send a notice informing the borrower that they have 20 days to cure the default or a foreclosure will be initiated.

After the 20 days have expired, and at least 21 days before the sale is scheduled, the lender is required to post a foreclosure notice at the courthouse, file the notice with the county clerk, and notify the borrower of the foreclosure sale. Texas law states that foreclosure sales be held on the first Tuesday of the month following the notice, and anyone may bid on the property, including the lender.

It is important to note that Texas does not have a redemption period for foreclosures, meaning that there is no grace period after the foreclosure during which the borrower can “redeem” the home by paying the outstanding principal, interest, and fees on the loan.

After a foreclosure sale, if the borrower continues to occupy the property, the lender (or new property owner) may file an eviction notice. The county constable’s office serves the eviction notice, which includes a court date. Following a court hearing and ruling by a judge, the defendant has five days to vacate or appeal the ruling. After five days, the borrower has a minimum of 24 hours to vacate the property.

Non-Judicial Foreclosure Timeline for Texas



Note: This timeline is provided for instructional purposes only and differs for home equity loans, tax loans and government foreclosures.

Role of the Housing Counselor

If you are facing mortgage delinquency, a U.S. Department of Housing and Urban Development (HUD) approved housing counselor can work with you to find a solution that best fits your situation. In order to determine all options available, they will require very specific information from you, the homeowner. The more information provided to the housing counselor, the easier it will be to assess your expectations and situation.

A counselor can:

- ✓ help you evaluate your financial situation;
- ✓ determine the options available to you;
- ✓ help you find a solution with your servicer;
- ✓ provide information on the various workout arrangements that lenders/servicers will consider;
- ✓ provide input on the course of action that makes the most sense for you and your family, based on your circumstances;
- ✓ call the servicer with you or on your behalf to discuss a workout plan;
- ✓ help you establish a monthly budget and financial plan to ensure you can meet all of your monthly expenses, including your mortgage payment;
- ✓ utilize your financial plan to help you and the servicer determine whether a reduced or delayed payment schedule will benefit you;
- ✓ provide 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.

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

Typically, the services of a foreclosure prevention counselor are provided at no cost to the homeowner.

If the counselor requires a fee, especially one that is paid before any services are performed, immediately contact HUD at 800-569-4287 to ensure you will be working with a reputable counselor. See "Beware of Scams" section on pages 27-31 for additional information.



Finding a HUD-approved Housing Counselor

There are many HUD-approved housing counseling agencies in Texas.

You can locate the one closest to you by going online to:

www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm

www.makinghomeaffordable.gov/

www.findaforeclosurecounselor.org

www.hopenow.com

You can also get information and immediate assistance by calling **1-888-995-HOPE (4673)** or by calling HUD at **1-800-569-4287**.



Preparing to Meet with Your Servicer and Housing Counselor

When you speak with your loan servicer or a housing counselor, be prepared to tell them about your situation. Complete the following steps and use the worksheets provided to gather information about your circumstances. It is important for you to be as accurate and detailed as possible.

Step 1: Gather Your Documentation

You will need the following documents before meeting with a housing counselor or your servicer.

- Most recent income tax return with all schedules and W-2s,
- Two most recent bank statements,
- Two most recent pay stubs or documentation of the income you receive from other sources (e.g., alimony or child support),
- Monthly mortgage statement showing the mortgage servicer information and the mortgage loan number,
- Information about other mortgages on your home, if applicable,
- Account balances and minimum monthly payments due on all of your credit cards,
- Account balances and monthly payments on your other debts (such as auto and student loans),
- Estimates of other monthly expenditures (such as utility bill, food expenses, insurance payments, and entertainment expenses).

Keep a copy of all the documents for your records. Don't provide original income documentation, copies are acceptable.

Step 2: Review your Situation

Are you delinquent? If so, when did you miss your first payment (date)?
Why did you miss this and/or any other payments?

If you have not missed a payment, what are the financial difficulties that you are facing?

Have you taken any steps to fix your financial situation? If so, what?

Do you expect your situation to change soon? If so, how?

What resources do you have to help you?

Once you complete this exercise, you will be ready to write a Hardship Letter. The Hardship Letter explains your situation to your servicer and asks for help. Many servicers will require that you submit a Hardship Letter when requesting assistance.

Following is a sample Hardship Letter.



- Sample - Hardship Letter

Date

Lender's Name

Lender's Address

Re: Loan Number _____

Dear Loss Mitigation Manager:

Our names are/My name is _____ and we've/I've been paying the mortgage on our/my home at _____ [insert property address] _____ for _____ years now. This letter is to explain why we/I have unfortunately fallen behind on the monthly mortgage payments and to ask for your help.

(Explain your hardship. Include dates and specific incidents that caused you to get behind. Use the information from the worksheet you just completed. Also, if applicable, explain how the hardship has been resolved.)

We/I have sat down with our/my family and taken a very hard look at our financial situation. We have all agreed to make the necessary 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 a credit counseling service).

My family and I are truly grateful for the opportunity that you have 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,

(Ask everyone in your family sign to the letter.)

Step 3: Determine your Income

Your servicer and housing counselor will need to know **all** your current household income. Complete the following worksheet in order to provide a clear and accurate accounting of your income.

Monthly Household Income

Sources of Income	Homeowner A	Homeowner B	Total A & B
Job Income – Monthly Take Home Amount	\$	\$	\$
Social Security / SSI / SSDI	\$	\$	\$
Child or Spousal Support	\$	\$	\$
Unemployment Compensation	\$	\$	\$
Workers Disability Compensation	\$	\$	\$
Veterans Benefits	\$	\$	\$
Retirement Benefits	\$	\$	\$
Monies from Boarders or Roommates	\$	\$	\$
Child Care Assistance	\$	\$	\$
Housing Assistance	\$	\$	\$
Rental Income from other Homes Owned	\$	\$	\$
Any other Income	\$	\$	\$
Total	\$	\$	\$

- It is important that these amounts be accurate and exact.
- Include income for all those living in the home.
- If the amount changes from month to month, look at your year-to-date amount and determine an average.
- Be sure to let your servicer and housing counselor know if you expect a change in income in the near future.

Step 4: Determine your Expenses

Think about your current situation:

- Do you need to take control of your finances?
- Should you improve your money management skills?
- What changes should you make to save your home and improve your financial situation?
- 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 worksheet on the following page. Be sure to include every expense in your household. For expenses that vary from month-to-month, use an average.

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

What are your fixed expenses? These expenses have set or fixed payments on a weekly, monthly or annual basis. With these types of expenses, you know what the amount will be ahead of time. Examples include your car and insurance payments.

What are your variable expenses? These expenses can change from month-to-month. Examples include utility bills, childcare costs, gas for automobile and groceries. Review these expenses over several months to determine an average amount.

What are your discretionary expenses? These items are not essential to your well-being and, if need be, will be the first expenses 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.



Examine your current lifestyle and determine what you are willing or able to change to improve your financial situation.

Monthly Expenses			
Column 1 Expense	Monthly Amount	Column 2 Expense	Monthly Amount
Shelter		Contributions & Gifts	
Mortgage payment		Church donations	
Homeowner assn. dues		Miscellaneous donations	
Home maintenance		Gifts/Cards	
Taxes & insurance		Other	
Food & Household		Recreation	
Groceries		Club dues	
Cleaning supplies, paper products		Newspapers, magazines, books	
Food away from home		CDs, other music	
Tobacco and alcohol		Movies	
Utilities		Hobbies	
Gas, light, water		Sports	
Phone		Vacations	
Cell phone		Entertainment	
Garbage, sewer		Other Expenses	
Cable, internet		Kids' allowances	
Insurance		Day care	
Life		Babysitting	
Auto		Postage	
Health		Other Services	
Other		Pets (food, vet, boarding)	
Transportation		Monthly Obligations	
Gas		Alimony & child support	
Repairs & maintenance		Total monthly auto loan payments	
Registration & inspection		Total monthly credit card payments	
Bus, carpool		Monthly expenses for other homes owned	
Parking		Other monthly obligations	
Education		Clothing	
Tuition		New purchases	
Books		Dry cleaning, laundry	
Special lessons		Personal Care	
Sports		Beauty/Barber Shop	
Health Care		Nails	
Medical		Other personal expenses	
Dental			
Prescriptions			

Column 1 Total:		Column 2 Total:	
Column 1 + Column 2 = Total Monthly Expenses: \$_____			

Extra Space for Notes:

Step 5: List your Assets

List your household assets in the following worksheet. Think about what you are willing and able to do with them. Can you or will you sell some of them?

Household Assets	Value	Amount Owed	Sell?
Automobile #1	\$	\$	\$
Automobile #2	\$	\$	\$
Automobile #3	\$	\$	\$
Cash on Hand over \$100	\$		
Checking Account	\$		
Savings Account	\$		
Anticipated Tax Refunds	\$		
Money Market Funds	\$	\$	\$
Stocks/Bonds/CDs/Annuities, etc.	\$	\$	\$
IRA/Keogh Accounts	\$	\$	\$
Computer/TV/Electronics	\$	\$	\$
Furniture	\$	\$	\$
Boats/Jet Skis	\$	\$	\$
RV/Recreational Homes	\$	\$	\$
Motorcycle/Snowmobile	\$	\$	\$
Farm Equipment	\$	\$	\$
Trailers	\$	\$	\$
Other Property	\$	\$	\$
Total:	\$	\$	\$

Step 6: Evaluate your Financial Options

Can you afford to keep your home?

Based on what you earn, spend, need, and can sell, are you able to keep your home? If you do not have money left over at the end of the month or have very little, you may need to review your expenses to see what can be reduced or eliminated. A housing counselor can help you with this. Complete the following table to determine your total cash available.

Income and Expenses		
1. Total monthly income	\$	From Step 2: Determine Your Income
2. Total monthly expenses	\$	From Step 3: Determine Your Expenses
3. What's left over	\$	Line 1 minus Line 2 – this is the amount that is left over to cover increased mortgage payments or other emergencies.

Cash Available / Needed		
4. Homeowner cash on hand	\$	From Step 4: List Your Assets
5. Homeowner assets to sell	\$	From Step 4: List Your Assets
6. Total cash available	\$	Line 4 plus Line 5 above

Step 7: Gather your Loan Documents

You will need the following documents in order to fully understand the terms of your loan. A HUD-approved housing counselor can help you navigate through the documents, which may include the following:

- **The Promissory Note** – This is the legal evidence of indebtedness and formal promise to repay the debt. It sets out the loan amount, payment date, 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 identifies the security or collateral for the loan. It helps to verify and protect the legal interest in a property. The property is deeded by the title holder

(trustor or borrower – you) to a trustee (often a title or escrow company) which holds the title in trust for the beneficiary (the lender). The deed of trust is recorded in public records.

- **Adjustable Rate Mortgage Rider (ARM Rider)** – Adjustable-rate mortgages (ARMs) are loans with interest rate and payment changes. The ARM Rider describes how the loan will adjust and any limitations on the adjustments. It will describe the adjustment periods for the interest rate and the payments. It will also advise you when to expect notice of an interest rate and payment 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 worth), when a mortgage is repaid during the penalty period. A typical prepayment penalty period 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, promissory note, deed of trust, and/or prepayment penalty rider to the note.
- **TIL (Truth in Lending) Disclosure Statement** – This document is provided at application and at closing on certain loans. It shows the estimated total costs of borrowing, expected payment amounts over the life of the 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 the borrower that are associated with the purchase of the home and the loan. It is provided at the loan closing.
- **Home Equity or Second Mortgage Documents** – These will consist of a Promissory Note, Deed of Trust and/or Home Equity Agreement. These documents contain the details of your second mortgage, if any.
- **Last Two Mortgage Statements**



Record information about your loan on the following worksheet (See next page for abbreviations)

Property Address:			
	First Mortgage	Second Mortgage	Where do I find this?*
Original Mortgage Lender			DOT
Original Loan Amount			TIL; P. Note
Monthly Payment			TIL; P. Note
Monthly Due Date			TIL; P. Note
Closing Date of the Loan			DOT; P. Note
Number of Payments			TIL; P. Note
Loan Type			
Loan Type (Circle One)	FHA / VA / Conventional / Rural Development	Home Equity Loan / Home Equity Line of Credit	HUD 1
Mortgage Insurance			HUD 1
Loan Terms			
Fixed Rate			TIL; P. Note
Adjustable Rate (ARM)			ARM Rider; P. Note
Initial Rate			ARM Rider;
Index			P. Note
Margin			ARM Rider;
Adjustment Date			P. Note
How often does the loan adjust?			ARM Rider;
Interest rate adjustment terms			P. Note
Payment adjustment terms			ARM Rider;
Interest only payments			
Information included on the monthly mortgage statement			
Servicer Name			
Servicer Contact Number			
Outstanding Balance			
Mortgage Insurance			
Homeowners Insurance			
Taxes Escrowed			
Insurance Escrowed			

Abbreviations:

DOT: Deed of Trust

TIL: Truth in Lending

P. Note: Promissory Note

HUD 1: Settlement Closing Statement

ARM: Adjustable Rate Mortgage

Extra Space for Notes:

Step 8: Find the Solution

There are a number of solutions for a homeowner facing financial difficulties.

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

Second, consult with your housing counselor or lender about the Making Home Affordable (MHA) program. MHA is a program created to help homeowners **refinance** or **modify** their mortgage payments to a level that will be affordable now as well as in the future.

You may be eligible for an **MHA Refinance** if:

- You are the owner occupant of a one to four unit property,
- The loan on your property is owned or securitized by Fannie Mae or Freddie Mac,
- At the time you apply, you are current on your mortgage payments (current means that you haven't been more than 30 days late on your mortgage payment in the last 12 months or, if you have had the loan for less than 12 months, you have never missed a payment),
- You believe that the amount you owe on your first mortgage is about the same or slightly less than the current value of your house,
- You have income sufficient to support the new mortgage payments, and
- The refinance improves the long term affordability or stability of your loan.

You may be eligible for an **MHA Modification** if you:

- Are an owner-occupant in a one to four unit property,
- Have an unpaid principal balance that is equal to or less than \$729,750 for one unit properties (there is a higher limit for two to four unit properties - consult your servicer),
- Have a loan that was originated on or before January 1, 2009,
- Have a mortgage payment (including taxes, insurance, and home owners association dues) that is more than 31% of your gross (pre-tax) monthly income, and
- Have a mortgage payment that is not affordable, perhaps because of a significant change in income or expenses.

Learn more about the Making Home Affordable program at www.MakingHomeAffordable.gov, where you can determine your eligibility and access additional resources, including a payment reduction estimator, information on locating a housing counselor, and contact information for lenders.

Third, examine your options if you are unable to keep your home.

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

Sell the property – This is the best option if you cannot afford the mortgage payment and if there is equity in the home (the value is more than the amount owed). Other considerations when deciding to sell the home include the condition of the home and how much time you have.

Assumption – If allowed by the loan documents and if you find another borrower willing and qualified to take over your mortgage, 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 their 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.

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



Beware of Scams

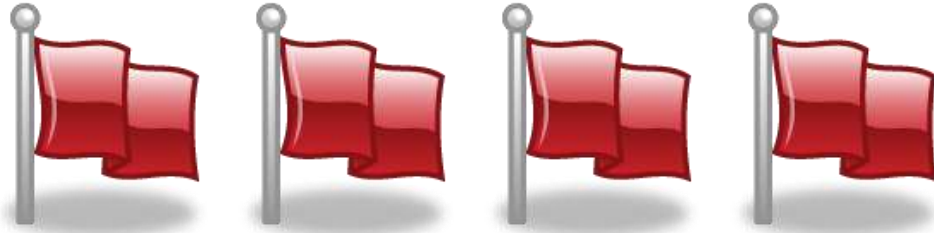


Don't be a Victim!

The possibility of losing your home to foreclosure can be terrifying. The reality that scam artists are preying on the vulnerability of desperate homeowners is equally frightening. Many so-called foreclosure “rescue” companies claim they can help you save your home, but in reality they rarely do. Unfortunately, foreclosure fraudsters take your money, can ruin your credit, and wipe out any equity you have in your home.

Your mortgage lender – or any HUD-approved housing counselor – can help you find real options to avoid foreclosure, and at no cost. If someone offers to negotiate with your lender and offers to arrange to stop or delay foreclosure for a fee, carefully check his or her credentials, reputation and experience.

Loan modification companies are similar to foreclosure “rescue” firms and are now being marketed aggressively to borrowers who might be experiencing a hardship. Loan modification offers can look legitimate and some even replicate government agency websites or use forged letterhead resembling your lender. **Anyone guaranteeing results or charging upfront fees to “save your home” should be suspect.** Call your lender directly using the phone number on your mortgage statement and seek free counseling help from a HUD-approved housing counselor.



Red Flags!

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

- **collects a fee in advance** of providing you with any services;
- **guarantees** to stop the foreclosure process or modify your loan– no matter what your circumstances;
- instructs you to **stop paying** your mortgage company and to pay them instead;
- tells you **not to contact** your lender, lawyer, or credit/housing counselor;
- offers to **make your loan more affordable** and help you avoid foreclosure;
- accepts **payment only by cashier's check or wire transfer**;
- **encourages you to lease your home** so you can buy it back over time;
- tells you to **transfer your property** deed or title to it;
- **offers to buy your house** for cash at a fixed price that is not set by the housing market at the time of sale;
- **offers to fill out paperwork** for you; or
- **pressures you** to sign paperwork you haven't had a chance to read thoroughly or that you don't understand.



How Scams Work

Foreclosure “rescue” firms and loan modification companies are plentiful these days. Their goal is to make a quick profit. Not only will they use half truths and outright lies to sell services that promise relief, but they will fail to deliver those services.

Potential victims are easy to find. Foreclosure “rescue” professionals use a variety of tactics to find homeowners in distress from foreclosure postings in the newspaper and on the Internet or through public files at local government offices. Other approaches include ads on the Internet, television, and newspaper and posters on telephone poles and bus stops. They also send out personalized letters to the homeowners and post signs in the neighborhood.

The scam artists use simple and straight-forward messages, like:

- “Stop Foreclosure Now!”
- “We Guarantee to Stop Your Foreclosure”
- “Keep Your Home. We know your home is scheduled to be sold. No Problem!”
- “We have special relationships with many banks that can speed up case approvals”
- “We Can Save Your Home. Guaranteed. Free Consultation”
- “We stop foreclosures every day. Our team of professionals can stop yours this week!”

In reality, they cannot deliver or guarantee that you will be helped, and should be avoided. They encourage the homeowner to stop working with their lender and housing counseling agency and tell them they will take care of everything.

If you suspect a scam, please report the scam to the Texas Attorney General’s Office Consumer Protection Hotline at 1-800-621-0508 or online to Loan Scam Alert at www.loanscamalert.org.



Common Foreclosure Rescue Scams

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.

Lease or Buy-Back – Homeowners are deceived into signing over the deed to their home to a scam artist who tells them they will be able to remain in the house as a renter and eventually buy it back. Usually, the terms of this scheme are so demanding that the buy-back becomes impossible, the homeowner gets evicted and the “rescuer” walks off with most or all of the equity.

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.

Refinance Fraud – Beware of people posing as mortgage brokers or lenders and offering to refinance your loan so you can afford the payments. Con artists may trick you into signing over the ownership of your home by saying that you are signing documents for a new loan.

Bankruptcy Foreclosure – There are several scams attempting to abuse the bankruptcy laws. The bankruptcy process can be complicated and expensive and the results can have a negative effect on your credit for years to come. For example, the “rescuer” may promise to negotiate with the lender or get a refinancing on your behalf for an upfront fee. Instead, the scam artist takes the fee and files a bankruptcy case in your name—sometimes 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.

A company contacts you and claims to offer "government-approved" or "official government" loan modifications. They may be scam artists posing as legitimate organizations approved by, or affiliated with, the government. Contact your mortgage lender first. Your lender can tell you whether you qualify for any government programs to prevent foreclosure. And, once again remember, you do not have to pay to benefit from government-backed loan modification programs.

New fraudulent scams are continuously developing. Always call a non-profit, HUD-approved housing counseling agency or your servicer if you suspect an offer is too good or if you are asked to pay a fee for foreclosure prevention services.



How to Protect Yourself from Scams

- **DON'T** pay money to people who promise to work with your lender to modify your loan. Instead, see the "Finding a HUD-approved Housing Counselor" on page 11 of this guide for instructions on finding a HUD-approved counselor and to receive free help.
- **DO** call your lender yourself. Your lender wants to hear from you and will likely be more willing to work with you than a foreclosure consultant.
- **DON'T** transfer or 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 price.
- **DON'T** pay your mortgage payments to someone other than your lender or loan servicer, even if he/she promises to pass the payment on.
- **DON'T** sign any documents without reading and understanding them first. Also, don't sign contracts or documents that have blank spaces. Many homeowners think they are signing documents for a new loan to pay off their mortgage and they discover they have actually transferred ownership to the "rescuer."
- **DO** consult an attorney, financial advisor or knowledgeable family member before signing any "rescue documents."
- **DO** contact a HUD-approved housing counselor who may be able to help you at no charge. For a referral to a housing counselor near you, call HUD at 1-800-569-4287.
- **If it sounds too good to be true, it probably is.** Trust your instincts and seek help. Reporting suspicious schemes helps prevent others from becoming victims. **If you suspect a scam, please report the scam to the Texas Attorney General's Office Consumer Protection Hotline at 1-800-621-0508 or online to Loan Scam Alert at www.loanscamalert.org**



Tools for the Homeowner



Contacting your Servicer

Don't know who your servicer is? Your servicer is the company you make your payments to.

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

Don't know how to reach your servicer? If your servicer is not on the statement or coupon book, you can:

- Search on the Internet. Visit www.hopenow.com to see if your servicer is listed,
- Check www.makinghomeaffordable.gov/contact_servicer.html to see if your servicer has signed a contract to participate in the Making Home Affordable program,
- Call 1-888-995-HOPE (4673),
- Check your local phone book,
- Search using the MERS (Mortgage Electronic Registration System) ServicerID web tool: <http://www.mersinc.org/> - MERS® ServicerID is a fast and free tool to identify the servicer of any loan registered on the MERS® System.



Legal Resources for the Public

Should you need legal assistance, the following are legal resources available to the public.

Lawyer Referral Information Service, if you do not qualify for legal aid, you can contact the Lawyer Referral information Service online here: [Lawyer Referral Information Service](#) or by phone at 1-800-252-9690. Through the Lawyer Referral Information Service, a person may have a thirty-minute consultation with an attorney for \$20. At the end of the consultation, the attorney and individual may discuss possible representation and price structure. Please understand that the Lawyer Referral Information Service is not a pro bono or reduced-fee program. Hours of operation: Monday through Friday 8 a.m. to 5 p.m. The call-in service is closed on legal holidays.

Legal Services and Other Advocacy in Texas For an on-line listing of legal service providers, click here: [Referral Directory for Low-Income Texans](#) or enter <http://www.texasatj.org/LegalServicesandOth10DA2/Referral%20Directory%202009%20FINAL.pdf>

Texas Access to Justice Commission: Call 1-800-204-2222, ext. 1855 or write to P.O. Box 12487, Austin, Texas 78711.

Texas Law Help is an online resource for free and low-cost civil legal assistance for those who cannot afford legal help. Learn about your rights, self-help resources, and legal aid. Information located at: www.TexasLawHelp.org.



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.

To file a complaint, contact:

Federal Reserve Consumer Help: <http://www.federalreserveconsumerhelp.gov/> or by phone: 1-888-851-1920; fax: 1-877-766-8533; e-mail: ConsumerHelp@FederalReserve.gov.

Federal Trade Commission, Division of Financial Practices: <http://www.ftc.gov/bcp/bcpfp.shtm>.

Texas Residential Mortgage Fraud Task Force: <http://www.oag.state.tx.us/consumer/index.shtml>.

Office of the Comptroller of the Currency - Complaints: Against 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://www.ncua.gov/Resources/ConsumerInformation/Complaints/index.aspx>.

Office of Thrift Supervision (OTS): for Federal Thrifts:
<http://www.ots.treas.gov/resultsort.cfm?catNumber=88&dl=17&edit=1>.

Federal Deposit Insurance Corporation (FDIC) for State Chartered Banks:
<http://www.fdic.gov/consumers/consumer/ccc/index.html>.

FAQ's



Q: Many people have told me that I cannot get help unless I have already missed a payment. Is that true?

A: No. Do not wait to call your servicer until after you have missed a payment. If you anticipate having trouble making your mortgage payment, call your servicer. The earlier you contact your servicer the more likely they will be able to help you stay in your home. **If the servicer tells you they cannot help you until you are delinquent, contact a HUD-approved housing counselor.**

Q: I received a call from someone who said they could help me save my home. They said that they are a foreclosure counselor. What should I do?

A: Before engaging them to help you, contact your local HUD office to find out if they are an approved housing counselor and can provide the qualified assistance you need. You can also find this information on www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm or by calling. **1-800-569-4287.** Never pay any money for foreclosure assistance upfront. **In fact, you should not have to pay any money for foreclosure assistance.** It is unlikely that a HUD-approved housing counselor will be reaching out to you first.

Q: Do I need to see a housing counselor before I contact my servicer?

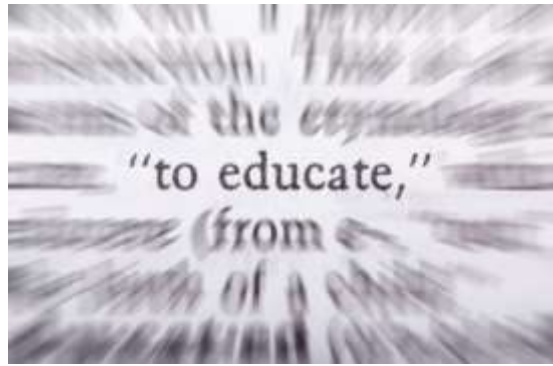
A: A housing counselor can help you prepare to speak with your servicer and, if you give them permission, can act on your behalf. However, if you are delinquent, you should contact your servicer immediately. At the same time, you can schedule an appointment with a housing counselor. It is likely that you will need the assistance of a housing counselor to create a budget for you and your family, as well as provide counsel regarding the management of other credit accounts.

Q: I am having a hard time writing my hardship letter and compiling my income and expenses. Should I wait to call my servicer or a housing counselor?

A: Even if you do not have your hardship letter completed and your financial information together, you should not wait to contact your servicer or housing counselor. **It's important to get the process started as soon as possible.**

Q: I haven't heard from my servicer or housing counselor for several weeks. Should I wait for their call or should I call them?

A: Stay in touch with your servicer and housing counselor. Check in with them at least every two weeks if they don't call you first or tell you otherwise. **Always keep written notes of your conversations with them.** Note the date, time, name of the person(s) you talk to, and details of the discussion.



Important Terminology

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.

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

Debt-to-Income Ratio – The percent of gross monthly income that is spent on the house payment plus all other debts.

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

Delinquency – A loan payment that is not paid on the due date, but within the period allowed before actual default is declared.

Equity – The difference between the amount(s) owed on your home and the value of the home.

Escrow Account – The account held by a lender for payments of taxes, insurance, or other periodic debts against real property. Part of the borrower's monthly payment goes into this account so funds will be available to pay the taxes, insurance and other impounded matters when due to avoid the need for the borrower to pay a lump sum payment.

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 is transferred to the financial institution. The institution will market and list for sale the property to recover the monies owed to them.

Grace Period – The length of time between the due date and the date when a late fee will be charged. It is rare to find a grace period in today's mortgage market.

Good Faith Estimate – A written estimate of costs and fees expected for a mortgage loan.

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

Investor – The entity that owns the loan. Often, your original lender will sell your loan to another entity after closing. Most likely, the investor is not the same as the servicer or the lender. The servicer must follow the investor’s guidelines for servicing the loan and resolving delinquencies.

Lender – The entity that gave you the mortgage loan. It may not be the same entity to whom you send your payments.

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%.

Mortgage Insurance (MI) – 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.

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.

Servicer – The entity to whom you send your monthly payments. The lender or investor 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, maintenance of payment records and balances and resolution of delinquencies.



About the Texas Foreclosure Prevention Task Force

Our Purpose

The Texas Foreclosure Prevention Task Force is a statewide network of individuals and organizations working collaboratively to avert home mortgage foreclosures and the impact of foreclosure on Texas families and communities.

We support at-risk homeowners with home mortgage foreclosure intervention assistance in the form of educational resources and connection with HUD-approved non-profit housing counseling services available throughout the State of Texas, while leveraging our collective fiscal, in-kind, and intellectual resources to support these trusted advisors and their organizations with capacity building resources such as funding, specialized training, marketing and customer outreach support.

Who We Are

Assembled in 2007 by NeighborWorks® America, we represent over 100 Local, State, Federal, Non-Profit, Private, Public, and Philanthropic organizations along with the Lending and Servicing communities, all working together to stem the tide of home mortgage foreclosures throughout the State of Texas.

Together We Are Making A Difference!

For more information about the Texas Foreclosure Prevention Task Force visit:

www.texasforeclosurehelp.org

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