

MORTGAGE MATTERS

Workshop by the Baltimore Homeownership Preservation Coalition


Sponsored by Baltimore Housing





What is Foreclosure?

Foreclosure occurs when property is sold to satisfy an unpaid debt. This could be a home mortgage, property taxes, past due water bill, mechanic liens, condo fees, home repairs or any other debt secured by property.



The Big Question:

Are you really going to lose your house if you've missed some mortgage payments?

WE HOPE NOT!

But you need to *be serious* in addressing the issue and the worst thing you can do is nothing.



Foreclosure Timeline

- Day 1 - the day your mortgage payment is due
- Day 2 - your mortgage is late, although it won't be reported to credit reporting agencies until after 30 days
- Day 45 - the mortgage company can send a Notice of Intent to Foreclosure, but has to wait an additional 45 days before they can file the foreclosure at the court house
- Day 91 - the mortgage company can file the foreclosure, which is called an Order to Docket, at the court house
- The mortgage company must personally serve you with the Order to Docket, but after 2 good faith attempts they can post the Notice on the property
- Day 136 is the earliest an auction can take place



What does foreclosure mean for you?

- It remains on your credit report for 7 years
- You will probably have a deficiency judgment due to the bank not getting the money they are owed at auction
- Because you have defaulted on an agreement you made with a mortgage company, it will be difficult to purchase another home as long as this is on your credit report.

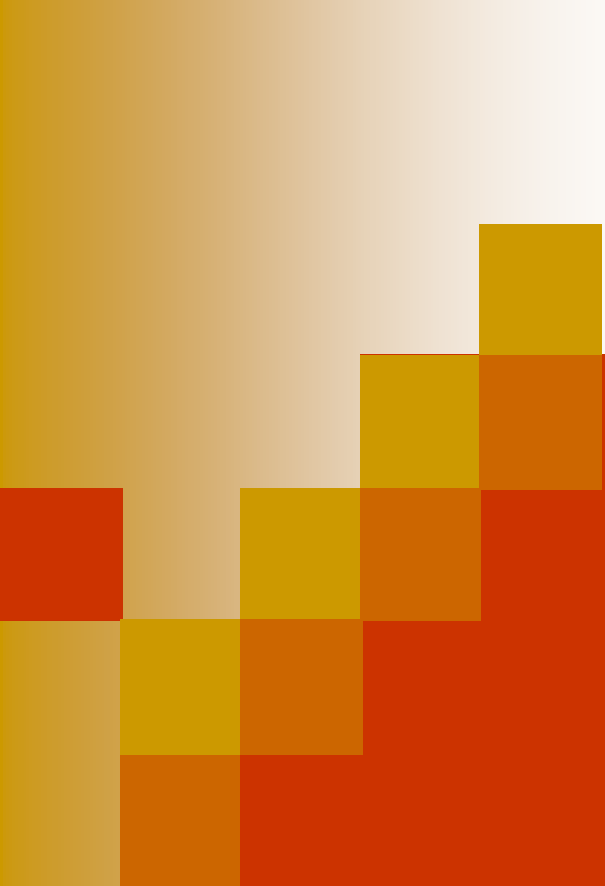
Who are the players?

- Originating Mortgage Company
 - Broker or loan officer at a bank who sold the loan and collected fees based on the service
- Servicer/Mortgage Company
 - The organization that collects your monthly mortgage payment and allocates the payments for property taxes and homeowners insurance as necessary
- Mortgage Insurance Company
 - Insures the MORTGAGE company, not the homeowner in case of default
- Investor
 - This is the entity that actually “owns” your mortgage
 - The mortgage company is restricted on what they can do to assist homeowners because of an agreement they made with the investor
 - All workout programs will have to be approved by the investor if the mortgage company does not already have models in place to ensure they only offer programs within the guidelines



What should you do if you expect a hardship or are experiencing one?

- The earlier you contact your mortgage company and a housing counselor, the better
- Create a budget and talk to your loved ones about options
- Set realistic goals and know that your future dreams can be realized with or without your home



Seek out a HUD
approved, non-profit
counselor through one of
the following web sites:

www.mdhope.org

OR

www.makinghomeaffordable.gov



What to do while you wait for a counselor to contact you:

Unfortunately due to the number of homeowners seeking assistance, a counselor may not be able to get back to you for a couple of weeks

- Think deeply about your wishes and abilities to remain in the home
- Gather proof of income, bank statements, tax returns for the last 2 years, documents from the settlement when you got the mortgage
- Write a hardship letter that explains your situation in detail
- Contact your mortgage company to let them know of your hardship



What to do while you wait for a counselor to contact you:

- Create a budget
 - Think about your fixed expenses vs. your flexible expenses
 - Secured debt holders may not be the ones calling you, but they are the most important creditors to pay. They can take something from you.
 - Unsecured debt holders will call you and send you mail, but these bills can be negotiated or put on hold during your crisis
 - Consider reducing expenses while you are in crisis and set realistic goals



Help Yourself: Look out for Scams!

Beware of For-Profit “Rescuers” or Counselors

- Be careful when signing documents
- It is illegal to charge an upfront fee in the state of Maryland for loss mitigation/foreclosure prevention assistance
 - To report this, you may call the Commissioner of Financial Regulation 888-784-0136
- Solicitations for Refinancing or “We Buy Houses”
- Bankruptcy Counselors
- Credit Repair Companies



A Housing Counselor Can...

- Review your budget with you in an effort to understand your situation and to help you set realistic goals
- Help you understand your mortgage and options available to reach a sustainable solution
- Assist you in communicating with your mortgage company



A Housing Counselor Cannot...

- Give you the money you need to pay your mortgage
- Decide what you “should” do
- Require your lender to change the terms of your loan
- Work with you if you are in an active bankruptcy
- Give legal or tax advice

What options are available to keep your home?

■ Repayment plan

- This pays your regular payment plus more to pay arrears off in a certain amount of time

■ Forbearance

- This term is used differently depending on the servicer, but it should mean a suspension of payments or lessened payments for a specific period of time
- Mortgage companies will use this term to describe repayment plans as well so be careful

■ Moratorium or Suspension

- These terms are also used and should mean that you do not make payments for a specific period of time

■ Loan Modification

- This should be a permanent change to your mortgage that **CAN** lower your rate, extend your term, reduce principal and/or lower your payments

What options do you have if you decide you can no longer afford your home?

■ **Short Sale**

- When you sell your house for less than what is owed. The bank will make arrangements to forgive the difference, or set payment arrangements.

■ **Deed in lieu**

- When the mortgage company takes the home back and forgives any deficiency that may come up as a result of an auction.

■ **Foreclosure**

- When the home is abandoned and the bank sells the home at auction

■ **Bankruptcy**

- There are 2 kinds of bankruptcy and it would benefit you to speak to an attorney about which one would best suit your needs. This can protect you against a deficiency judgment if the home goes into foreclosure and you can rebuild your credit over time.



Things to keep in mind...

■ **Short Sale and Deed in Lieu**

- This shows up on credit just as badly as a foreclosure and could have tax consequences if you have a refinance loan. Please contact a tax specialist before moving forward with this option to make sure you are completely informed

■ **Foreclosure**

- Remains on credit for 7 years and could cause a deficiency judgment that would require payment eventually

■ **Bankruptcy**

- Remains on credit for 7-10 years




DO NOT MAKE COMMITMENTS YOU CANNOT FULFILL!

Some of the programs can only be offered once so it's important that you chose the one that meets your needs!



Making Home Affordable Program (MHAP)

This is the modification/refinance program introduced by the Treasury Department in March 2009. It's important to note that mortgage companies are not required to participate.



Home Affordable Modification Program (HAMP)

- Under the MHAP, HAMP allows mortgage companies to lower a homeowner's monthly mortgage payment to 31% of their gross income
- In order to do this, mortgage companies can lower the interest rate to 2% and extend the term to 480 months (these are the limits, not what is required)
- They will review your budget to ensure affordability and they will need investor approval in order to move forward
- There are 3 trial period payments made for 3 months before it is finalized
- Both the mortgage company and homeowner can receive incentives for this program



Home Affordable Refinance Program

- The mortgage must be “owned” by Fannie Mae or Freddie Mac
- Homeowner must be current and no more than one late payment in the last 12 months
- This will lower your interest rate to the current market rate and will extend your terms to 360 months or 480 months
- There are incentives for this program as well for both the servicer and the homeowner



Non-Profit Housing Counseling Agencies

- **Belair-Edison Neighborhoods**
 - 410-485-8422
- **Druid Heights Community Development Corp.**
 - 410-523-1350
- **Neighborhood Housing Services of Baltimore**
410-327-1200
- **St. Ambrose Housing Aid Center**
 - 410-366-8550
- **Southeast Community Development Corp.**
 - 410-342-3234
 - *Spanish & English available*