



HOMEOWNER'S CHECKLIST FOR AVOIDING FORECLOSURE



You may not be having financial trouble now, but many people do have money problems at some point in their lives. The best way to avoid foreclosure is to make your mortgage the first bill that you pay each month. However, that is not always possible. The following pages provide general suggestions and ideas as to how you can prepare for and work through tough times. NOTE: This checklist is not comprehensive and is not intended to provide legal advice. If you need legal advice, you should speak with a lawyer.



Before Trouble Starts

Start a file, in a safe place, for records relating to your home.



- Purchase and sale agreement.
- Mortgage application.
- Closing documents.
- Property tax bills.
- Property insurance information.
- Letters you receive from and copy of letters you mail to the bank.



Use checks or money orders to pay bills.

- Do not send cash.
- Do not use credit cards.
- Keep a record of all payments (date paid and check number).
- Correct errors quickly.



Pay high priority bills first.

- Food
- Mortgage
- Utilities (heat, hot water, electricity, gas)
- Do not pay credit cards or other unsecured debts **before** the mortgage.



When Things Start to Feel Tight

Where is the money going?

- Create a budget that shows your current income and expenses.
- Review every item on your budget.
- Prepare a revised, realistic budget that you can live with until your circumstances improve.



Increase your income.

- Collect federal and state benefits if you are eligible.
- Claim the earned income tax credit if you are eligible.
- Stop *all* voluntary deductions being taken out of your paycheck.
- Take in a boarder.
- Consider selling unnecessary property to raise money.





Reduce your expenses.

- Review every expense for potential savings—reduce or eliminate unnecessary expenses.
- Pay only for the type of telephone services you need.
- Cancel cell telephone service temporarily.
- Cancel cable television service temporarily.
- Cancel internet service temporarily
- Identify ways to conserve on energy and other utilities.
- Participate in a home weatherization program
- Review your homeowner’s and auto insurance policies and shop around.
 - Claim the owner occupant property tax exemption and others for which you are eligible.



Other Considerations

- Contact your mortgage servicer at the first sign of trouble.
- Ask your utility company for budget billing so you can pay the same amount each month.
- If you are behind on your utility bills, start an affordable repayment plan.



After Falling Behind

Identify the problem.

- What caused your current situation (job loss, illness, divorce, decreased income)?
- How long do you expect your difficulty to last?
- What specific type of help do you need?
- How much can you afford to pay toward your mortgage?



Communicate.

- Speak with your bank’s delinquent loan or loss mitigation specialist.
- Explain your situation.
- Ask for a mortgage workout package.
- Keep a telephone log that shows the date and time of your call, who you spoke to, the person’s telephone number, and what was said.
- Follow up your telephone call with a letter and keep a copy for yourself.
- Send all letters by certified mail and keep the receipt.



Pay what you can and save the rest.

- Send the bank as much of the mortgage payment as possible.
- If the bank returns your payment, save the money and **do not spend** it on other bills.



Know your options.

- There are many ways the bank can help you if you fall behind on your mortgage. Which one you choose/need and what the bank allows will depend on your individual situation.
 - ✓ *Reinstatement:* You give the bank all of the back payments you owe and start making your regular monthly payment. With a partial reinstatement, you pay at least one-half of the back payments first and agree to a repayment plan for the rest of what you owe.
 - ✓ *Repayment Plan:* You make the regular mortgage payment plus an additional amount toward the back payments until you are caught up (usually no longer than





12 months). If the bank sets up a repayment plan for you, make sure it is reasonable. **Do not agree to a plan that will not work for you.**



✓ *Forbearance:* The bank agrees for a limited period of time it will accept a lower monthly payment or no monthly payment. At the end of the *forbearance agreement*, you must bring the account current.



✓ *Modification:* The bank agrees to change one or more terms of the mortgage. Possible changes include: reducing the interest rate, extending the term of the mortgage, and adding the arrears to the unpaid principal balance of your loan.



✓ *Short Sale:* The bank may let you sell the home even if you owe more than the property is worth and agree to accept the lesser amount as payment in full. You must have a buyer and a signed purchase and sale agreement. Anyone else who has a lien on the property and the private mortgage insurer, if there is one, must also agree to the short sale.



✓ *Refinance:* You take out a new mortgage to pay off the old mortgage. Sometimes it makes sense to refinance. You should contact a legitimate lender and proceed carefully. Beware of large fees and high interest rates.



✓ *Deed In Lieu:* You cannot afford to keep the home and you give the house back to the bank. **DO NOT** ask for a *deed in lieu* when you have equity in the property or when a short sale is possible. The bank will not accept a *deed in lieu* if there are other mortgages or liens on the property.



Documentation for a workout (requirement may vary from bank to bank)



- Signed and dated letter that **briefly** explains what happened.
- Documentation of your hardship (doctor’s letters, etc.)
- One-month worth of pay stubs or other proof of income.
- Two most recent signed federal tax returns and W2s (3 years if self-employed)
- An accurate budget showing all of your monthly income and expenses.
- A list of your assets (cars, bank accounts, etc.)
- A list of your liabilities (mortgages, loans, liens, other outstanding debts).
- This package must be complete before the bank will review it.
- Keep copies for your file.



Other Things to Know



Talk to a lawyer or counselor experienced in default and delinquency counseling

- If you cannot reach a solution with your bank.
- If you disagree with the amount, the bank says you owe.
- If you wish to consider filing bankruptcy.



Foreclosure moves very quickly.

- Keep track of deadlines.
- Do not wait until the last minute to get help.
- Your rights will cut off once the foreclosure sale takes place.



Foreclosures are public.

- Foreclosure notices appear in newspapers and court records.
- Some people may try to take advantage of you by offering a “quick fix.”





- Carefully review offers to refinance or consolidate your credit card debts with your mortgage as this may make matters worse.
- Avoid “deals” with high interest rates and large fees.
- Do not agree to sell your home to someone who claims he/she will lease it back to you.
- Talk to a lawyer or counselor **before you sign anything**.



Where to go for help.



- Your local non-profit housing organization.
- Your mortgage company.
- The U. S. Department of Housing and Urban Development (HUD).



Helpful Web Sites.



National Association of Consumer Advocates: www.naca.net



Provides a listing of consumer attorney members throughout the country, divided by practice area. Also includes updated information on hot consumer topics and other events.



AARP: www.aarp.org

Provides information about elder-related issues, including many consumer issues such as reverse mortgages and predatory lending.



American Bankruptcy Institute: www.abiworld.org



This web site provides bankruptcy information for consumers and lawyers.



Better Business Bureau: www.bbb.org

You can check on a businesses’ complaint record or file a complaint on-line.





Maryland Foreclosure Timeline

Times given in this chart are minimums. How quickly the process occurs depends on the lender and its attorney. Normally, the process takes longer than the minimum time.



	Lender sends acceleration letter to Borrower. Lender then sends loan to an attorney to begin the foreclosure process.
DAY 1	Lender files a petition to foreclose. Within two days, Lender must send Borrower notice of this filing.
DAY 2	Advertisement for the auction sale may begin immediately. Te ad must run in the newspaper once a week for at lease three weeks in a row before sale date.
DAY 10 - 30	Notice of sale date sent to Borrower not less than 10 days nor more than 30 days before the auction.
DAY 15	This day is the earliest the house can be sold at an auction. Typically, it takes longer.
	The Court is notified of the sale of the property. The Count orders a date by which exceptions to the sale must be filed.
DAY 54	Property is sold and title transferred to the purchaser. The Court is notified and its auditor reviews the notice. If no exceptions are filed, the Court issues a final order of ratification.
DAY 55	The purchaser may file in the Court for possession of the property. The Borrower (former owner) has 15 days to respond.
DAY 76	Court grants possession of the property to the new owner and allows the eviction of the Borrower (former owner).
DAY 106	Eviction occurs, if the Borrower (former owner) is still in the property.
	If the auction sale price does not cover the outstanding balance due on the loan, plus all fees and costs of the foreclosure and sale, the Lender has up to three years to file for a deficiency judgment against the Borrower (former owner).



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