



## Washington Foreclosure Prevention Resource Guide

*A TOOL TO EDUCATE HOMEOWNERS ABOUT THE FORECLOSURE PROCESS*

Seattle-King County Asset Building Collaborative  
Foreclosure Prevention Action Team

September 2010





**Rob McKenna**  
**ATTORNEY GENERAL OF WASHINGTON**

Greetings Washington Homeowner,

The national foreclosure crisis continues to have a devastating effect on communities across Washington, with thousands of families in our state facing the possibility of losing their homes. As the Attorney General of Washington, I am very concerned that many homeowners are not receiving the help they need for navigating this complex process, or even fully understand their options when facing potential foreclosure.

That's why I am very pleased to introduce this Washington Foreclosure Prevention Resource Guide, which is designed to provide practical tools, information and resources to help homeowners dealing with foreclosure issues. This guide was created by the Seattle-King County Asset Building Collaborative Foreclosure Prevention Action Team to provide homeowners statewide with a one-stop resource for consistent and uniform information.

It is our hope that this guide will help you prepare to work effectively with your lender by providing a comprehensive view of your options, community resources, information about the foreclosure process in Washington state, how to obtain a reputable housing counselor and how to avoid foreclosure rescue scams. Most importantly, we hope this guide helps give you the confidence to seek assistance as soon as possible.

Inside this guide you will find a range of resources and information to help you better understand mortgage delinquency issues and loan terminology, assess your financial situation and determine the most appropriate course of action for your situation.

Foreclosures continue to rise across the nation and, particularly here in our state, more homeowners than ever before are facing the fear and uncertainty of potentially losing their homes. We urge all homeowners who find themselves in this difficult and complex situation to use this guide for information and guidance as you prepare to take action. I believe you will find it very useful in tackling mortgage delinquency issues and making informed decisions about your home and your future.

Sincerely,

*Rob McKenna*



ROB MCKENNA  
Washington State Attorney General



## Washington State Department of Financial Institutions

P.O. Box 41200 Olympia, WA 98504-1200

1.877.RING.DFI • [www.dfi.wa.gov](http://www.dfi.wa.gov)

[www.homeownership.wa.gov](http://www.homeownership.wa.gov)

August 2010

Dear Washington State Homeowners,

The Washington State Department of Financial Institutions understands how important it is for you to get accurate information and access to resources and assistance as you work to keep your home.

As a state regulatory agency, we know too well the number of fraudulent companies and individuals who prey on Washington homeowners, particularly those in desperate situations trying to avoid losing their homes.

We hope this resource guide will help provide the tools and assistance you need to help you take the necessary steps to keep your home or minimize the financial and emotional impact if you must, indeed, surrender your home. As you use this guide through the many steps needed to avoid foreclosure, we urge you to make sure the people and organizations you work with are licensed professionals working to help you, not take advantage of you. Verify a license by visiting [www.dfi.wa.gov](http://www.dfi.wa.gov), click on "Verify A License" and enter the applicable information. If there's no licensing information available, call DFI immediately.

Washington State has many HUD-approved counseling agencies working to help homeowners understand the many local, county, state and federal programs available. Find a counselor near you at [www.homeownership.wa.gov](http://www.homeownership.wa.gov). These counselors also are working to help you avoid becoming a victim of fraud as you work through these difficult times.

If you feel you have been a victim of discriminatory or fraudulent mortgage, loan modification or foreclosure relief practices – please contact the WA DFI immediately at 1-877-RING-DFI (764-4334) or [www.dfi.wa.gov](http://www.dfi.wa.gov) to file a complaint. Our investigative teams are here to put an end to the fraudulent practices victimizing Washington residents.

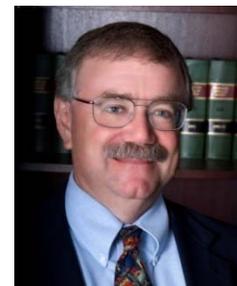
Additionally, members of the Washington Bar Association are volunteering their time and expertise to assist homeowners discriminated against or victimized by fraud as part of the Washington Home Foreclosure Legal Aid Project. Call 1-877-894-HOME (4663) or visit [www.mywsba.org](http://www.mywsba.org) and click on the Washington Homeowner Foreclosure Legal Aid Project link.

We sincerely hope the resources in this guide will help you avoid becoming a victim of fraud as you work to keep your home.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott Jarvis', with a long horizontal flourish extending to the right.

Scott Jarvis, Director  
Washington State Department of Financial Institutions



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# Warning Signs of Foreclosure

(Adapted from Freddie Mac)

## What are the warning signs of foreclosure?

### Warning signs due to life changes:

Unexpected life changes often contribute to home foreclosures – especially changes that affect finances, such as:

- Loss of employment or reduction of hours
- Major illness or injury
- Divorce or separation
- Death of a spouse



It is difficult to think about foreclosure during times of crisis when you are focused on an unexpected problem or situation. The best way to protect yourself from foreclosure risks due to unexpected life changes is by developing a plan before problems arise.

If you have a "Plan B" in place, you won't have to organize your finances while you are stressed about finding a job or dealing with a major illness. You will already have a plan – you just need to follow it.

### Financial Warning Signs:

There may not be a major life change to signal potential trouble – you simply may be having a difficult time properly managing your finances. Don't be fooled into thinking your credit card problems won't affect your mortgage. It is important to realize that financial difficulties in one area can, and often do, spill over into other areas. These difficulties may potentially result in financial problems that could lead to your home being foreclosed if you do not act quickly. Such difficulties include:

- Mortgage payment changes (changes in interest rate, property taxes, homeowner insurance, and/or other mortgage loan changes, etc.)
- Maxing out credit cards
- Using credit to pay for day-to-day expenses, such as groceries, utilities, etc.
- Being unable to pay your bills on time
- Paying only the minimum amount on credit cards
- Applying for new credit cards after maxing out existing ones
- Having to choose which bills and/or living expenses to pay first

Talk to a housing counselor immediately if you see these signs. You may be able to get your finances back on track before foreclosure becomes a reality.

Call the Washington Homeownership Center at 1-877-894-HOME (4663) to be connected with a HUD-approved housing counseling agency near you. **This service is FREE!**

## IMPORTANT TERMINOLOGY

Throughout this workbook, you may see words that you have often heard but are unclear about their definitions. Below are a few definitions that are important to know as you go through this guide. A more detailed glossary is included in the *Tools for the Homeowner* section.

**HUD-Approved Non-profit Housing Counseling Agency** – The U.S. Department of Housing and Urban Development (HUD) sponsors housing counseling agencies to provide free or low cost advice on buying a home, renting, default, foreclosure avoidance, credit issues, and reverse mortgages. These organizations have extensive experience in counseling low and moderate-income families.

**HUD-Approved Non-profit Housing Counseling Agency Counselor** – HUD approves housing counseling agencies rather than individual counselors. Housing counselors are required to have at least six months of experience. HUD encourages the agencies to have their counselors obtain education and additional skills for their housing counseling programs.

**Lender** – The entity that gave you the mortgage loan. Your lender may be different than the entity to which you send your mortgage payments.

**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. Sometimes referred to as 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, the payment of insurance and real estate taxes, and the maintenance of payment records and balances. Servicing also includes working with the borrower to resolve delinquencies.

**Investor** – The entity that owns the loan. Lenders often sell mortgage loans to other entities after closing. Consequently, the investor is often different than the servicer or the lender. The servicer must follow the investor's guidelines for servicing the loan.

**Delinquency** – Borrower's failure to make mortgage payments on time.

**Default** – Borrower's failure to make the loan payments as agreed in the promissory note or the workout plan.

**Foreclosure** - The legal process by which an owner's right to a property is terminated when a lender or lienholder takes possession of the property, usually because of the owner's default. Foreclosure can also occur if a homeowner fails to pay property taxes. At a foreclosure auction, the mortgage lender, through a company called a trustee, sells the property that secures a loan on which a borrower has defaulted. Ownership of the property is then transferred to the financial institution or purchaser of the property at the foreclosure auction. The institution then markets and lists the property for sale to recover the balance owed to it.

**Borrower 'Workout'** – Process where a servicer and a borrower develop a mutually acceptable agreement to resolve a loan default and avoid foreclosure.

**Auction** – An auction is a public sale in which the foreclosed property is sold to the highest bidder in order for the lender to recover some or all of the outstanding debt.

## Topic 1:

# Understanding Mortgage Delinquency

- Are You Falling Behind on your Mortgage Payments?
- Delinquency Cycle of a Mortgage Loan
- Role of the HUD-Approved Housing Counseling Agency
- Finding a Housing Counselor



## ARE YOU FALLING BEHIND ON YOUR MORTGAGE PAYMENTS?

Today's economic environment is very stressful. Many Washington residents 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
- Sudden disability
- Other life-changing events

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

If you are facing mortgage challenges and are at risk of default, it is important to:

- **Understand** the delinquency cycle of a mortgage and when foreclosure can occur
- **Contact** your servicer as soon as possible to discuss your situation
- **Contact** the Washington Homeownership Center at 1-877-894-HOME (4663)
- **Seek** the advice of a HUD-approved housing counseling agency (see *Finding a Housing Counselor* on page 14 for contact information.)

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

***Do not wait until you have missed a payment!***

# Delinquency Cycle of a Mortgage Loan

In Washington, virtually all home loans made by banks are secured by deeds of trust. Although a mortgage differs in some respects from a deed of trust, deeds of trust are commonly referred to as mortgages.

An important difference in Washington between deeds of trust and mortgages is that deeds of trust can be foreclosed without the bank having to start a lawsuit and take the homeowner to court. In other words, deeds of trust can be foreclosed nonjudicially. The nonjudicial foreclosure process takes at least 190 days after the date of the borrower's first default until the day of the foreclosure. A detailed foreclosure timeline appears below.

In Washington, almost all deeds of trust are foreclosed nonjudicially which means that most homeowners in Washington won't get their "day in court." This has one important benefit for borrowers: *after a nonjudicial deed of trust foreclosure, the foreclosing bank cannot go after the former homeowner for a deficiency judgment.* In other words, even if the house sells at foreclosure for less than the bank is owed, the balance of the debt is forgiven. However, if there are two deeds of trust on a house, and the first deed of trust is foreclosed, the borrower's liability on the loan secured by the second deed of trust is not extinguished.

## DEED OF TRUST FORECLOSURE TIMELINE (RCW 61.24)



[ ← At least 190 days between Point 2 and Point 9 → ]

**(1) Deed of Trust must be executed and acknowledged.** Deeds of Trust are subject to all laws relating to mortgages on real property. *RCW 61.12.010 and .020, 61.24.020, 64.04.010 and .020.*

**(2) Default.** The borrower is in default the first day after the payment was due. The foreclosure of a deed of trust cannot occur less than 190 days after the date of default. *See Subsection (8) of the form for the Notice of Foreclosure as set forth in RCW 61.24.040(2).*

**(3) Notice of Default.** A Notice of Default must be given at least 30 days before the Notice of Trustee's Sale can be recorded or served. *RCW 61.24.030(7).* A new section of RCW 61.24, effective as of July 26, 2009, applies to deeds of trust made from January 1, 2003 through December 31, 2007, that are recorded against owner-occupied, residential property. For these deeds of trust, a notice of default may not be issued until 30 days after the beneficiary: 1) attempts to assess the borrower's financial ability to pay the debt; and 2) explores options for the borrower to avoid foreclosure. *See, Engrossed Senate Bill 5810 (Chapter 292, Laws of 2009).*

**(4) Recording of Notice of Trustee's Sale.** At least 90 days before the foreclosure sale, the trustee (not the beneficiary) must record, mail, and serve or post the Notice of Trustee's Sale. *RCW 61.24.040(1)*. (This is the first notice related to the foreclosure that is a public record.) The trustee must provide the borrower and the grantor with a Notice of Sale. The grantor must also be provided a Notice of Foreclosure. *RCW 61.24.040*. The trustee doing the foreclosure is often a successor trustee. Accordingly, before the Notice of Trustee's Sale is recorded, a Resignation and Appointment of Successor Trustee should be recorded.

**(5) First Publication.** The Notice of Trustee's Sale must be published twice. The first publication must be on or between the 35<sup>th</sup> and 28<sup>th</sup> day before the date of sale. *RCW 61.24.040(3)*.

**(6) Opportunity to Cure Default.** On any day prior to the 11<sup>th</sup> day before the sale, the borrower may cure the defaults and cause a discontinuance of the sale. *RCW 61.24.090(1)*. (Within 11 days before the sale date, the beneficiary has the right to demand payment in full.)

**(7) Second Publication.** The second publication of the Notice of Trustee's Sale must be published on or between the 14<sup>th</sup> and 7<sup>th</sup> day before the date of sale. *RCW 61.24.040(3)*.

**(8) Deadline for Motion to Restrain Sale.** *RCW 61.24.130(2)* provides that no court may grant a restraining order or injunction of the sale unless the person seeking the restraint gives 5 days notice. *RCW 61.24.130(2)*. Also, if the property owner files a bankruptcy petition at anytime prior to the sale, the sale is automatically stayed pursuant to 11 U.S.C. § 362.

**(9) Foreclosure Sale.** The sale must occur on a Friday. If Friday is a legal holiday, on the following Monday. *RCW 61.24.040(5)*.

**(10) Repossession of the Property from Former Owner.** The purchaser at the Trustee's Sale is entitled to take possession of the property on the 20<sup>th</sup> day after the sale. *RCW 61.24.060*.

**(11) Repossession of Property from Tenant.** For a renter whose home is sold at a foreclosure sale after May 20, 2009, a new federal law, The Protecting Tenants at Foreclosure Act of 2009, requires the new owner to notify the tenant at least 90 days before evicting them. Additionally, a new Washington State law, effective July 26, 2009, requires the foreclosing party (the bank or trustee that is foreclosing on the home) to send a written notice to the tenant before the home is sold at foreclosure. This written notice warns the tenant that the home might be sold 90 days or more after the date of the notice. It must also tell the tenant that the new owner who buys the home at foreclosure is required to provide the tenant with at least 60 days notice before evicting the tenant. These are two distinct notice periods: the 90 day foreclosure notice tells the tenant when the home may be sold at foreclosure while the 60 day eviction notice period may not begin until after the home is sold. After a tenant receives notification of his or her right to a 60-day notice to vacate under the law, new owners are still required to provide the tenant with a 90-day notice prior to eviction, because of the federal law. *For more information, see the Tenants' Rights section.*

**(12) Continuance of Sale.** At any time prior to the foreclosure sale, the sale can be continued by the trustee for up to 120 days. *RCW 61.24.040(6)*.

### ***What happens if I do not make my payment on 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, it is delinquent. Most loans have a **Grace Period**, which is the length of time between the due date and the date when late fees begin to accrue. The promissory note contains the due date.

### ***What happens after that?***

The **Collections Department** may start contacting you between the **16<sup>th</sup>** and the **30<sup>th</sup>** of the month if the payment is still due.

### ***What is the Collections Department?***

The Collections Department is a division of the loan servicer that is responsible for obtaining and applying payments due on mortgage loans. The Collections Department will contact you to collect past due payments.

**CALL YOUR MORTGAGE LENDER/SERVICER IF YOU KNOW YOU'LL BE LATE AND ALWAYS RETURN THEIR CALLS!**

If the Collections Department has not been able to collect payments or make an acceptable arrangement with you, your account may be referred to the Loss Mitigation Department, also sometimes called the Home Preservation or the Work-Out Department.

### ***What is Loss Mitigation?***

- This 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 from your lender/servicer requesting that you call them. **ALWAYS OPEN ANY LETTERS FROM YOUR LENDER/SERVICER. ALWAYS ANSWER and RETURN THEIR CALLS!** This is the period where you may have other options available to you.
- The servicer/ lender will make several attempts to contact you.

### ***What happens after I am 60 days late?***

On the **61<sup>st</sup>** day, the loan payment is two months past due, and if the collections department has not been able to collect or make acceptable payment arrangements with you, your account will be turned over to the loss mitigation department.

NOTE: Servicers/ lenders may send someone to physically inspect the property to verify that the borrower has not abandoned the property (sometimes between 45-60 days). This is a normal process. Do not be alarmed.

### ***What happens after I am 90 days late?***

In Washington, on the 91<sup>st</sup> day, a third party trustee takes over your delinquent account. The trustee will send a "Notice of Trustee's Sale" stating that the property will be sold 90 days from the date the notice was filed and recorded. A notice will be published in a local newspaper once a week for 4 weeks.

### ***What happens after the Notice of Trustee's Sale is filed and recorded?***

- The servicer/lender will not send any more letters. It is now completely up to you to contact your servicer or lender directly or through a housing counseling agency as soon as possible.

- Unless you act quickly, your house will be sold at auction on the date in the notice.

NOTE: The details of the process may vary depending on your mortgage servicer.

The trustee sends a “Notice of Trustee’s Sale,” setting a sale date no sooner than 91 days after the notice is recorded. The trustee must send a copy of this notice by certified mail within 5 days after recording. No further notice is required. However, in addition to mailing the Notice of Trustee’s Sale, the trustee must post the Notice of Trustee’s Sale on the home and post it at the Superior Court at least 20 days prior to sale (this could be right after the Notice of Trustee’s Sale is filed). The trustee must also publish the Notice of Trustee’s Sale in a newspaper for 4 consecutive weeks with the last date of publication not less than 10 days prior to sale.



If you receive a Notice of Default/Auction Letter, contact your servicer immediately to determine whether you qualify for solutions to prevent foreclosure. Additionally, HUD-approved housing counseling agencies can assist you with *free* foreclosure prevention counseling.

**BEWARE OF COMPANIES THAT CHARGE FEES TO HELP YOU PREVENT FORECLOSURE.  
SEVERAL OF THESE COMPANIES' PRACTICES ARE UNDER INVESTIGATION AS SCAMS.**

## ROLE OF THE HOUSING COUNSELOR



If you are facing mortgage delinquency, a HUD-approved housing counseling agency counselor can work with you to find the solution that best fits your situation. He or she will require very specific information from you as the homeowner. The more information you provide the housing counselor, the better he or she can assess your situation, needs, and expectations.

The counselor will help you assess your financial situation, lay out your options, and help you negotiate with your servicer. The counselor is 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. In addition, the counselor can call the servicer with you or on your behalf to discuss a workout plan.

You can protect yourself from future credit problems by meeting with a housing counseling agency before your mortgage payments fall too far behind!

The Housing Counselor will help you establish a monthly budget plan to ensure you can meet all of your monthly expenses, including your mortgage payments. Your personal financial plan will show how much money you have available to make the mortgage payments. This analysis will help you and the servicer determine whether a reduced or delayed payment schedule will benefit you. In addition, a counselor will have information on services, resources, and programs available in your local area that may provide you with additional financial or legal assistance.

The services of a HUD-approved housing counseling agency are provided at no cost to the homeowner. Do not pay any upfront fees, and if the counselor asks for payment, contact the Washington Homeownership Information Hotline at 1-877-894-HOME to see if he or she is a reputable counselor. (See the *Beware of Scams* section in this workbook for additional information).

The housing counselor will need to speak with your servicer to obtain information about your loan such as loan balances, any arrearages, and current payment amounts. Your servicer must receive written permission from you before speaking with the housing counselor about your loan. 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.

# RELEASE OF AUTHORIZATION LETTER

- Sample -

*This letter advises your mortgage lender/servicer that a HUD-approved housing counseling agency will be representing you. The agency's counselor will provide their version of this form. This sample is included for information purposes only.*

Date

Servicer Name  
Servicer Street Address  
Servicer City, State, Zip

Re: Loan Number

Dear Loss Mitigation Manager:

We the undersigned, hereby authorize \_\_\_\_\_ (HUD-Approved Non-profit Housing Counseling Agency) to act on our behalf in all manners relating to our mortgage loan in the original amount of \$\_\_\_\_\_ for the property located at \_\_\_\_\_ (include the complete street address, city, state and zip code), including the signing of all documents relating to this matter.

Any and all acts carried out by \_\_\_\_\_ (HUD-Approved Non-profit Housing Counseling Agency) on our behalf shall have the same affect as acts of our own.

This authorization is valid until further written notice.

Sincerely,

**Sign only after you have verified that  
the counselor is legitimate.**

Borrower name(s)

Borrower phone number(s)

## FINDING A HOUSING COUNSELING AGENCY

The organizations listed below can provide you with individual counseling on foreclosure prevention. For the most current list of housing counselors, go to [www.hud.gov](http://www.hud.gov) or [www.dfi.wa.gov/consumers/homeownership/](http://www.dfi.wa.gov/consumers/homeownership/).

Agency Name	Contact Information	Address
AMERICAN FINANCIAL SOLUTIONS	<b>Phone:</b> 888-864-8699 <b>Toll-free:</b> 888-864-8699 <b>Fax:</b> 888-282-5495 <b>Website:</b> www.myfinancialgoals.org	263 4th St Bremerton, Washington 98337
APPRISEN FINANCIAL ADVOCATES	<b>Toll-free:</b> 1-800-355-2227 <b>Fax:</b> (425) 451-7921 <b>Website:</b> www.apprisen.com	12505 Bel Red Road Suite 109 Bellevue, WA 98005
APPRISEN FINANCIAL ADVOCATES	<b>Toll-free:</b> 1-800-355-2227 <b>Fax:</b> (509) 765-6970 <b>Website:</b> www.apprisen.com	821 West Broadway Street Broadway Building, Suite 108 Moses Lake, WA 98837
APPRISEN FINANCIAL ADVOCATES	<b>Toll-free:</b> 1-800-355-2227 <b>Fax:</b> (360) 570-861 <b>Website:</b> www.apprisen.com	2102-A Carriage Drive Suite 102 Olympia , WA 98502
APPRISEN FINANCIAL ADVOCATES	<b>Toll-free:</b> 1-800-355-2227 <b>Fax:</b> (253) 566-4307 <b>Website:</b> www.apprisen.com	3560 Bridgeport Way W Suite 1-D University Place, WA 98466
APPRISEN FINANCIAL ADVOCATES *This office is reverse mortgage counseling only	<b>Toll-free:</b> 1-800-355-2227 <b>Fax:</b> (360) 828-0121 <b>Website:</b> www.apprisen.com	237 NE Chkalov Dr Suite 106 Vancouver, WA 98684
APPRISEN FINANCIAL ADVOCATES	<b>Toll-free:</b> 1-800-355-2227 <b>Fax:</b> (360) 828-0128 <b>Website:</b> www.apprisen.com	237 NE Chkalov Dr Suite 125 Vancouver, WA 98684
APPRISEN FINANCIAL ADVOCATES	<b>Toll-free:</b> 1-800-355-2227 <b>Fax:</b> (509) 665-7457 <b>Website:</b> www.apprisen.com	230 Methow Street Wenatchee, WA 98801
APPRISEN FINANCIAL ADVOCATES	<b>Toll-free:</b> 1-800-355-2227 <b>Fax:</b> (509) 248-5276 <b>Website:</b> www.apprisen.com	1115 West Lincoln Suite 119 Yakima, WA 98902
CATHOLIC CHARITIES HOUSING SERVICES	<b>Phone:</b> 509-853-2800 <b>Fax:</b> 509-853-1302	5301 Tieton Dr. Ste Yakima, Washington 98908
CCCS OF YAKIMA VALLEY	<b>Phone:</b> 509-248-5270 <b>Toll-free:</b> 800-273-6897 <b>Website:</b> www.cccsyakima.org	1115 West Lincoln Avenue Ste# 119 Yakima, Washington 98902
CLEARPOINT FINANCIAL SOLUTIONS, INC.	<b>Phone:</b> 1-800-634-CCCS (toll-free) or 800-634-2227 <b>Website:</b> www.clearpointcreditsolutions.org	841 North Central, Suite #C-213 Kent, Washington 98032

Agency Name	Contact Information	Address
CLEARPOINT FINANCIAL SOLUTIONS, INC.	<b>Phone:</b> 1-800-634-CCCS or 800-634-2227 <b>Website:</b> www.clearpointcreditcounselingsolutions.org	9709 3rd Ave., N.E., Suite#210 Seattle, Washington 98115
CLEARPOINT FINANCIAL SOLUTIONS, INC.	<b>Phone:</b> 1-800-634-CCCS (toll-free) or 800-634-2227 <b>Website:</b> www.clearpointcreditcounselingsolutions.org	2731 Wetmore Ave., #200 Everett, Washington 98201
CONSUMER CREDIT COUNSELING SERVICES OF THE TRI CITIES	<b>Phone:</b> 509-737-1973 <b>Toll-free:</b> 800-201-2181 <b>Fax:</b> 509-737-9722 <b>Website:</b> www.cccswaor.org	401 N. Morain St. Kennewick, Washington 99336-2667
EL CENTRO DE LA RAZA	<b>Phone:</b> 206-957-4610 <b>Website:</b> www.elcentrodelaraza.org	2524 16th Avenue South Seattle, Washington 98144
FAMILY FINANCE RESOURCE CENTER	<b>Phone:</b> 360-423-9197 <b>Fax:</b> 360-232-0039 <b>Website:</b> homeownercounseling.org	1312 Hemlock Street Longview, Washington 98632-3738
HOMESIGHT	<b>Phone:</b> 206-723-4355 <b>Toll-free:</b> 888-749-4663 <b>Website:</b> www.homesightwa.org	5117 Rainier Avenue South Seattle, Washington 98118
HOUSING HOPE	<b>Phone:</b> 425-347-6556-230 <b>Fax:</b> 425-353-5546 <b>Website:</b> www.housinghope.org	5830 Evergreen Way Everett, Washington 98203-3748
NEIGHBORWORKS OF GRAYS HARBOR COUNTY (ABERDEEN NHS)	<b>Phone:</b> 360-533-7828 <b>Toll-free:</b> 866-533-7828 <b>Fax:</b> 360-533-7851 <b>Website:</b> www.aberdeen-nhs.com	710 East Market Street Aberdeen, Washington 98520-3430
OPAL COMMUNITY LAND TRUST	<b>Phone:</b> 360-376-3191 <b>Fax:</b> 360-376-3799	286 Enchanted Forest Rd, Suite B101 Eastsound, Washington 98245
RURAL RESOURCES COMMUNITY ACTION	<b>Phone:</b> 509-685-6179 <b>Fax:</b> 509-684-4740	956 South Main Colville, Washington 99114
SOLID GROUND WASHINGTON	<b>Phone:</b> 206-694-6766 <b>Toll-free:</b> 866-297-4300 <b>Website:</b> www.solid-ground.org	1501 North 45th Street Seattle, Washington 98103
URBAN LEAGUE OF METROPOLITAN SEATTLE	<b>Phone:</b> 800 368 1455 <b>Website:</b> www.urbanleague.org	105 - 14th Avenue Seattle, Washington 98122 (Services available statewide)
WASHINGTON HOMEOWNERSHIP RESOURCE CENTER	<b>Phone:</b> 206-542-1243 <b>Toll-free:</b> 877-894-4663 <b>Website:</b> www.homeownership-wa.org	18551 Aurora Ave N, Suite 200, Shoreline, WA 98133

**Topic 2:**

**Understanding Your Financial Situation**

**PREPARING FOR YOUR CONVERSATION WITH THE SERVICER  
OR HUD-APPROVED NON-PROFIT AGENCY HOUSING COUNSELOR**

- Think about Your Situation
- How to Write A Hardship Letter
- What is Your Income?
- Where is Your Money Going?
- What are Your Assets?
- Can You Afford to Keep Your Home?



**THINK ABOUT YOUR SITUATION**

When you talk to your loan servicer or a housing counselor, be prepared to tell them about your situation. Use this worksheet to summarize your circumstances. Try to be as accurate and detailed as you can.

Have you missed any payments?  
If so, how many payments have you missed?  
Why have you missed payments?

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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?

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Once you complete this exercise, you will be ready to write a **Hardship Letter**. Servicers will typically require that you submit a Hardship Letter when requesting assistance.

# HOW TO WRITE A HARDSHIP LETTER

A financial hardship results from an involuntary reduction in income or an unavoidable increase in expenses.

## **Common Involuntary Reductions of Income:**

- Mandatory reduced hours or hourly wage
- Underemployment after loss of previous job
- Death of a borrower
- Decline in business earnings if self employed
- Permanent or short term disability
- Serious illness of a household member
- Divorce
- Unemployment

## **Common Unavoidable Increases in Expenses:**

- Major medical expenses
- Disaster
- Urgent property repairs
- Increase in child care expenses
- Mortgage loan and payment changes

*A hardship letter is a brief and to-the-point overview of the homeowner's situation. It is ideally only four paragraphs and no more than two pages.*

The letter must include:

- Homeowner name(s), address(s), and phone number(s)
- Loan number(s)

The *first paragraph* should include:

- Relevant details about the loan or property, such as the number of months delinquent, property value, or equity

The *second paragraph* should include:

- Include a matter-of-fact description of the reason for the default
  - Avoid blaming others for what occurred

The *third paragraph* should provide an overview of the homeowner's financial situation, such as:

- Actions the homeowner has taken to reduce expenses and increase income
- Financial counseling or other steps the homeowner has taken to resolve the situation
- The amount of money the homeowner has saved to pay towards the delinquency

The *fourth paragraph* should briefly outline the desire to prevent foreclosure, including:

- Reasons why the homeowner believes he or she will succeed in coming current on their mortgage payments
- A demonstration of the homeowner's commitment to keeping the home

The *last paragraph* should indicate the preferred times and methods for contacting the homeowner (and his or her housing counseling agency, if applicable).

## **DOCUMENTS TO ATTACH:**

- Financial statement
- Income and expense verifications
- Documents that support or verify the hardship
- Verification for anticipated changes in income or expenses
- Any other documents requested by the servicer or counselor

To help you get started on your own hardship letter, please review this Hardship Letter Sample.



# HARDSHIP LETTER

- Sample -

Date  
Lender's Name  
Lender's Address

Re: Your Loan Number

Dear Loss Mitigation Manager:

My name is/Our names are \_\_\_\_\_ 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 fall behind and if the hardship has been overcome and if so, explain how.)

*Example: "My income has been reduced (or lost) due to unemployment/ underemployment/ reduced job hours/ reduced pay/ or a decline in self-employed business earnings." Or, "my household financial circumstances have changed: there has been a death in the family/ serious or chronic illness/ permanent or short-term disability/ increases in family responsibility." (provide details)*

*Example: "My/Our expenses have increased. I/We have sat down to go over my/our financial situation. Sample explanations include: "Monthly mortgage payment has increased or will increase, high medical and health-care costs, unexpectedly high utility bills, increase in property taxes, or my cash reserves are insufficient to maintain the payment on my mortgage loan and cover basic living expenses at the same time." (provide details)*

I/We have decided to make the following sacrifices in order to ensure that we can pay our mortgage on time. I have met with a housing counselor and have saved \$3,000 to apply toward late payments. (Also explain what steps you have taken to correct your financial position, such as cutting back on spending, cancelling services or activities, and meeting 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 time and making our mortgage payments when they are due.

Thank you again for your time. We truly hope that you will consider working with us. We are anxious to get this settled so that we can move on.

Sincerely,

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

Address, City, State, Zip Code

*Include your phone number and any alternate phone numbers*



## DETERMINING YOUR INCOME

Your lender/servicer and housing counselor will need to know *all* your current household income. Before you speak with them, complete the following worksheet. **Although this worksheet asks for net income amounts (take-home pay) for budgeting purposes, be sure to have gross income amounts available for the lender or counselor as well.**

### MONTHLY HOUSEHOLD INCOME:

<b>Sources of Income</b> <i>Use Net Income (Take Home Amount)</i>	<b>Exp. Date (if applicable)</b>	<b>Homeowner A</b>	<b>Homeowner B</b>	<b>TOTAL A &amp; B</b>
Primary Job		\$	\$	\$
Second Job				
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				
Other				
Other				
<b>Total for Homeowner</b>		\$	\$	
<b>Total Household Income (A + B)</b>				\$

*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.

NOTE: Make sure you let your servicer know if you expect a change in income in the near future.

## BUDGET WORKSHEET: WHERE IS YOUR MONEY GOING?

Your loan servicer and/ or housing counselor will need to know **all** of your expenses. Before you speak with them, complete the following worksheet. Make sure to include every expense in your household.

MONTHLY EXPENSES			
COLUMN 1		COLUMN 2	
<b>Shelter*</b>		<b>Contributions &amp; Gifts</b>	
Mortgage Payment	\$	Church Donations	\$
Homeowner Association Dues		Miscellaneous Donations	
Home Maintenance		Gifts	
Taxes & Insurance (if not included in mortgage payment)			
<b>Food</b>		<b>Recreation</b>	
Groceries	\$	Club Dues/Gym Membership	\$
Cleaning Supplies/Paper Products		Newspapers/Magazines/Books	
Food Away From Home-Meals Out		CDs/Music	
Tobacco/Alcohol		Movies	
		Hobbies	
<b>Utilities (Use monthly amounts)</b>		Sports	
Gas/Electric	\$	Vacations	
Phone		Entertainment	
Cell/Mobile Phone		Lottery Tickets	
Water/Garbage/Sewer		Gambling	
<b>Insurance</b>		<b>Other Expenses</b>	
Life/Disability	\$	Allowances for Children	\$
Auto		Day Care/Child Care	
Health		Babysitting	
		Postage	
		Cable/Satellite TV	
<b>Transportation</b>		Other services	
Gasoline	\$	Pets	
Repairs/Maintenance		Internet Service	
Registration/License		<b>Monthly Obligations</b>	
Bus/Carpool/Ferry		Alimony/Child Support	\$
Parking/Tolls		Total Monthly Auto Loan Payments	
		Total Monthly Credit Card Payments	
<b>Education</b>		Other Monthly Obligations	
Tuition	\$		
Books			
Special Lessons/Classes			
Sports/Activities			
<b>Health Care</b>		<b>Clothing</b>	
Medical (do not include if premiums are deducted from paycheck)	\$	New purchases	\$
Dental Insurance (do not include if premiums are deducted from paycheck)		Dry Cleaning, Laundry	
Prescriptions			
<b>Personal Care</b>			
Cosmetics/Hair Salon	\$		
Nails			
Other Personal Expenses			
COLUMN 1 TOTAL: \$		COLUMN 2 TOTAL: \$	
COLUMN 1 + COLUMN 2 = TOTAL EXPENSES: \$			

\* If you own more than one home, be sure to include expenses for each home.



# Creating a Financial Crisis Budget

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 or 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.

## Experiencing Financial Crisis - Tips on Creating a Crisis Budget

The crisis budget is a temporary budget meant to help you through a financial crisis. You must make **DRASTIC** changes for at least 90 days to take control of your finances. The crisis budget is designed to help you determine and ultimately reach your financial goals. Keeping in mind that the budget is only temporary should make it easier to give up things like entertainment and personal spending.

Prioritize your monthly expenses and payments. Find ways to increase income and drastically decrease expenses. Ask yourself...

- ❖ What expenses can I eliminate (or reduce) for the next 90 days?
- ❖ What ways can I get more income and cash flow coming into my household?

Cutting expenses and managing a financial crisis is possible, but it takes a lot of commitment. Have a family meeting and work together to figure out how you can make the situation better. Everyone in the household should be allowed to contribute to the success of your plan. Good communication and a positive attitude are the keys to success during crisis!

## TAKE ACTION!

1. **Complete the budget worksheet**
2. **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.**



## Calculating Your Assets

List your household assets. Think about what you are willing to do in order to improve your current financial situation. Can you (or will you) sell some of your assets? What assets should you liquidate? Are you willing to make some changes to your lifestyle? A certified housing counselor can help you determine your options and provide specific recommendations.

Record your assets on the chart below.

Household Assets	Column 1	Column 2	Column 3
Description	Value	Amount Owed	Sell?
a) Automobile #1	\$	\$	\$
b) Automobile #2	\$	\$	\$
c) Automobile #3	\$	\$	\$
d) Cash on Hand Over \$100	\$	\$	\$
e) Checking Account	\$	\$	\$
f) Savings Account	\$	\$	\$
g) Anticipated Tax Refunds	\$	\$	\$
h) Money Market Funds	\$	\$	\$
i) Stocks/Bonds/CDs/Annuities, etc	\$	\$	\$
j) IRA / Keogh Accounts	\$	\$	\$
k) 401k/Retirement Accounts	\$	\$	\$
l) Computer/TV/Electronics	\$	\$	\$
m) Furniture	\$	\$	\$
n) Boats / Jet Skis	\$	\$	\$
o) RV/ Recreational Homes	\$	\$	\$
p) Motorcycles / Snowmobile	\$	\$	\$
q) Farm Equipment	\$	\$	\$
r) Trailers	\$	\$	\$
s) Other Property	\$	\$	\$
t) Other	\$	\$	\$
<b>Total</b>		\$	\$

*What is your current lifestyle like and what changes are you willing to make?*

Eating out: \_\_\_\_\_

Entertainment: \_\_\_\_\_

Toys/Luxuries: \_\_\_\_\_

Cable TV: \_\_\_\_\_

Cell phone: \_\_\_\_\_

Other: \_\_\_\_\_

# Can You Afford to Keep Your Home?

***Based on what you earn, spend, need, and can sell, are you able to keep (afford) your home?***

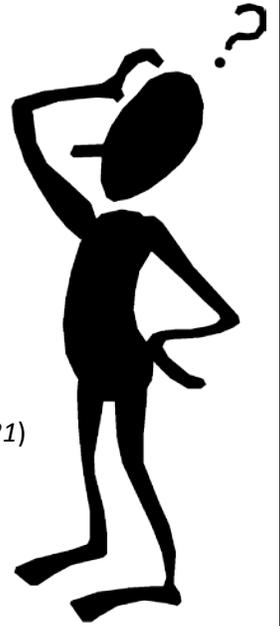
## **Income and Expenses:**

1. Total Monthly Income           \$\_\_\_\_\_ (Total Household Income from *What Is Your Income?* on page 20)
2. Total Monthly Expenses       \$\_\_\_\_\_ (from *Where is Your Money Going?* on page 21)
3. Total left over for increased mortgage payments or emergencies   \$\_\_\_\_\_ (Line 1 + Line 2 above)

## **Cash Available/Needed:**

4. Cash Available                   \$\_\_\_\_\_ (Add D, E & F under Column 1 from *Calculating Your Assets* on page 23)
5. Assets You Can Sell            \$\_\_\_\_\_ (Column 3 total from *What are Your Assets? Calculating Your Assets* on page 23)
6. Total Cash Available           \$\_\_\_\_\_ (Line 4 + Line 5 above)

Consider the HAMP target payment of 31% of gross monthly income for those who are eligible for that program.



## Topic 3:

# Know Your Mortgage

- Gather Your Loan Documents
- What Kind(s) of Loan(s) Do You Have?

## GATHER YOUR LOAN DOCUMENTS



Gather all of your mortgage loan documents. It is important that you fully understand the terms of your mortgage. A housing counselor can help you navigate through them. These documents may include:



**Promissory Note** - This is the legal evidence of indebtedness and formal promise to repay the debt. It sets out your loan amount, payment date, payment amount or how your payment amount will be determined, and maturity date. It also includes the penalties for late payments and describes the steps that 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 title holder (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 the interest rate changes and when the payment amount changes
- Borrower notification – When you will be 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 of the loan and at closing on certain loans. It shows the estimated total costs of borrowing, expected payment amounts over the life of loan, and other significant features of your loan.

**HUD 1 Settlement/Closing Statement** – This document contains all the costs to you that are associated with the purchase 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.*

## WHAT KIND(S) OF LOAN(S) DO YOU HAVE?

	First Mortgage	Second Mortgage (Home Equity Loan)	Where to find the information
<b>What about my Loan on _____ (property address)?</b>			
Original Mortgage Lender			Deed of Trust
Original Loan Amount			TIL; Note
Monthly Payment			TIL; Note
Monthly Due Date			TIL; Note
Closing Date of the Loan			Deed of Trust; Note
Number of Payments			TIL; Note
<b>What is my Loan Type?</b>			
	<input type="checkbox"/> FHA or <input type="checkbox"/> VA or <input type="checkbox"/> Conventional or Rural Dev.		HUD 1
Mortgage Insurance			HUD 1
Other			
<b>What are my Loan Terms?</b>			
Fixed Rate			TIL; Note
Adjustable Rate (ARM) Type			ARM Rider; Note
Initial Rate			ARM Rider; Note
Index			ARM Rider; Note
Margin			ARM Rider; Note
Adjustment Date			ARM Rider; Note
How often the loan adjusts			ARM Rider; Note
Interest Rate Adjustment terms			ARM Rider; Note
Payment Adjustment terms			ARM Rider; Note
Interest only payments			
Other			
<b>Information included on the monthly mortgage statement</b>			
Outstanding Balance			
Mortgage Insurance			
Homeowners Insurance			
Taxes Escrowed			
Insurance Escrowed			

**\*ABBREVIATIONS:**

Note: Promissory Note  
TIL: Truth In Lending

HUD 1: Settlement Closing Statement  
ARM: Adjustable Rate Mortgage





## OPTIONS TO KEEP YOUR HOME

*Your available loss-mitigation options depend on the investor, the type of loan you have, and what the loan servicer is able to negotiate.*

**Refinance** - A new mortgage on the loan with no change in ownership. The ability to refinance a loan requires that the borrower not be delinquent and that there be equity in the home.

**Repayment Plan** – Plan where the total amount of delinquent payments is distributed over a period of time, usually no more than 12 months. The monthly amount is added to the regular mortgage payment, resulting in a higher payment until the delinquent amount has been repaid. This repayment plan brings the account current within a pre-determined period of time.

**Loan Modification** - Past-due interest and escrow to the unpaid principal balance, which is then re-amortized over a new 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 mortgage and the investor. A loan modification immediately brings the account current.

**Forbearance** – A temporary reduction or suspension of a borrower's payment. The repayment plan is based upon the customer's financial situation. Because of the long-term implications, this option is generally only available in severe hardship cases.

**Bankruptcy** – A legal procedure for dealing with debt problems of individuals and businesses that may or may not allow you to keep your home. Be sure to seek the advice of an attorney if you are considering this option. *See Options to Not Keep Your Home for more information.*

### THE MAKING HOME AFFORDABLE PLAN



The Making Home Affordable (MHA) plan is part of President Obama's broad, comprehensive strategy to stabilize the economy and the housing market. The program includes opportunities for modifications and refinances to make mortgage payments more affordable as well as foreclosure alternatives for those that can no longer afford their home. The program has recently been expanded to help unemployed homeowners.

The Home Affordable Refinance, Home Affordable Modification, and Home Affordable Unemployment Programs are the parts of MHA that use refinancing, loan modification, and forbearance to reduce monthly mortgage payments to a level that borrowers can afford today and in the future.

The refinancing option is only available for conforming loans owned or securitized by Fannie Mae and Freddie Mac. Most conventional loans such as prime, subprime, adjustable, loans owned by lenders, and loans in securities are eligible for a Home Affordable Modification. The Administration is working with Congress to enact legislation that will allow FHA, VA, and USDA to offer modifications consistent with Making Home Affordable. Currently, loans insured or guaranteed by these agencies are being modified under other programs that enable borrowers to retain homeownership.

## Home Affordable Refinance (HARP) Option Eligibility Criteria:

- The property is 1-4 units and is owner-occupied
- The borrower is current on mortgage payments (“Current” means you have not been more than 30 days late on your payments in the last 12 months)
- The borrower has sufficient income to support the new mortgage payment
- The first mortgage may not exceed 125% of the current market value of the property
- The mortgage is owned or guaranteed by Fannie Mae or Freddie Mac

### *TO DETERMINE IF YOUR LOAN IS OWNED OR SECURITIZED BY FANNIE MAE OR FREDDIE MAC:*

**Fannie Mae**

1-800-7FANNIE (8am to 8pm EST).  
[www.fanniemae.com/homeaffordable](http://www.fanniemae.com/homeaffordable)

**Freddie Mac**

1-800-FREDDIE (8am to 8pm EST)  
[www.freddiemac.com/avoidforeclosure/](http://www.freddiemac.com/avoidforeclosure/)

## Home Affordable Modification (HAMP) Option Eligibility Criteria

- The property is 1-4 units and is owner-occupied
- The first mortgage must have an unpaid principal balance equal to or less than \$729,750 (for 1 unit properties; higher for 2-4 unit properties)
- The loan must have originated before January 1, 2009
- The first mortgage payment (including taxes, insurance, and homeowner’s association dues) is more than 31% of the borrowers' gross monthly income
- Borrower has experienced a significant change in income or expenses to the extent that the current mortgage payment is no longer affordable
- The mortgage is owned or guaranteed by Fannie Mae or Freddie Mac or is serviced by a HAMP participant

### *TO DETERMINE IF YOUR LOAN IS SERVICE BY A HAMP PARTICIPANT:*

[www.makinghomeaffordable.com/contact\\_servicer.html](http://www.makinghomeaffordable.com/contact_servicer.html)

## Home Affordable Unemployment Program (UP) Option Eligibility Criteria

- Same criteria as for Home Affordable Modification, AND
- The mortgage has not been previously modified under HAMP and the borrower has not received a forbearance under UP
- The mortgage payments are not more than 3 months due
- The borrower is unemployed and can document unemployment benefits

For more information or to determine eligibility: [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) or call (888) 995-HOPE

# OPTIONS TO NOT KEEP YOUR HOME: HOW TO EXIT GRACEFULLY



The following summarizes the different ways to walk away from your home while avoiding the consequences of a foreclosure. Even if you do not plan 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 negatively impact your credit score or result in 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 your mortgage and home.

**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 include the condition of the home and how much time you have.

**Short Sale** – If the market value is less than the total amount owed, a short sale allows the borrower to sell his or her home and use the proceeds to pay the mortgage even though the sale proceeds may be less than the total amount due on the first mortgage. The investor and mortgage insurer must agree to this option. A short sale may result in a deficiency judgment.

**Deed-In-Lieu of Foreclosure** – The servicer allows the borrower to transfer ownership of the property (the deed) 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.

**Assumption** - If you find another borrower willing and qualified to take over your mortgage and your home, he or she may assume your mortgage if it is allowed under your loan terms. The new borrower must meet the lender's criteria.

**Bankruptcy** - Consumers do have the option of filing a Chapter 7 or Chapter 13 Bankruptcy if they need more time to pay a mortgage delinquency or need to restructure their debt so that they have funds available to pay secured debts. Both types of bankruptcy provide two important benefits:

1. **Automatic Stay:** As soon as the bankruptcy petition is filed, an automatic stay is immediately put in place by the Bankruptcy Court. This means that no lawsuits, foreclosures, garnishments, or any other collection activity may proceed against the debtor without the court's permission.
2. **Time to Review Alleged Claims:** Creditors sometimes claim debts that the debtor questions or disputes. The court may review the claim and correct any erroneous charges.

## TYPES OF BANKRUPTCY:

**Chapter 7: Complete Liquidation** - Allows the debtor to discharge most unsecured non-priority debts while retaining exempt property such as a homestead. It can be used to reduce monthly payments

thereby increasing available income to pay monthly mortgage amounts. It usually takes 3 - 5 months after filing for the discharge to be completed.

**Chapter 13: Reorganization** - Available to debtors with a certain income level. It allows a debtor to keep a property and create a schedule of payments to cure the delinquent amounts owed on a mortgage over a 3 - 5 year time period. It also provides a mechanism to strip a second mortgage when there is no equity attached to the interest and “cram down” secured debt on non-residential property.

**Consult an attorney about your options. Information is also available at:**

- Bankruptcy Court website: [www.wawb.uscourts.gov](http://www.wawb.uscourts.gov) under “Self Help Filing” or [www.uscourts.gov/bankruptcycourts/bankruptcybasics.html](http://www.uscourts.gov/bankruptcycourts/bankruptcybasics.html).
- Legal Information: [www.washingtonlawhelp.org](http://www.washingtonlawhelp.org)
- NJP CLEAR: 1-888-201-1014 (legal advice/referral for **low-income** residents outside King County)
- United Way 211: dial 2-1-1 (legal referrals for **low-income** King County residents)

**Other Useful Links for Further Bankruptcy Information:**

- [www.consumerlaw.org](http://www.consumerlaw.org)
- [www.everyoneiswelcome.org](http://www.everyoneiswelcome.org) (directory of free and low-cost financial education classes, workshops, and counseling)

**How to find a lawyer licensed to practice law in Washington:**

**Washington State Bar Association**: 1-800-945-8722 or [www.wsba.org](http://www.wsba.org) (lawyer directory)

**Clark County**

Southwest Washington Lawyer Referral Service  
(360) 695-0599

**Kitsap County**

Kitsap County Lawyer Referral Service  
(360) 373-2426

**Pierce County**

Tacoma-Pierce County Bar Lawyer Referral  
(253) 383-3432

**Spokane County**

Spokane County Bar’s Online Lawyer Referral  
Service <http://www.spokanebar.org/>

**King County**

King County Lawyer Referral Service  
(206) 267-7010

**Lewis County**

Lewis County Lawyer Referral Program  
(360) 748-0430

**Snohomish County**

Snohomish County Bar Referral Service  
(425) 388-3018

The **King County Bar Association** sponsors two specialty legal clinics focused on bankruptcy and consumer debt related issues: the downtown Debt Clinic in Belltown and the South Seattle Debt Clinic in South Seattle. *To make an appointment for either clinic, call (206) 267-7070 between 9:00 a.m. and noon, Monday - Thursday. In order to increase the likelihood of being able to reserve a spot at either clinic, KCBA advises clients to call as close to 9:00 a.m. on Monday as possible.*

Sometimes foreclosure is the only option for a borrower to accept. If so, you should work closely with a HUD-approved housing counseling agency who can help you create an “action plan” on how to appropriately transition into alternative housing, budget and save for future moving costs, and obtain tips on how to re-establish your credit rating.

## Topic 5:

# Beware of Scams – Don't be a Victim



## 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. Unfortunately, foreclosure fraudsters take your money, can ruin your credit, and can wipe out any equity you may have in your home.

Your mortgage lender – or any HUD-approved housing counseling agency – can help you find real options to avoid foreclosure at no cost. If someone offers to negotiate with your lender or 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 many are now aggressively targeting struggling borrowers. The Washington State Department of Financial Institutions has required the licensing of loan modification companies since April of 2009. Additionally, individual people providing the loan modification services must be licensed as loan originators. Loan modification offers can look legitimate and some even replicate government agency websites or used forged letterheads resembling those used by 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-certified financial counselor. Verify the license of anyone you're working with!

## Warning Signs

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

- guarantees to stop the foreclosure process – no matter what your circumstances
- offers to make your loan more affordable and help you avoid foreclosure
- instructs you not to contact your lender, lawyer, or credit or housing counselor
- collects a fee before providing you with any services
- 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 make your mortgage payments directly to it, rather than your lender
- 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
- pressures you to sign paperwork that you haven't had a chance to read thoroughly or that you don't understand



## How Scams Work

In today's economy, foreclosure “rescue” firms and loan modification companies are abundant. Their goal is to make a quick profit. They will use half-truths and outright lies to sell services that promise relief and then fail to deliver.

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

The scam artists use simple and straightforward 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 within many banks that can speed up case approvals”

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

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

These companies often encourage the homeowner to stop working with their lender, servicer, and housing counseling agency and tell them they will take care of everything.

If you suspect a scam, contact the Washington Attorney General’s Office or the Washington Department of Financial Institutions (see *Tools for the Homeowner* section for the contact information).

## Common Foreclosure Scams

**Phony Counseling or Phantom Help** -- The “rescuer” tells the borrower that he or she 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 scam attempts designed 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. Some “rescuers” promise to negotiate with the lender or get a refinance 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.

**New foreclosure scams are constantly being developed. Always call a 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** give money to people who promise to work with your lender to modify your loan. Instead, contact the Washington Homeownership Center at 1-877-894-HOME (4663) for a referral to a housing counseling agency and 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 with 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** make your mortgage payments to anyone other than your lender or loan servicer, even if he or she promises to pass the payment on.
- **DON'T** sign any documents without reading and understanding them first, or any documents containing 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 counseling agency that may be able to help you for no charge.
- If it sounds too good to be true, it probably is. Trust your instincts and seek help. Reporting suspicious schemes helps prevent other from becoming victims.

## **IF YOU SUSPECT A SCAM, CONTACT:**

### **Washington Attorney General's Office**

Consumer Protection: 1-800-551-4636 / Main Office: 360-753-6200  
Out-of-State: 1-206-464-6684  
[www.atg.wa.gov](http://www.atg.wa.gov)

### **Washington Department of Financial Institutions**

1-877-RING-DFI (877-746-4334)  
[www.dfi.wa.gov](http://www.dfi.wa.gov)

### **Federal Trade Commission**

1-877-FTC-HELP (1-877-382-4357)  
[www.ftc.gov](http://www.ftc.gov)

### **Better Business Bureau**

206-431-2222 or 253-830-2924  
<http://alaskaoregonwesternwashington.bbb.org/consumers/>

*More information on the latest rescue scams and ways to protect yourself can be found at:*

The Washington Attorney General's office: [www.atg.wa.gov](http://www.atg.wa.gov)

The Washington Department of Financial Institutions: [www.dfi.wa.gov](http://www.dfi.wa.gov) and [www.homeownership.wa.gov](http://www.homeownership.wa.gov)

## Topic 6:

# Rebuilding After Foreclosure

## Steps to Rebuilding

(Source Adapted from NeighborWorks and Freddie Mac)

Developing a budget and savings plan is critical to recovering quickly after a foreclosure or a loss mitigation process. Your options may be constrained due to income or debt issues, credit history, and limited savings. The rebuilding process has several steps.

### Step 1: Crisis Spending Plan

The first step is to create a “crisis spending plan” which will help you meet your immediate financial obligations. This should focus on “basic needs” priorities such as food, medical bills, housing expenses, utility payments, car loans, child support, and income tax debts. Apply for social service programs that can provide food, clothing, emergency housing vouchers, and emergency utility vouchers to assist you during this transition process. *(See Community Resources on page 47 for contact information)*

### Step 2: Set Financial Goals

What are your top five challenges and top five assets (financial or behavioral)? Envision your life next year, as well as three and five years ahead. This helps with goal-setting and allows you to plan beyond your immediate situation. Decide whether to focus attention on saving, reducing debt, or increasing income. These are fundamental elements of financial goal setting and planning. Assistance is available from non-profit agencies and community organizations.

### Step 3: Estimate Next Year’s Income and Expenses

Review the past year’s income and consider possible changes in the coming year. Next, review debts and expenses. Consider how expenses will change given the new housing situation. Also, determine whether your new housing situation impacts any other expenses like transportation or day care. If necessary, fine tune expenses and create a livable spending plan.

### Step 4: Analyze Current Financial Situation & Spending Habits

- Review and consider the total balance owing on each debt and the amount of payments due each month. List the changes you must make, or want to make, in the coming year. This becomes your Action Plan.
- Review monthly expenses and discuss each item with family members. Rank your expenses from most important to least important. Then list the changes you believe you must make and others you would like to make. These are part of your Action Plan as well.
- The final step is Action Planning. Review any savings and investment goals and list ways they could be increased. Every little bit helps. For example, start saving change, saving \$10 each week in a safe place at home, or direct depositing \$40 each month.
- If you net any cash from the sale of your home, use these funds to support your rebuilding plan.

### Step 5: Create a Rebuilding Plan

Once the crisis-spending plan has been implemented, tackle the negatives on your credit history and begin establishing good credit. The new spending plan should support payment of all monthly bills on time, and allow you to start paying off past-due balances. Use the steps above to create a written plan that is clear and attainable.

### Step 6: Changing Habits

It is time to comprehensively address your spending habits and money management decisions. Ask for advice and guidance and research available resources for a workable, systematic approach to managing your finances. Resisting change and clinging to old habits will not move you forward. Financial freedom becomes more attainable with each spending decision based on your new savings goals. As past due balances are paid in full and bills are paid on time,

credit scores will increase. Pay off debt rather than regularly transferring debt to other cards. Apply for new credit only when strictly necessary.

Common stumbling points for many families are managing monthly bill-paying habits, keeping spending records, and conducting periodic reviews. You may not have had successful methods of paying bills and tracking expenditures. The following suggestions can easily be implemented into your new finance management plan:

1. Choose a specific area in your home to be the “office” area.
2. For each pay period, record how the money was spent in a notebook.
3. Work out a bill payment and recordkeeping system that is convenient and easy to use. (Where bills will be put when they arrive, how you will keep track of online bill pay, where you will store and record bills due and paid, etc.)
4. Each time bills are paid; enter the amounts and dates into your notebook. Keep labeled receipts and cancelled checks to help remember to enter other expenses.
5. Practice planning purchases. If you need to replace your vehicle or make some other major purchase, begin making “practice” payments to your savings account in that amount about 3-4 months before you buy. This builds up your savings and prepares you for the impact of the additional payment. Don’t just “say” you’re going to do it - commit to it and start saving those payments so you don’t end up taking on too much additional debt.
6. Near the end of every month, compare your written spending plan from Step 1 with the actual expense record in your notebook.
7. Don’t expect the plan and actual expenses to be exactly the same. Don’t be discouraged if it doesn’t go according to plan each month. Just identify the differences and discuss how you will handle extra expenses in the month to come.
8. Revise the spending plan as necessary.
9. If overspending and excessive use of credit is an issue, think of a “tag” or “reminder” that might cause you to stop and think before you spend money on things that are not in your plan.
10. Keep your savings goals in a visual place. Write them down on a card to keep behind your debit card. Draw a picture and post it in several visible places in your home. Keep talking about goals with your family so you can hold each other accountable when spending starts to get out of hand.

### **Step 7: Managing the Plan**

A good plan is only as good as its implementation and maintenance. Realistically, you may not be able to correct all your credit and spending issues at once. One step at a time is progress. A realistically achievable plan will be easier to maintain and therefore lead to more success.

The action plan should be broken into monthly goals. Review the rebuilding plan each month to assess progress and make any necessary changes. It might be helpful for you to meet with a trusted advisor or counselor once a month for the first several months and less frequently or as-needed after that.

### **Finally, during rebuilding, it is CRITICAL to avoid the spending and lending traps of “fringe financial services.”**

High-cost financial traps take advantage of financially distressed families. By committing to a healthy financial rebuilding plan, you will be empowered to avoid alternative, costly services like **back-to-back loans and online payday loans**. Establishing a good working relationship with a bank or credit union will help you avoid the high cost of **check cashing outlets**. Begin to develop modest savings to get through emergencies while avoiding **overdraft loans, tax refund anticipation loans, and rent-to-own merchandise**. *To find a free or low-cost bank or credit union, go to [www.everyoneiswelcome.org](http://www.everyoneiswelcome.org).*

## Topic 7:

# Tools for the Homeowner

- How to Find and Contact Your Lender or Loan Servicer
- Servicer Telephone Numbers
- Filing a Complaint
- Stress Relief
- Glossary of Mortgage Terms
- Community Resources



## How to Find & Contact Your Lender or Loan Servicer

### (1) *Don't know who's your lender/servicer?*

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

### (2) *Don't know how to reach your lender/servicer?*

- Check your phone book.
- Search on the Internet.
- If you are having trouble finding a housing counseling agency, see *Finding a HUD-Approved Housing Counseling Agency* on page 14 for resource and contact information.
- Use the Loan Servicer List on the following page.

### (3) *Does Fannie Mae or Freddie Mac Own Your Loan?*

*Find out at:*

Fannie Mae - 1-800-7FANNIE (8am to 8pm EST) [www.fanniemae.com/homeaffordable](http://www.fanniemae.com/homeaffordable)

Freddie Mac - 1-800-FREDDIE (8am to 8pm EST) [www.freddiemac.com/mymortgage](http://www.freddiemac.com/mymortgage)

## LOAN SERVICER TELEPHONE NUMBERS

Check your mortgage statement for contact information and have your account number ready.

For an updated list, go to [www.hopenow.com/mortgage-directory.php](http://www.hopenow.com/mortgage-directory.php).

Accredited Home Lenders	877-683-4466	<a href="https://www.accredhome.com">https://www.accredhome.com</a>
Acqura Loan Services	866-660-5804	<a href="http://www.acqura.net">http://www.acqura.net</a>
American Home Mortgage Servicing, Inc.	877-374-3100	<a href="https://online.ahmsi3.com">https://online.ahmsi3.com</a>
Aurora Loan Servicing	866-519-3090	<a href="https://www.myauroraloan.com">https://www.myauroraloan.com</a>
Avelo Mortgage	800-999-8501	<a href="http://www.littonloan.com">www.littonloan.com</a>
Bank of America	800-846-2222	<a href="http://www.bankofamerica.com">www.bankofamerica.com</a>
Carrington Mortgage Services, LLC	800-790-9502	<a href="http://myloan.carringtonms.com">myloan.carringtonms.com</a>
Chase (Prime, Subprime and Home Equity)	866-550-5705	<a href="http://www.chase.com">www.chase.com</a>
Citigroup, Inc. (Citi Mortgage/Citi Residential)	866-915-9417	<a href="http://www.citigroup.com/citi/citizen/community/homeownershippreservation/">www.citigroup.com/citi/citizen/ community/homeownershippreservation/</a>
BAC Home Loans	800-669-6650	<a href="http://my.countrywide.com">http://my.countrywide.com</a>
EMC Mortgage Corporation / Bear Sterns	866-550-5705	<a href="http://emcmortgagecorp.com">emcmortgagecorp.com</a>
First Horizon Home Loans	800-364-7662	<a href="http://www.firsthorizon.com/">www.firsthorizon.com/</a>
GMAC Mortgage	800-799-9250	<a href="http://www.gmacmortgage.com">www.gmacmortgage.com</a>
Homecomings Financial	800-206-2901	<a href="http://www.homecomings.com">www.homecomings.com</a>
Home Loan Services, Inc. (d/b/a First Franklin Loan Services, NationPoint Loan Services)	800-500-5022	<a href="http://www.viewmyloan.com">www.viewmyloan.com</a> <a href="http://www.nationpoint.com">www.nationpoint.com</a>
HomeEq Servicing	877-867-7378	<a href="http://www.homeeq.com">www.homeeq.com</a>
HSBC Finance-Beneficial	800-333-5848	<a href="http://www.beneficial.com">http://www.beneficial.com</a>
HSBC Finance-HFC	800-333-5848	<a href="http://www.hfc.com">www.hfc.com</a>
HSBC Mortgage Corporation	888-648-3124	<a href="http://www.us.hsbc.com">www.us.hsbc.com</a>
HSBC Mortgage Services	800-365-6730	<a href="http://www.hsbcmortgageservices.com">www.hsbcmortgageservices.com</a>
IndyMac Federal Bank	866-355-7273	<a href="http://www.imb.com">www.imb.com</a>
Litton Loan Servicing	800-999-8501	<a href="http://www.littonloan.com">www.littonloan.com</a>
LoanCare Servicing Center	800-909-9525 800-274-6600	<a href="http://www.myloancare.com/HomeRetention">www.myloancare.com/HomeRetention</a> Email: <a href="mailto:customersupport@myloancare.com">customersupport@myloancare.com</a>
MetLife Home Loans	888-638-6964	<a href="http://www.metlifehomeloans.com">www.metlifehomeloans.com</a>
National City Mortgage Corporation	800-523-8654	<a href="http://www.nationalcitymortgage.com">www.nationalcitymortgage.com</a>
Nationstar Mortgage, LLC	888-480-2432	Email: <a href="mailto:customer.service@nationstarmail.com">customer.service@nationstarmail.com</a>
Ocwen Loan Servicing, LLC	877-596-8580	<a href="http://www.ocwencustomers.com">http://www.ocwencustomers.com</a>
Residential Credit Solutions	800-737-1192	<a href="https://www.residentialcredit.com/">https://www.residentialcredit.com/</a>
RoundPoint Mortgage Servicing	877-426-8805	Email: <a href="mailto:Customer.Service@roundpointmortgage.com">Customer.Service@roundpointmortgage.com</a>
Saxon Mortgage Services	888-325-3502	<a href="https://www.saxononline.com">https://www.saxononline.com</a>
Select Portfolio Servicing, Inc.	800-258-8602	<a href="https://www.spservicing.com/">https://www.spservicing.com/</a>
SunTrust Mortgage, Inc	800-443-1032,	<a href="http://www.suntrustmortgage.com">www.suntrustmortgage.com</a>
SunTrust Bank (Consumer Lending)	888-886-0696	<a href="https://www.suntrust.com">https://www.suntrust.com</a>
SunTrust Mortgage Construction Permanent Loans	877-657-8433	<a href="http://www.suntrustmortgage.com">www.suntrustmortgage.com</a>
Taylor, Bean & Whitaker	888-225-2164	<a href="http://www.taylorbean.com">www.taylorbean.com</a>
Vericrest Financial	800-401-6587	<a href="https://www.vericrestfinancial.com">https://www.vericrestfinancial.com</a>
Wachovia	800-922-6267	<a href="https://www.wachovia.com">https://www.wachovia.com</a>
Washington Mutual, Inc	866-550-5705	<a href="https://www.wamu.com">https://www.wamu.com</a>
Wells Fargo Home Mortgage	866-488-2028	<a href="http://www.wellsfargo.com">www.wellsfargo.com</a>
Wells Fargo Financial	800-275-9254	<a href="http://www.financial.wellsfargo.com">www.financial.wellsfargo.com</a>
Wilshire Credit Corporation	888-917-1050	<a href="http://www.wcc.ml.com">www.wcc.ml.com</a>

## FILING A COMPLAINT

*You can file a complaint if you believe 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 Deposit Insurance Corporation, Consumer Response Center:**

<http://www.fdic.gov/consumers/consumer/ccc/contact.html>

**Hours of Operation:** 8:00 a.m. to 8:00 p.m. Eastern Time M - F

**Toll Free Number:** 1-877-275-3342 (1-877-ASK-FDIC)

**Mailing Address:** Federal Deposit Insurance Corporation  
Consumer Response Center  
2345 Grand Boulevard, Suite 100  
Kansas City, MO 64108-2638

**To File a Complaint:** *FDIC's Electronic Customer Assistance Form* can be found at  
<http://www.fdic.gov/consumers/consumer/ccc/contact.html>

- **Federal Reserve Consumer Help:** <http://www.federalreserveconsumerhelp.gov/>
- **Federal Trade Commission, Division of Financial Practices:**  
<http://www.ftc.gov/bcp/bcpfp.shtm>
- **Office of the Washington Attorney General:** <http://www.atg.wa.gov/FileAComplaint.aspx>
- **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>
- **The Washington State Department of Financial Institutions:**  
<http://dfi.wa.gov/consumers/complaint.htm>

# STRESS RELIEF

Tips for restoring balance to your life when you are experiencing financial stress:

## Suggestion # 1: Communication

- Communication – Talk to your friends, spouse, or someone you trust.
- It may help to include another person in your thinking or planning if it affects him or her.
- Keep a journal.

## Suggestion # 2: Write

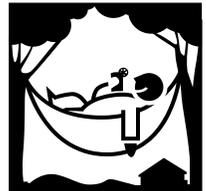
- Write stuff down; seeing information in written form can give you a fresh perspective.
- Make a list of positives in your life such as your family, health, etc.

## Suggestion # 3: Organization

- Get organized and stay organized.
- Invest in files, folders, or large envelopes and label them.
- Once you have established a protocol for yourself, continue to follow it.

## Suggestion # 4: Time

- Take time for yourself.
- It does not need to be expensive or time consuming.
- It can be as simple as relaxing with a good book.
- People with many other people dependent on them rarely have time alone. It is important for your mental health to relax, clear your mind, and recharge.



## Suggestion # 5: Exercise

- Research has proven that exercise is a great tonic for stress.
- Reserve at least 10 minutes every day or every other day to walk, run, stretch, bike, or dance.

## Suggestion # 6: You

- Take care of yourself by limiting alcohol intake.
- Take part in things you enjoy that are within your budget.
- Keep your doctors' appointments and take any medications as prescribed.
- Get extra rest if possible.

## Suggestion # 9: Shame

- This can be a very powerful, negative force – do not let it get the best of you.
- Recognize it and do not allow it to overcome you.

## Suggestion # 10: Professional Help

- Seek professional help if you feel the need.
- Check your company's Human Resource Department for a list of services or resources.
- Many employers provide employees with free or low costs access to professional counselors (possibly up to 10 sessions).

## Reach out for help if you are feeling down

### SUICIDE PREVENTION HOTLINE

Crisis counselors are waiting for your call: 1-800-SUICIDE (1-800-784-2433) Toll-Free/ 24 hours/ 7 days a week or <http://www.suicidehotlines.com/washington.html>.

### WHY SHOULD I CALL THE LIFELINE? WITH HELP COMES HOPE.

From immediate suicidal crisis to information about mental health, crisis centers are equipped to take a wide range of calls. Some of the reasons to call 1-800-273-TALK are listed below.

- Call to speak with someone who cares
- Call if you feel you might be in danger of hurting yourself
- Call to find referrals to mental health services in your area
- Call to speak to a crisis worker about someone you're concerned about

The **National Suicide Prevention Lifeline** is a 24-hour, toll-free suicide prevention service available to anyone in suicidal crisis. If you need help, please dial **1-800-273-TALK (8255)**. You will be routed to the closest possible crisis center in your area. With more than 130 crisis centers across the country, the service's mission is to provide immediate assistance to anyone seeking mental health services. Call for yourself or for someone you care about. Your call is free and confidential.

# 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 his or her loan is in default.

**Appraisal** – An estimate of the value of a property.

**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.

**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.

**Deed-in-Lieu of Foreclosure** – A foreclosure alternative where the servicer allows the borrower to transfer ownership of the property (the deed) to the servicer if the home cannot be sold at market value. Second mortgage lien-holders must be willing to waive their claims.

**Deed of Trust** – (DOT) The recorded document that shows the homeowner/borrower owes a principal balance to a financial institution for their home. The 3 parties included on this security instrument are the borrower, lender and trustee.

**Default** – A mortgage or deed of trust is said to be in default when the borrower fails to make the payments as agreed in the original promissory note.

**Debt-to-Income Ratio** – Expressed as a percentage, the “DTI” is calculated by dividing the total house payment plus all other debt that appears on a credit report by the gross monthly income.

**Deferred Payments** – Payments that the lender or mortgage servicer authorizes to be postponed in a loan workout.

**Deficiency Judgment** – A judgment against the borrower for the remaining balance on the loan after a foreclosure sale.

**Delinquency** – Borrower’s failure to make mortgage payments on time.

**Equity** – The net value of an asset, calculated by determining the difference between the present value of the property and the mortgage amount owed on that property.

**Escrow Account** – A segregated trust account in which escrow funds are held. This account is 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 big lump sum payment.

**Fair Market Value** – The price a property would sell for on the open market. (If you were to sell your home today, how much would it sell for?)

**Forbearance** – An agreement to suspend or reduce normal monthly payments for a fixed period of time. At the end of the forbearance period, the borrower must cure the delinquency through a lump sum payment or a long-term repayment plan.

Foreclosure – The legal process by which an owner’s right to a property is terminated when a lender or lienholder takes possession of the property, usually because of the owner’s default. Foreclosure can also occur if a homeowner fails to pay property taxes. At a foreclosure auction, the mortgage lender, through a company called a trustee, sells the property that secures a loan on which a borrower has defaulted. Ownership of the property is then transferred to the financial institution or purchaser of the property at the foreclosure auction. The institution then markets and lists the property for sale to recover the balance owed to it. In Washington, home foreclosures are usually non-judicial; however, on rare occasions, they are conducted as “judicial foreclosures.”

Foreclosure Auction or Sale - The auction or sale is a public sale in which the foreclosed property is sold to the highest bidder in order for the lender to recover some or all, of the outstanding debt.

Free & Clear – Ownership of property free of all indebtedness. Zero balance owing on any loans or liens against the property.

Grace Period – The length 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 – The expected total monthly house payment divided by the gross monthly income and expressed as a percentage. The maximum percent of gross monthly income that can be used for a monthly mortgage payment.

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

Investor – The entity that owns the loan. Lenders often sell loans to investors after closing. Consequently, your investor may be a different entity than your servicer or the lender. The servicer must follow the investor’s guidelines for servicing the loan. An investor is any person or

institution that invests in mortgages. The investor owns the loan and has the ultimate power to make decisions regarding work-out solutions.

Judicial Foreclosure – A foreclosure that is processed by a court action. This action is seldom used in Washington. (In Washington, home foreclosures are typically non-judicial deed of trust foreclosures.)

Lis Pendens – A recorded notice of pending lawsuit.

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

Loan Modification – A written agreement that permanently changes one or more of the original terms of the loan, such as the interest rate, payment amount, maturity date, or the amount of the unpaid principal balance. Typically, the arrearage (the amount of the delinquent debt plus fees) is added to the remaining balance of the loan and then the loan is re-amortized. Interest rate may be reduced or a portion of the remaining balance forgiven in order to make the loan affordable for the homeowners. Lenders may also consider converting mortgages from adjustable to fixed rate loans that will remain affordable for the homeowner.

Loan Servicer (or Servicer) - The entity to whom you send your monthly mortgage 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. It also includes the receipt of payments, customer service, escrow administration, investor accounting, collections, and foreclosures. The servicer’s function is sometimes referred to “loan administration.” The loan servicer is often a different entity than the one the borrower obtained their loan from.

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 the loan servicer’s company that operates to minimize the company’s losses on non-performing loans. This department works with homeowners to discuss workout plans and other solutions to defaults.

Non-Judicial Foreclosure – The non-judicial process of foreclosure can be used when the home loan is secured by a deed of trust (which is almost always the case for home loans made in Washington). When the non-judicial foreclosure process is used against residential property, the liability secured by the deed of trust in foreclosure is extinguished even if the house sells at the foreclosure sale for less than the amount of the debt. However, if there is another obligation secured by a junior deed of trust, the non-judicial foreclosure of the senior deed of trust extinguishes the junior deed of trust but it does not extinguish the unsecured liability on the obligation that was secured by the junior deed of trust. The timeframe from the service or posting of the Notice of Trustee’s Sale to the date of the foreclosure sale is at least 90 days.

Mortgage Insurance – Insurance protecting a lender against loss from a borrower’s default.

Negative Amortization – This occurs when there is a gradual increase in the mortgage loan balance because the monthly payment is not enough to cover the monthly principal and interest payments. The shortfall each month is added to the balance from the month before and the total amount owed to the lender increases as a result. Adjustable rate mortgages with payment caps and negative amortization are re-amortized at some point so that the remaining loan balance can be fully paid off during the term of the loan. This could result in a substantial increase in the borrower’s monthly payment.

Notice of Trustee Sale – A notice giving specific information about the loan in default and the foreclosure proceedings about to take place. In Washington, at least 90 days before the

foreclosure sale, the Notice of Trustee’s Sale must be recorded in the county where the property is located, mailed, and served or posted.

Partial Claim or Partial Release – If your mortgage is insured by FHA, you may qualify for a low interest or interest-free loan to bring your loan current through the FHA. This loan would be repaid at a later date, usually when you pay off your first mortgage or sell your home.

Postponement – The trustee may postpone the sale to a later time, or another place, by giving notice of the new date, time and place by announcing it at the time and place the sale was previously scheduled to occur. The new date must be within 90 calendar days of the postponement. No other notice is required.

Pre-Foreclosure Sale or Short Sale – If you can no longer afford your home, this option involves selling your house for less than the secured debt to prevent foreclosure. If you owe more on the home than its current value, your lender may agree to accept less than what is owed on the mortgage. There may be income tax consequences with a short sale, so please talk to a qualified tax preparer and/or an attorney for more information before agreeing to a short sale.

Pre-Payment Penalty – Is a fee charged by a lender when a borrower pays off a mortgage loan in full or in part prior to the maturity date. Fees are generally only applicable within the first few years of the loan and will typically be assessed on prepayments of 20% of the loan balance or more.

Public Notice - Once a week for four consecutive weeks the notice must appear in a newspaper in the county where the property is located. The last notice must be published not less than 10 days prior to the sale date. A notice is to be posted at least 20 days before the date of sale in some conspicuous place on the property. Notice shall also be posted at least 20 days before the date of sale at the county superior court.

Refinance – Qualifying for a new mortgage to pay off an existing mortgage using the same property as collateral.

Reinstatement – When the borrower pays the full amount owing on the loan (past due monthly payments plus any fees) in a lump sum by a specific date.

Repayment Plan – An arrangement by which a borrower agrees to make additional payments to reduce the past due amounts while still making regularly scheduled payments.

Request for Notice – A recorded document requiring a trustee to send a copy of a Notice of Default or Notice of Sale concerning a specific deed of trust in foreclosure to the person who filed/recorded the document.

Second - If there are more than two secured home loans, the loan secured by a deed of trust or mortgage that is junior only to the senior deed of trust or mortgage, is frequently referred to as the “Second.” The non-judicial foreclosure on the “first” deed of trust extinguishes the “second” deed of trust, but does not extinguish the unsecured liability on the obligation secured by the “second” deed of trust.

Servicing - The administration of the loan by the servicer from the time you obtain your mortgage loan until it is paid off.

Short Refinance – The refinancing of a mortgage by a lender for a borrower currently in default on his or her payments. This is done to avoid foreclosure. Typically, the new loan amount is less than the existing outstanding loan amount and the difference is typically forgiven by the lender. This is one of several alternatives that might be more cost effective for the lender instead of foreclosing on the property.

Trustee – A neutral party who advertises the foreclosure property for sale and conducts the auction to sell the property to the highest bidder.

Trustee Sale – An auction of real property conducted by a trustee.

Work-Out – Process where a servicer and a borrower develop a mutually acceptable agreement to resolve a loan default and avoid foreclosure. Also sometimes called “restructure.”

# COMMUNITY RESOURCES

Take advantage of organizations offering services that can assist you. Seek



personal support or get help managing your finances. No matter what situation you are in, you are not alone.

There are several community resources to help you rebuild after

foreclosure. Families who need help with rent, utilities, and/or other needs should contact an agency listed below:

## AMERICAN FINANCIAL SOLUTIONS

263 4th Street

Bremerton, WA 98337

**Website:** [www.myfinancialgoals.org](http://www.myfinancialgoals.org)

**Phone:** Credit Counseling 888 282-5899

Housing Counseling 888 864-8699

Bankruptcy Counseling 800 894-7240

**Services Offered:** Classes, Counseling, Workshops

**Topics Covered:** Bankruptcy, Basic Banking, Budgeting, Consumer Rights, Credit, Debt Assistance, Foreclosure Prevention, Homeownership, Identity Theft, Loans, Savings

**Languages:** English

**Hours:** Counselors are available to take your call Monday-Friday, 6:00 a.m. - 7:00 p.m.

## APPRISEN FINANCIAL ADVOCATES (FORMERLY CONSUMER COUNSELING NW)

**Offices:** Bellevue, Moses Lake, Olympia, University Place, Vancouver, Wenatchee, Yakima

**Website:** [www.apprisen.com](http://www.apprisen.com)

**Phone:** 1-800-355-2227

**Services Offered:** Group Classes, Private Counseling

**Topics Covered:** Bankruptcy, Basic Banking, Budgeting, Consumer Rights, Credit, Debt Management, First Time Homebuyer, Foreclosure Prevention, Identity Theft, Reverse Mortgage

**Languages:** English, Spanish, Russian, Tagalog

**Hours:** Mondays 10:30 am – 7 pm (last appt. 5:30 pm); Tuesday-Friday 8:30-5:00 pm (last appt. 3:30pm)

## CARES OF WASHINGTON

1833 N 105<sup>th</sup> Street, Suite 201

Seattle, WA 98133

**Website:** [www.caresofwa.org](http://www.caresofwa.org)

**Phone:** 206-938-1253

**Services Offered:** Counseling, Workshops

**Topics Covered:** Banking, Budgeting, Credit, Debt Assistance, Savings, Tax Assistance

**Languages:** English

**Hours:** Monday-Friday 8 a.m.- 5 p.m.

## CLEARPOINT CREDIT COUNSELING SOLUTIONS

9709 3<sup>rd</sup> Avenue NE, Suite 210,

Seattle, WA 98115

841 N Central Avenue, Suite C-213

Kent, WA 98032

**Website:** [www.clearpointccs.org](http://www.clearpointccs.org)

**Phone:** 1-800-634-CCCS (800-634-2227)

**Services Offered:** Counseling, Workshops

**Topics Covered:** Bankruptcy, Budgeting, Consumer Rights, Credit, Debt Assistance, Foreclosure Prevention, Homeownership, and Identity Theft

**Languages:** English

**Hours:** Monday-Thursday 7:30 a.m.-7 p.m.; Friday 7:30 a.m.-5 p.m.; Saturday 7:30 a.m.-noon

## CONSUMER EDUCATION AND TRAINING SERVICES (CENTS)

1200 Fifth Avenue, Ste. 600

Seattle, Wa 98101

**Website:** [www.CentsProgram.com](http://www.CentsProgram.com)

**Phone:** (206) 267-7017

**Services Offered:** Counseling, Workshops

**Topics Covered:** Bankruptcy, Basic Banking, Budgeting, Consumer Rights, Credit, Debt Assistance, Identity Theft, Loans, and Savings

**Languages:** English

## EL CENTRO DE LA RAZA

2524 16th Ave So

Seattle WA 98144

**Website:** [www.elcentrodelaraza.org](http://www.elcentrodelaraza.org)

**Phone:** (206) 957-4610

**Services Offered:** Classes, Counseling, Workshops

**Topics Covered:** Bankruptcy, Basic Banking, Budgeting, Consumer Rights, Credit, Debt Assistance, Foreclosure Prevention, Homeownership, Identity Theft, Loans, and Savings

**Languages:** English, Spanish

**Hours:** Monday-Friday from 9 a.m.-5 p.m.

## HOMESIGHT

5117 Rainier Ave S.

Seattle, WA 98118

**Website:** [www.homesightwa.org](http://www.homesightwa.org)

**Phone:** (206) 760-4200

**Services Offered:** Classes, Counseling, Workshops

**Topics Covered:** Foreclosure Prevention, Homeownership, Loans

**Languages:** English  
**Hours:** Monday-Friday 9 a.m.-5 p.m.

**HOPELINK**

15015 Main Street, # 206  
Bellevue, WA 98007  
**Website:** www.hope-link.org/gethelp/adultedclasses/spring2009money  
**Phone:** (425) 643-1912  
**Services Offered:**  
**Topics Covered:** Bankruptcy, Basic Banking, Budgeting, Consumer Rights, Credit, Homeownership, Identity Theft, Loans, Savings, and Tax Assistance  
**Languages:** English

**INTERNATIONAL DISTRICT HOUSING ALLIANCE**

606 Maynard Avenue South, Suite 105  
Seattle, WA 98104  
**Website:** www.apialliance.org  
**Phone:** (206) 623-5132  
**Services Offered:** Classes, Counseling, Workshops  
**Topics Covered:** Bankruptcy, Basic Banking, Budgeting, Consumer Rights, Credit, Debt Assistance, Homeownership, Identity Theft, and Savings  
**Languages:** English, Chinese, Tagalog, Cambodian, Hindi, Vietnamese

**LUTHERAN COMMUNITY SERVICES/ANGLE LAKE FAMILY RESOURCE CENTER**

4040 So 188th St.  
SeaTac, WA 98188  
**Website:** www.lcsnw.org  
**Phone:** (206) 816-3241  
**Services Offered:** Classes, Counseling, Workshops  
**Topics Covered:** Basic Banking, Budgeting, Tax Assistance  
**Languages:** English, Spanish

**MULTI SERVICE CENTER**

515 West Harrison #205  
Kent WA 98030  
**Website:** multi-servicecenter.com  
**Phone:** (253) 854-4406  
**Services Offered:** Classes, Counseling,  
**Topics Covered:** Basic Banking, Budgeting, Consumer Rights, Credit  
**Languages:** English  
**Hours:** Monday-Friday 8:30 a.m.-5 p.m.

**NEIGHBORHOOD HOUSE**

825 Yesler Way  
Seattle, WA 98104  
**Website:** http://www.nhwa.org/  
**Phone:** (206) 832-9656  
**Services Offered:** Classes

**Topics Covered:** Basic Banking, Budgeting, Consumer Rights, Credit, Identity Theft, and Savings  
**Languages:** English

**PARKVIEW SERVICES**

**Website:** www.parkviewservices.org  
**Phone:** (206) 542-6644  
**Services Offered:** Classes, Counseling, Workshops  
**Topics Covered:** Basic Banking, Budgeting, Consumer Rights, Credit, Foreclosure Prevention, Homeownership, Identity Theft, Loans, and Savings  
**Languages:** English  
**Hours:** Monday-Friday, 9 a.m.-4 p.m.

**PORT JOBS**

SeaTac International Airport RM 6447  
P.O. Box 68727  
SeaTac, WA 98169  
**Website:** www.portjobs.org  
**Phone:** (206) 835-7501  
**Services Offered:** Counseling  
**Topics Covered:** Basic Banking, Budgeting, Credit, Debt Assistance, Loans, Savings, Starting a Business, Tax Assistance  
**Languages:** English, Spanish, Swahili, Somali, Ukrainian, Russian, Moldovan, Amharic, Oromo, Punjabi/Hindi, Mai Mai, Arabic

**SEATTLE GOODWILL**

1400 S Lane Street  
Seattle, WA 98144  
**Phone:** (206) 860-5791  
**Services Offered:** Classes  
**Topics Covered:** Basic Banking, Budgeting, Credit  
**Languages:** English  
**Hours:** Monday-Thursday 9 a.m.-4 p.m.

**SOLID GROUND**

1502 North 45<sup>th</sup> Street  
Seattle, WA 98103  
**Website:** www.solid-ground.org  
**Phone:** (206) 694-6700

**UNITED INDIANS OF ALL TRIBES FOUNDATION**

PO Box 99100  
Seattle, WA 98139-0100  
**Website:** www.unitedindians.org  
**Phone:** (206) 285-4425  
**Services Offered:** Classes, Counseling, Workshops  
**Topics Covered:** Basic Banking, Budgeting, Credit, Loans, Savings, Starting a Business, Tax Assistance  
**Languages:** English

**URBAN LEAGUE OF METROPOLITAN SEATTLE**

105 14th Ave  
Seattle, WA 98122

**Website:** www.urbanleague.org

**Phone:** 1-800-368-1455

**Services Offered:** Classes, Counseling, Workshops

**Topics Covered:** Basic Banking, Budgeting, Consumer Rights, Credit, Debt Assistance, Foreclosure Prevention, Homeownership, Identity Theft, Loans, and Savings

**Languages:** English, Spanish

**Hours:** Monday-Friday 8:30 a.m.-5 p.m.

**WASHINGTON CASH**

2100 24<sup>th</sup> Ave., South, Suite 380  
Seattle, WA 98144

**Website:** www.washingtoncash.org

**Phone:** (206) 352-1945

**Services Offered:** Classes, Counseling, Workshops

**Topics Covered:** Budgeting, Loans, Starting a Business, Tax Assistance (for small businesses)

**Languages:** English, Spanish

**Hours:** Monday-Friday 9 a.m.-5:30 p.m.

**WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS**

**Website:** www.dfi.wa.gov

**Phone:** 1-877-RING-DFI (746-4334)

**Services Offered:** Workshops, Information, Licensing, Enforcement

**Topics Covered:** Basic Banking, Budgeting, Consumer Rights, Credit, Homeownership, Identity Theft, and Savings

**Languages:** English, Spanish

**Hours:** Monday-Friday 8 a.m.-5 p.m.

**WASHINGTON WORKING FAMILIES PROSPERITY CENTER**

132 SW 153rd Street  
Burien, WA 98166

**Phone:** (206) 497-0175

**Services Offered:** Counseling, Workshops

**Topics Covered:** Basic Banking, Budgeting, Consumer Rights, Credit, Debt Assistance, Foreclosure Prevention, Homeownership, Loans, Savings, Starting a Business

**Languages:** English, Spanish, Vietnamese

**Hours:** Tuesday-Thursday from noon-8 p.m.

**YWCA**

4800 S 188TH St.  
SeaTac, WA 98188

**Website:** www.ywcaworks.org

**Phone:** (206) 336-4601 or (206) 336-4611

**Services Offered:** Classes, Counseling, Workshops

**Topics Covered:** Basic Banking, Budgeting, Consumer Rights, Credit, Debt Assistance, Homeownership, Identity Theft, Savings, Starting a Business

**Languages:** English

**2-1-1 COMMUNITY RESOURCES ONLINE DATABASE**

Contains over 5,480 health and human service providers available throughout Washington to help meet your needs. You can access 2-1-1 Community Resources Database by visiting

www.resourcehouse.info/WIN211. If you do not find the service you need, dial 2-1-1 from anywhere in Washington to speak to a 2-1-1 Information and Referral Specialist for assistance. Or you can dial toll free 1-877-211-WASH (9274).

211 is available to take calls Monday - Friday from 8 a.m. – 6 p.m.

**Fair Lending**

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 18 yrs in your household, contact:

- Washington Attorney General's Office: 1-800-551-4636
- HUD's Enforcement Center: 1-800-669-9777
- The Washington Department of Financial Institutions: 1-877-RING-DFI (746-4334)

## Topic 8:

# Managing the Paperwork



- Paperwork Check List
- Communication Log

## Paperwork Checklist

The following documents are usually necessary before you begin to work with a mortgage lender/servicer or a housing counseling agency:

### Financial Information

- Hardship Letter - see Hardship Section
- 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

## “Stay On Top of It” Communication Log

It is important to keep track of all your conversations with your servicer and housing counselor. It is also very important to keep track of all the people working with you in addition to their phone numbers, important dates, and action steps. Below is a sample of the kinds of entries to make in your log. Attached to the log should be all of your documents including letters, loans, and notices.

- 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?

### Notes for “Stay On Top of It” Log

- Example -

Date	Name Ph. Number	Notes about our conversation Call Back (CB), Left Message (LM)
01/10/20xx	1-888-243-6666	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 1/15/20xx, I will call her.
1/11/20xx		Sent Hardship Letter by Fax to Katie.
1/15/20xx	1-888-243-6666	LM with Katie to verify she received fax/hardship letter.
1/19/20xx		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 1/26/20xx if she has not called me.
1/27/20xx	1-888-243-6666	LM for Katie who has not called as promised. Asked her to call back.
1/28/20xx	1-888-456-7777	Marlon from National called to say their company took over our loan and that he will be my new contact. He has our hardship letter and will discuss with his manager next steps and promised to call back on Monday, Feb. 1 <sup>st</sup> .





## Tenant Rights and Foreclosure



- **Overview**
  - The Protecting Tenants at Foreclosure Act of 2009
  - Washington Foreclosure Law (RCW 62.24.143)
- **General Information for Tenants Living in Foreclosed Properties**

### Overview

#### The Protecting Tenants at Foreclosure Act of 2009

If a tenant is renting a home that was sold at a foreclosure sale after May 20, 2009, a new federal law, *The Protecting Tenants at Foreclosure Act of 2009*, 12 U.S.C. 5220, requires the new owner to notify the tenant at least 90 days before evicting the tenant. The tenant must still comply with the obligations of the lease or rental agreement during this time period. The federal law was amended in 2010 and extended through 2014.

#### Washington Foreclosure Law (RCW 62.24.143)

In addition to the new federal law, a new Washington State law, *RCW 61.24.143*, requires the foreclosing party (the lender or trustee that is foreclosing on the rental property) to send the tenant a written notice before the foreclosure sale. This written notice must explain that the home might be sold 90 days or more after the date of the notice. It must also tell the tenant that a person who buys the home at a foreclosure sale is required to provide at least 60 days notice before evicting the tenant. These are two distinct notice periods: the 90-day foreclosure notice informs the tenant that the home may be foreclosed and the date *when* the sale is scheduled; the 60-day eviction notice is given after the foreclosure sale and notifies the tenant of the date by which he or she must vacate the premises (or a judicial eviction case may be brought). The state law does not have a sunset provision.

❖ The state and federal laws operate concurrently: while the tenant will receive notification of the right to a 60-day notice to vacate under the new state law, purchasers of the property at the foreclosure sale will still be required to provide renters with a 90-day notice prior to eviction, because of the federal law. *This may seem confusing, but the important point is that, if the tenant continues to pay rent, the tenant is entitled to at least 90-days notice.*

❖ These are new laws and there are relatively few court cases interpreting them. This section is meant to give general information about these new laws. For specific circumstances, the tenant or advocate should review this information and consult a lawyer about specific questions pertaining to rights under the new federal and state laws protecting tenants living in foreclosed properties.

## General Information for Tenants Living in Foreclosed Properties

### Where are these new laws?

- ❖ The federal *Protecting Tenants at Foreclosure Act* can be found at: S. 896, Pub. L. No. 111-22, §§ 701-704, or 12 U.S.C. 5220.  
<http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.1247.IH>:
- ❖ The new state law, *RCW 61.24.143*, can be found at:  
<http://apps.leg.wa.gov/rcw/default.aspx?cite=61.24.143>
- ❖ Another state law, *RCW 61.24.146*, requiring that, during the 60 day notice period, tenants can only be evicted for waste or nuisance, can be found at:  
<http://apps.leg.wa.gov/rcw/default.aspx?cite=61.24.146>

### How does the new federal law affect a tenant with a lease?

Unless the new owner is going to move into the property, the tenant can stay until the lease ends.

If the new owner is planning to move into the property, he or she must give the tenant at least 90-days notice to vacate. The owner cannot start an eviction lawsuit until the 90-day notice period expires.

Changes made in 2010 provided an additional clarification for tenants with leases. It is now clear that post-foreclosure owners must honor leases entered into any time before the transfer of title at foreclosure. Banks had previously argued that only leases entered into before the Notice of Default or Notice of Trustee Sale survived foreclosure. This clarification takes away a major tool banks had been using to deprive tenants of their right to remain in their homes.

### What if the tenant is renting month to month?

If the tenant is renting month to month, or if the tenant began the tenancy with a lease that has expired, the new owner is required to provide at least 90 days notice before evicting the tenant.

## **What if the tenant has a Housing Choice Voucher (i.e., “on Section 8”)?**

If the tenant has a Section 8 voucher, the same protections listed above apply: completion of the lease period and/or 90 days required notice prior to eviction. However, the new owner must also honor the terms of the housing assistance payments (HAP) contract that established the Section 8 tenancy. The new owner may not use the "other good cause" clause of the HAP contract to terminate the lease just because the property may be easier to sell if unoccupied.

## **What if the rent is reduced or subsidized by a program other than Section 8?**

If rent is reduced or subsidized by any federal, state, or local subsidy program, the tenant receives the same protections as any other renter, including the right to a 90-day notice.

## **If the tenant lives in Seattle, does the Just Cause Ordinance provide any protection?**

Possibly. In Seattle, no landlord can evict a tenant for any reason other than those listed in the Ordinance. Purchasing property at a foreclosure sale is not listed as one of the reasons why an owner can evict a tenant so the Seattle Just Cause Ordinance may protect some tenants. If a post-foreclosure occupant pays rent to the new owner and he or she accepts it, then a new month-to-month tenancy has likely been created, and the tenant should be protected by the Ordinance. If the tenant lives in Seattle and is in a property facing foreclosure, he or she should seek immediate legal advice—especially if the new owner does not accept an offer of rent.

## **Who does the tenant pay rent to after the foreclosure sale?**

Rent should be paid to the new owner. If the tenant has not been provided with payment information for the new owner, then the tenant should save the rent money until it is clear how payment should be made. Don't assume that, just because the new owner hasn't told the tenant where to send the rent, they don't have a right to collect it.

Under the new state law, *RCW 61.24.146*, a tenant living in a foreclosed property may receive either a new rental agreement or a 60-day notice to vacate. If the tenant enters into a new rental agreement with the new owner, then the tenant would pay rent to the new owner. If the tenant receives a 60-day notice to vacate, the tenant may only be evicted for waste or nuisance under the new state statute. There is no authority for a new owner to evict for other reasons such as nonpayment of rent. Accordingly, the tenant who receives the 60-day notice to vacate is probably not required to pay rent, unless the tenant wishes to assert the right to remain at least 90 days pursuant to the federal law.

## Is a tenant required to keep paying rent after receiving the 90-day notice?

It depends. The tenant must decide on whether to assert rights under state law or federal law. The new federal law assumes that the obligation to pay rent continues during the 90 days. However, the new owner may not demand or collect the rent, or even want to enter into a landlord tenant relationship.

If a demand for rent is made, and the tenant wants to stay for the 90-day period, the tenant should continue to pay rent. If the tenant does not pay rent, or fails to meet other terms of the lease or tenancy, the federal law says the tenant may be evicted pursuant to state law. For more information, read the online publication *Eviction and Your Defense*, available at [www.washingtonlawhelp.org](http://www.washingtonlawhelp.org) under the category "Housing."

Whether the tenant must pay rent is more complicated under the state law. If the tenant enters into a new rental agreement with the new owner, the tenant would have to pay rent. However, the tenant is not required to enter into a new rental agreement. If the tenant does not enter into a new rental agreement, the new owner may evict the tenant, but only after giving the tenant 60 days' notice to vacate. The new owner could evict the tenant sooner if the tenant commits waste or nuisance, but NOT for non-payment of rent.

Additionally, if the tenant receives a 60-day notice to vacate under the new state law, and chooses not to pay rent during the 60-day notice period, but does not move at the end of the 60 days, the new owner could sue and force the eviction through the unlawful detainer process. The tenant should seek immediate legal advice if in this situation.

## How does the tenant know if the person claiming to be the owner of the rental is actually entitled to collect rent?

There is a possibility that scammers will be contacting tenants living in foreclosed properties and demanding rent. Before paying rent to a person who claims to be the new owner, the tenant should confirm that the person is the actual legal owner of the home and is entitled to collect the rent by:

1. Asking for a copy of the Trustee's Deed from the new owner as proof of ownership.
2. Contacting the County Auditor to make sure that the Trustee's Deed is legitimate and not a forgery.

*Contact information for County Auditors in Washington State may be found at <http://publicrecords.onlinesearches.com/Washington-Land-Records-and-Deeds.htm>*

*A local title insurance company may also be able to provide this information.*

## **If the tenant has paid the landlord a deposit and/or last month's rent, what happens to that money after foreclosure?**

Under the law, the landlord should transfer those funds to the new owner. If he or she fails to do so, the tenant may have a claim in small claims court. See the online publications *Recovering Your Security Deposit and Small Claims Court in Washington State*, both available at <http://www.washingtonlawhelp.org>. Be aware, however, that the tenant may owe rent or a deposit to the new owner, regardless of whether the old landlord has wrongfully retained those funds.

## **For tenants who are paying rent to a property management company that worked for the old landlord who was foreclosed upon by sale of the property, should those tenants keep paying the property management company?**

No. The property management company had a contract with the old landlord. That contract ended when the rental property was foreclosed on.

The old property manager may have contacted the new owner and established a new contract to continue managing your home, but the tenant should confirm this before paying rent to the old property manager after a foreclosure sale.

## **Who does the tenant contact if the rental needs repairs or if the utilities are shut off because the old landlord didn't pay the bill?**

The new owner after the foreclosure becomes the landlord for all purposes pursuant to the new federal law. Problems with maintenance or repair, as well as utility service (assuming that the landlord was obligated to pay utilities) are the obligation of the new owner. For more information, see the on-line publication, *Tenants' Repair Remedies*, available at [www.washingtonlawhelp.org](http://www.washingtonlawhelp.org).

## **The new owner or foreclosing lender has approached the tenant and offered a one-time cash payment to vacate the rental property. What should the tenant do?**

This is entirely the decision of the tenant. The tenant should be aware that under the new federal law, the new owner or foreclosing lender is required to give a 90 day notice prior to evicting the tenant. If, for example, a new owner tells the tenant that there is only a choice between taking the cash and leaving now or being evicted with less than 90 days notice, the tenant will have legal remedies against the new owner. However, if taking a cash payment and leaving the rental property is in the tenant's best interest, they may wish to bargain for an acceptable amount of time and cash to move.

One way to evaluate such “cash-for-keys” offers is to compare the amount of money being offered with the rental value of the premises. Under the state law, a tenant can likely remain in a foreclosed property for approximately two months after a foreclosure sale without having to pay rent. Therefore, a reasonable cash-for-keys offer should usually be worth at least two months’ rent.

### **The foreclosure sale happened after July 26, 2009, and the tenant just received a notice to vacate in 60 days, what are the tenant’s rights?**

Regardless of that notice, the tenant has an absolute right to 90-days notice to vacate pursuant to the federal law as explained earlier. If the tenant wants to stay in the home for the full 90 days, the tenant should let the new owner know that the tenant intends to assert this right. The tenant will also have to comply with the obligation to pay rent and other duties pursuant to the agreement prior to the foreclosure. If the new owner refuses to comply with federal law, the tenant should seek legal assistance.

If the tenant does not wish to assert the right to a 90-day notice before vacating, the tenant can comply with the 60-day notice by vacating in 60 days. The state law, *RCW 61.24.146*, says that, during those 60 days, the new owner can only evict for waste or nuisance. This means that, during the state-mandated 60-day notice period, the tenant cannot be evicted for failing to pay rent.

The new owner may wish to enter into a new rental agreement with the tenant under the new state law. The new owner is not required to do so. The tenant should only enter into a new rental agreement if it is in their interest to do so, weighing other options under these new laws.

Finally, the tenant can simply move out. The tenant has no obligation to remain in the property after the foreclosure sale. The tenant should remove all belongings and valuables, so that they are not taken or destroyed by the new owner.

### **Who is not protected under the federal *Protecting Tenants at Foreclosure Act of 2009*?**

These protections are available only to tenants; the law does not protect foreclosed homeowners. Also, the law does not protect the foreclosed landlord or a child, spouse, or parent of the foreclosed owner. The law does not apply unless the tenancy was the result of an “arm’s length transaction” (not a special deal between friends or family); or if the lease or tenancy requires the payment of rent that is not substantially less than the fair market value for the property, unless the rent is reduced by a federal, state, or local subsidy.

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## Disclaimer

Unless otherwise specifically stated, the information contained herein is made available to the public by the Seattle-King County Asset Building Collaborative (SKC ABC) Foreclosure Prevention Team 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 non-profit 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 or preventing their foreclosure crisis. Neither the SKC ABC Foreclosure Prevention Team 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. Due diligence has been made to cite all sources used in the making of this workbook.

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