

- **Prince George's County Coalition for Home Ownership Preservation** includes counseling agencies, government, lenders and advocates. It was formed in Spring 2007 to address the rapid rise in foreclosures being processed in Prince George's County. The Coalition holds regularly-scheduled, two-hour workshops, entitled *Under a Shadow; Dealing with the Threat of Foreclosure*. To participate, call 301-883-5570 or contact mharrington@hiphomes.org for a schedule.

- **U.S. Department of Housing and Urban Development (HUD)** has developed several publications for consumers, including "Help for Homeowners Facing the Loss of Their Home" and "How to Avoid Foreclosure." While the guide about avoiding foreclosure is written specifically for homeowners with FHA insured homes, there are many helpful tips for all consumers. This information can be accessed through the HUD website at www.hud.gov.

- **NeighborWorks America's Center** for Foreclosure Solutions was created to preserve homeownership for families facing foreclosure. As part of its outreach efforts to struggling homeowners, NeighborWorks has launched a Foreclosure Prevention Advertising Campaign in partnership with the Ad Council. The campaign will seek to decrease foreclosures by directing struggling borrowers to call 888-995-HOPE, operated by the **Home Ownership Preservation Foundation**. Homeowners will receive free assistance from an experienced housing counselor and be connected, as appropriate, with their lender or local NeighborWorks organization. For more information go to www.nw.org or www.995hope.org.

- **The National Association of REALTORS® (NAR)** has an excellent new brochure for homeowners, "Learn How to Avoid Foreclosure and Keep Your Home," available at www.realtor.org/government_affairs/housing_opportunity/resource_center/foreclosure.html.

- **Federal Housing Administration (FHA)** has a webpage entitled, "You Can Avoid Foreclosure and Keep Your Home" at www.fha.gov/foreclosure/index.cfm.

Refinancing Options

- **Homestay™**, a new Fannie Mae product, is designed to help sub-prime borrowers refinance their high-interest adjustable-rate mortgages into stable, fixed-rate mortgages. It offers flexible mortgage products for refinance combined with underwriting guidelines that emphasize the borrower's ability to repay the debt, and supports homebuyer counseling and foreclosure prevention efforts. **Freddie Mac** has also announced plans to provide a refinancing program targeted to homeowners with predatory loans.

- **FHASecure**, available in January 2008, will allow families with strong credit histories who had been making timely mortgage payments before their loans reset (but who are now in default) to qualify for refinancing with a risk-based premium pricing loan. FHA has recently experienced a substantial increase in the number of conventional borrowers refinancing into FHA products. With **FHASecure**, it can help even more.

- **The Maryland Department of Housing and Community Development's Community Development Administration** has created the Lifeline Refinance Mortgage Program, which provides a refinancing option

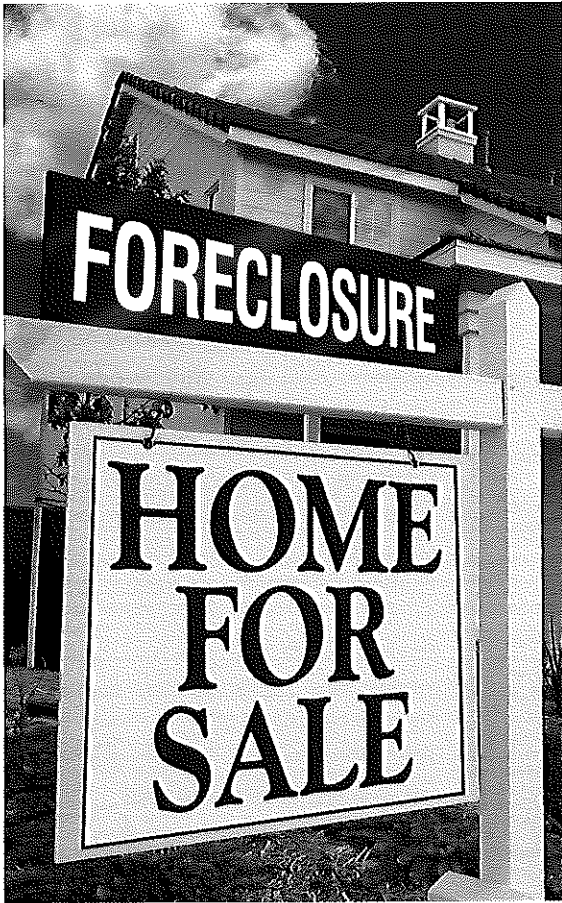
to Maryland residents who are facing financial difficulty as a result of an adjustable rate mortgage or other unfavorable mortgages. Eligibility criteria include maximum household income limits and loan to value and appraised value limits. For more information call 1-877-HOA-P555 or go to www.dhcd.state.md.us.

Emergency Funds

- **National Community Reinvestment Coalition (NCRC) Consumer Rescue Fund** works with victims of predatory lenders to make their mortgage payment more affordable and avoid foreclosure. NCRC's member groups and their communities are encouraged to tap into this program. The CRF identifies consumers who are in "high risk," predatory mortgages. They also assist those who have made good faith efforts to pay their loans but are unable to do so due to a permanent change in circumstances. The CRF is made possible by a multi-million dollar funding and underwriting commitment from Household Finance Corporation. Support for the fund is also provided by Select Portfolio Servicing, Inc., the Ford Foundation, Freddie Mac, the Fannie Mae Foundation, Fannie Mae, the JP Morgan Chase Foundation and the Heron Foundation. Go to www.fairlending.com.

- **Baltimore Community Lending HELP (Homeowner Emergency Loan Program)** was established to help prevent foreclosures by predatory lenders. It provides Baltimore homeowners in danger of foreclosure with several important services: (1) Affordable mortgage refinancing and emergency home repair loans; (2) Grants to reduce mortgage debt in inflated appraisal cases (known as "property flipping"); (3) Intervention with the existing mortgage

It is no secret that homeowners in trouble with their mortgage would rather go to the person who sold them the house than contact the lender who holds the mortgage. Some homeowners facing foreclosure are selling their homes to pay off their mortgage. Many have delayed managing their financial difficulties, and some may be facing negative equity in their homes and potentially a short sale.



REALTORS® can certainly help homeowners, who often are unaware of alternatives to losing their homes through foreclosure. However, when discussing any issues with your customers and/or clients, please remember to tell them that the information you give is based upon your experience as a REALTOR®, and that you are not acting as a financial planning professional or providing financial guidance.

Help for Homeowners

The current real estate market is presenting challenges for homeowners and real estate practitioners. Many homeowners with adjustable rate mortgages are dealing with escalating monthly mortgage payments; some are facing foreclosure.

Realty Trac, a home loan database, reports that foreclosure filings in Maryland in August rose to 3,305 — an increase of 49 percent from July. The state's foreclosure rate was the 14th highest in the nation. As of the end of August, foreclosures in Maryland had reached 17,534 for 2007.¹

Foreclosure Prevention: Help for Homeowners

Yet Maryland's experience is actually better than in many other parts of the country. "Despite its continued spike in foreclosure activity, Maryland's economy continues to grow and the state's foreclosure rate remains below the national average," said James J. Saccacio, chief executive officer of RealtyTrac.

While alternatives are limited, there are an increasing number of resources both nationally and locally that can help homeowners stay in their homes. Here are some tools and resources that may be helpful to your clients and customers facing difficulties:

Coalitions/Agencies:

- **The Baltimore Homeownership Preservation Coalition (BHPC)** was established in 2005 to prevent foreclosures, reduce abusive real estate practices and to increase homeownership education and resources. Their website, www.preservehomeownership.org, includes a number of local resources to help homeowners save their homes. In the Baltimore area, just dial a hotline "311" to reach a housing counselor who can assist the homeowner with foreclosure prevention.

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lender, including legal action; and (4) Financial counseling and homeowner education. Applications may be submitted through any Baltimore City housing counseling agency that is approved by HUD to provide default and foreclosure counseling. Call (410) 727-8590 for a list of approved agencies.

How REALTORS® Can Help

REALTORS® should stress the importance of early action by homeowners. Homeowners in trouble should seek the professional services of an attorney or housing counselor who will call the mortgage lender's Loss Mitigation Department to try to reach some kind of "workout" solution. If the homeowner's lender is unwilling or unable to help, REALTORS® can work with the housing counselor to help find another lender to refinance the mortgage.

A recent study by Freddie Mac confirms that developing an early action plan to help delinquent owners results in fewer foreclosures overall. In fact, low and moderate income homeowners who enter into such an arrangement are 68 percent less likely to lose their home, and among all borrowers at all income levels, the risk of home loss is decreased by 80 percent when there is such a plan.

If the homeowner has a history of good credit and needs a loan with lower payments, a longer term or other changes, then the homeowner should speak with lenders about refinancing. It's best to do this if the homeowner faces:

- Payments that are beyond their financial means.
- Payments that are rising due to increasing interest rates or other adjustments.
- Loans that cannot be modified.
- Loans where owner may be struggling to make a payment on time or actually miss a payment.

Remember that the time to refinance is when the homeowner has the best possible credit to present to lenders BEFORE being late or missing a loan payment.

REALTORS® can also offer the following information to homeowners to avoid mortgage trouble:

- **Contact a certified housing counselor** to develop an action plan to preserve homeownership. A list of agencies can be found at www.morehouse4less.com/counseling.aspx.
- **Focus on your budget and prioritize your expenses.** Prioritize your bills and pay the ones that are most necessary for the well-being of you and your family, such as shelter, food, and utilities.
- **Protect your credit score.** When you are experiencing a financial challenge, remember that making late payments or skipping them can seriously affect your credit score.
- **DON'T SIGN any document you did not read or understand.**
- **Beware of scams.** Beware of predatory lenders, pre-approved loan offers, and phony counseling agencies. Homeowners facing financial troubles are especially vulnerable because they are desperate to find a solution to their problems. Legitimate counseling agencies offer their programs for free or for a small administrative charge. Check with a lawyer or your mortgage company before signing anything involving your home. Do not sign anything you do not understand. The U.S. Department of Housing and Urban Development has more information about avoiding predatory lending on their website, www.hud.gov.

Foreclosure 101 in Maryland²

Maryland only recognizes judicial foreclosures. The average process period in Maryland is about 46 days; the property will be scheduled to be sold in 30 days from the date of publication.

Any foreclosure action may result in substantial administrative and legal costs to the home-owner, even if the foreclosure is stopped. That's why it is best to address the potential problem as early as possible, at the first possibility of default or late payment.

Pre-foreclosure Period

To begin the foreclosure process, a lender must file a complaint against the borrower and obtain a decree of sale from a court that has jurisdiction where the property is located. The court will then determine whether a default has occurred. If the court finds a default, it will fix the amount of the debt, interest, and costs due and present a sensible time for payment to be made. The court may order that if payment is not made within a certain time, the property must be sold to satisfy the debt.

Before the sale date is set by the court, the lender is not required to notify the borrower (owner) of the pending foreclosure proceedings. This differs from a number of states where some type of notification must be sent to the borrower before any sale date is scheduled.

Notice of Sale/Auction

A notice of sale must be published in a local newspaper for three consecutive weeks. The trustee must send a notice of sale to the borrower and any other lien holders at least 10 days before the date of the sale.

- An auctioneer conducts the sale, which typically takes place outside the courthouse. At the auction, the lender will make a bid, usually enough to assure the repayment of its loan. In a stronger market the

NOTES:

¹ RealtyTrac publishes the largest and most comprehensive national database of foreclosure and bank-owned properties, with over 1 million properties from nearly 2,500 counties across the country, and is the foreclosure data provider to MSN Real Estate, Yahoo! Real Estate and The Wall Street Journal's Real Estate Journal.

The RealtyTrac Monthly U.S. Foreclosure Market Report provides the total number of foreclosure filings — both nationwide and by state — over the preceding month. RealtyTrac's report includes properties in all three phases of foreclosure: *Defaults* — Notice of Default (NOD) and *Lis Pendens (LIS)*; *Auctions* — Notice of Trustee Sale and Notice of Foreclosure Sale (NTS and NFS); and *Real Estate Owned*, or REO properties (that have been foreclosed on and repurchased by a bank).

² www.realtytrac.com/foreclosure-laws/Maryland-foreclosure-laws.asp

³ Also, a short sale or deed-in-lieu of foreclosure will show on a credit report — not treated as negatively as a foreclosure, but it can significantly reduce the credit score. One reason to have an attorney involved during negotiations with a lender is to determine how a mortgage settlement is shown on a credit report with the least damage to the seller's credit.

OTHER SOURCES:

dailyforeclosure.org

www.realtytrac.com/states/Maryland.html

www.realtytrac.com/ContentManagement/Library.aspx?ChannelID=13&ItemID=3367

lender's bid may be higher, enough to cover both the loan balance and all foreclosure costs.

- If the property is sold, there will be a new owner. If the property is not sold, the lender becomes the owner (because of the bid it made to protect its interests). A property held by the lender after a foreclosure becomes real estate owned (REO).

After the winning bidder has been established, a notice that the sale has occurred is published in a local newspaper to advise interested parties that any objections must be made within 30 days. If no objections are filed, the sale is confirmed by the court and the property ownership is transferred to the bidder.

There is no established redemption period for the borrower, but the courts can set a redemption period on a case-by-base basis.

Loss Mitigation & Remedies

There are several options for homeowners to discuss with the lender as alternatives to foreclosure:

- **Forbearance.** An agreement to give a temporary reduction or suspension of the mortgage payment. Forbearance may be an option when the borrower can prove that his income will resume after a fixed-period — after an injury or illness — or when funds from a bonus, tax refund, or other source will bring the mortgage current at a specific time in the future.
- **Reinstatement.** A lump sum payment that brings the mortgage current after forbearance.
- **Repayment Plan.** An agreement that gives a fixed amount of time to repay the amount that is owed by combining a portion of what is past due with the regular monthly payment. At the end of the repayment period, the borrower has gradually paid back the amount of the mortgage that was delinquent.

- **Loan Modification.** The mortgage company agrees to permanently re-write one or more of the original terms of the note to make the payments more affordable. Common loan modifications include adding missed payments to the existing loan balance, waiving interest rate increases or extending the term of the loan.

- **Partial Claim.** The insurer (usually FHA) makes a one-time payment to bring the mortgage current, which becomes an interest-free subordinate mortgage due when the insurance is terminated.

- **Short Sale (or Pre-Foreclosure Sale).** A proposal by the homeowner to avoid foreclosure by selling the house to cover the mortgage obligation, although the proceeds will not be sufficient to cover all of the transaction costs. Moreover, lenders are not required to accept a short-sale proposal and — if they do — under current law any unpaid loan balance may be regarded as taxable income to the borrower. From all appearances, the seller is experiencing a true economic loss; however, he is essentially receiving a forgiveness of debt which the IRS recognizes as "income" — taxable at ordinary income rates, even though no cash has changed hands. (Advise clients to seek specialized legal or tax professionals.)³

- **Deed-In-Lieu of Foreclosure.** An agreement by the borrower to return title to the lender, so that technically, there is no foreclosure. However, as with a short sale, there is potentially a net loss to the lender and there may be taxable implications to the borrower. 