

DEAR FRIENDS

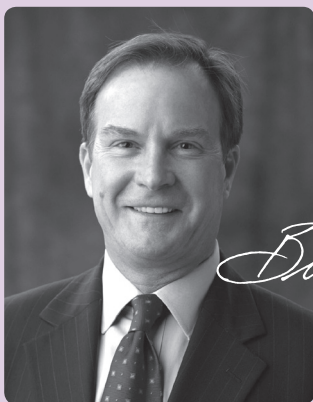
Times are tough in Michigan. Many citizens have lost, or fear losing, their jobs. To make matters worse, many homeowners who purchased homes or refinanced mortgages in the last few years now face skyrocketing mortgage payments.

This “perfect storm” of job losses, increasing monthly mortgage payments, and property value depreciation, among other factors, have made Michigan the center of the foreclosure crisis.

By working with local and state leaders, law enforcement, lenders, and other state attorneys general, I hope to find solutions to the foreclosure crisis and ensure more Michigan citizens keep their homes.

This brochure will help you understand the foreclosure process, explain the steps you can take to avoid foreclosure, and give you information to protect yourself from criminals who target struggling homeowners.

As your Attorney General, I continue to work to protect Michigan citizens by ensuring you receive all the information necessary to help you make these extremely important financial decisions. You are not alone in the fight to save your home.



Bill Schuette

Bill Schuette
Attorney General

FORECLOSURE SCAMS TO AVOID

1. THE FORECLOSURE RESCUE SCAM:

This scam involves taking large fees in advance to negotiate with your lender and “save your home.” Up-front fees are illegal. And you don’t need to pay someone to talk to your lender for you – most lenders will work with you directly or you can call MSHDA at 1-866-946-7432 and get help for free.

2. THE LEASE/BUY BACK:

Homeowners are tricked into signing over the deed to their home based on promises that they can rent and stay in the home and buy it back later. But the terms of the buy back are often so onerous that homeowners cannot repurchase their home later. Make sure you read and understand any document before you sign!

3. BAIT AND SWITCH:

Homeowners are tricked into signing over the deed to their homes because scammers convince them they are only entering into a new mortgage agreement. Again, understand any document you sign!

FOR MORE INFORMATION

For more information on mortgages and foreclosure, helpful websites include:

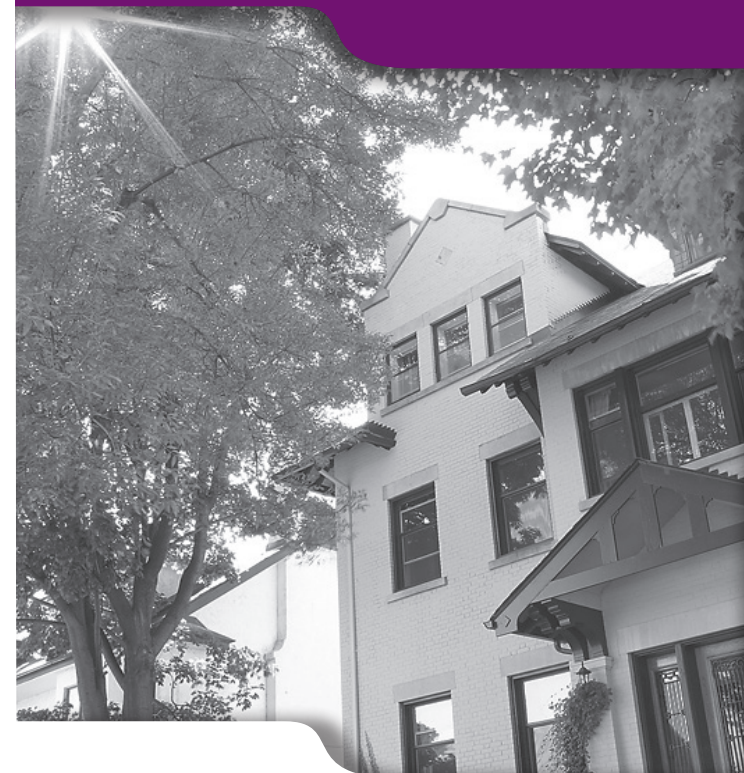
www.michigan.gov/mshda

www.ftc.gov/credit

www.hud.gov/foreclosure

Foreclosure scam complaints can be directed to the Michigan Attorney General online at www.michigan.gov/ag or by calling 1-877-765-8388. Complaints regarding a licensed mortgage broker or lender should be directed to the Office of Financial and Insurance Regulation online at www.michigan.gov/ofir or by calling 1-877-999-6442.

HELPING HOMEOWNERS AVOID FORECLOSURE



FORECLOSURE FAQs

WHAT IS FORECLOSURE?

Foreclosure is a legal process that creditors use to satisfy your financial obligation to them. Not paying a debt (like a mortgage, a second mortgage, or a home-equity loan) or not paying property taxes can trigger a foreclosure. For more information on the foreclosure process, please visit www.michigan.gov/mshda.

IF I MISS ONE MORTGAGE PAYMENT, AM I AT RISK OF LOSING MY HOME?

Yes. Technically, after missing one mortgage payment, you have usually breached your agreement with your lender. Although most lenders do not start foreclosure after only one missed payment, do NOT mistake this for “getting away” with missing a payment. Late charges and other fees often apply if you miss a payment, and the added costs make it harder to catch up. If your budget is already tight, this can spiral out of control and lead to a foreclosure.

MY LENDER HAS STARTED FORECLOSURE PROCEEDINGS. WHAT DO I DO?

Immediately contact an attorney and/or a non-profit housing counselor. For state-approved housing counselors, contact MSHDA at 1-866-946-7432 or visit www.michigan.gov/mshda. For federally approved housing counselors, call HUD at 1-800-569-4287 or visit www.hud.gov. If you need legal help but cannot afford an attorney, contact legal aid at: www.michbar.org/public_resources/legalaid.cfm

WHAT IS THE DIFFERENCE BETWEEN A LENDER AND A SERVICER?

When you get a mortgage, the lender provides the money to buy the house. A servicer collects your mortgage payments. Often the lender and the servicer are different companies. To simplify, any reference to a “lender” in this brochure refers to whomever contacts you regarding the timeliness and amount of your mortgage payments.

HOW TO AVOID FORECLOSURE

1. Carefully review all of your loan documents.

You should know exactly what type of mortgage you have and if your payment will change. The most common types are: a) Hybrid Adjustable Rate Mortgages (ARMs), which have fixed payments at first and then the payments change; b) ARMs, which have payments that were never fixed; and c) Fixed Rate Mortgages, which have total principal and interest payments that stay the same until the loan is paid off. If you have an ARM and want to stay in your home for several years, it may be worth refinancing to a Fixed Rate Mortgage, if possible.

2. Contact your lender. If you are having trouble making your payments, contact your lender *immediately*. Most lenders will work with you, if you show a good faith effort to make your payments and avoid foreclosure. It is important to contact your lender early – the longer you wait, the harder it will be to help you later.

3. Be organized! Open and respond to all notices that you get in the mail, and keep copies of everything. Anything you send to the lender in the mail should be sent by certified mail, return receipt requested. Keep records of the last twelve payments made to your account, including amounts and date of payments. Evaluate your current budget, and keep your pay stubs and W-2s. Your lender’s “loss mitigation specialists” (people who work with homeowners to avoid foreclosure) will need this information to determine if a loan modification or other option is possible.



Scan this code with your smartphone for more information.

ALTERNATIVES TO FORECLOSURE

Your lender may be able to work out an alternative to foreclosure that keeps you in your home, or at least prevents a foreclosure from ruining your credit. Alternatives include:

Repayment Plan: Your lender may give you a fixed amount of time to repay the amount you are behind, plus any late fees, by increasing your regular monthly payment. This is a good option if you only missed a few payments and can afford the higher payment.

Forbearance: Your lender may agree to suspend your payments for a period of time. At the end of this time, you resume your regular monthly payments. You may also be required to make an extra lump sum payment or extra partial payments. This may be a good option if you have a temporary reduction in income due to illness, layoff, or other reason.

Loan Modification: Your lender may agree to reduce your interest rate, extend the term of the loan, or add missed payments to the loan balance.

Selling Your Home: Depending on the housing market in your area, selling may provide the funds needed to pay the mortgage debt in full. In a “short sale,” the lender lets you sell your home and may forgive any shortfall between the final sale price and your mortgage balance. If the shortfall is forgiven, you may still face a tax liability on the amount of debt forgiven.

Deed in Lieu of Foreclosure: You transfer title to the lender in exchange for cancellation of the remainder of your debt, but you lose any equity in the home and may have to pay taxes on the debt forgiven. A sale or a deed in lieu of foreclosure may be better than a foreclosure adversely affecting your credit.

