

**THE FIVE FASTEST WAYS TO STOP FORECLOSURE
WITHIN 48 HOURS OR LESS**

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INTRODUCTION

YOU WILL FIND 5 POWERFUL OPTIONS FOR STOPPING A FORECLOSURE CONTAINED WITHIN THIS REPORT AS WELL AS 2 BONUS STRATEGIES THAT TAKE A LITTLE BIT LONGER. TO FIND OUT WHICH STRATEGY WILL BE BEST FOR YOU, BE SURE TO READ THROUGH EACH ONE.

IF YOU ARE BEHIND ON YOUR MORTGAGE PAYMENT, YOU COULD BE FACING A FORECLOSURE. IT MAY BE THE CASE THAT YOUR SITUATION HAS CHANGED AND YOU HAVE ENOUGH MONEY TO BRING THE MORTGAGE BALANCE CURRENT AND MAKE UP ALL OF THE BACK PAYMENTS, ALLOWING YOU TO STOP FORECLOSURE.

ONCE THE BANK ACCEPTS YOUR MONEY THAT IS OWED TO THEM, EITHER TO PAY THE LOAN OFF OR TO BRING THE MORTGAGE CURRENT, THEN THE FORECLOSURE IS STOPPED IMMEDIATELY!

IF YOU DON'T HAVE THE FULL AMOUNT NEEDED TO BRING THE LOAN CURRENT, BUT CAN COME UP WITH A LARGE SUM, THEN YOU CAN WORK OUT REPAYMENT PLAN BY INCREASING THE MONTHLY AMOUNT THAT YOU PAY EVERY MONTH AFTER PAYING A LUMP SUM TO THE BANK IN GOOD FAITH.

OR YOU CAN WORK OUT A FORBEARANCE PLAN THAT IS A FORMAL WRITTEN AGREEMENT BETWEEN YOU AND THE BANK THAT MAY COULD REDUCE, STOP, OR PAUSE SOME OF YOUR MONTHLY PAYMENTS. THEN YOUR LENDER WILL SETUP A SPECIFIC PROGRAM FOR HOW THE BACK PAYMENTS (ARREARAGES) ARE TO BE PAID OR ADDED ONTO THE END OF THE LOAN BALANCE AND TERM.

THROUGHOUT THE PROCESS IT IS VERY IMPORTANT TO KEEP IN CONTACT WITH YOUR LENDER AND BE OPEN AND HONEST WITH THEM ABOUT YOUR SITUATION. YOU WILL ALWAYS WANT TO GET ANY AGREEMENTS OR PROMISES IN WRITING AND WE WILL DISCUSS THESE OPTIONS IN MORE DETAIL IN THIS REPORT.

1. BRING THE LOAN CURRENT: REINSTATEMENT

WHEN THE LOAN IS BROUGHT CURRENT BY PAYING THE AMOUNTS PAST DUE, THIS IS REINSTATEMENT. ALL BORROWERS HAVE THE RIGHT TO FULLY REINSTATE THEIR LOANS WITH IN 90 DAYS OF BEING SERVED WITH A NOTICE OF DEFAULT. IF YOU ARE NOW ABLE TO MAKE YOUR MORTGAGE PAYMENTS OR YOUR INCOME HAS RETURNED TO A PAST LEVEL, YOU CAN NEGOTIATE WITH YOUR LENDER TO BRING THE LOAN CURRENT BY PAYING ANY BACK PAYMENTS AND PENALTIES.

THE LOAN SERVICER MAY ALSO BE ABLE TO ARRANGE FOR THIS TO BE DONE OVER TIME BY INCREASING MONTHLY PAYMENTS UNTIL THE LOAN CAN BE BROUGHT CURRENT. THAT MEANS THAT EACH MONTH YOU WOULD PAY AN ADDITIONAL AMOUNT OF MONEY (DETERMINED BY YOUR LENDER) ON TOP OF YOUR REGULAR PAYMENT UNTIL THE OVERDUE AMOUNTS HAVE BEEN PAID.

IF YOU CAN SHOW THE BANK THAT YOU ARE NOW IN A POSITION TO RESUME MAKING PAYMENTS THEY MAY NEGOTIATE WITH YOU TO PAY A LUMP SUM OR MAKE UP BACK PAYMENTS OVER A SHORT PERIOD OF TIME (USUALLY A YEAR OR TWO) AND THEN REINSTATE YOUR MORTGAGE AND KEEP YOUR HOME.

IF YOU NEGOTIATE A REPAYMENT PLAN TO BRING THE MORTGAGE CURRENT OVER TIME, THE TERMS GENERALLY ARE EQUAL TO $\frac{1}{2}$ OF THE ARREARAGE AS A DOWN PAYMENT AND $1\frac{1}{2}$ TIMES YOUR NORMAL MONTHLY PAYMENT UNTIL YOU HAVE BROUGHT THE LOAN CURRENT AND PAID OFF ANY LEGAL FEES OR COSTS THE LENDER HAS INCURRED TO START THE FORECLOSURE PROCESS.

2. WORK OUT A "FORBEARANCE PLAN"

IF YOU ARE UNABLE TO MAKE YOUR MONTHLY MORTGAGE PAYMENT FOR A TEMPORARY PERIOD OF TIME, YOUR MORTGAGE COMPANY MAY OFFER TO SUSPEND PAYMENTS OR POSSIBLY ACCEPT PARTIAL PAYMENTS FOR A LIMITED PERIOD OF TIME UNTIL YOU ARE ABLE TO WORK OUT A REPAYMENT SCHEDULE.

THE FORBEARANCE WILL BE A FORMAL, WRITTEN AGREEMENT BETWEEN YOU AND THE BANK TO REDUCE OR SUSPEND MONTHLY PAYMENTS FOR A SPECIFIC PERIOD OF TIME. THIS

MEANS THAT DURING THAT AGREED UPON PERIOD OF TIME, YOU WOULD EITHER NOT PAY OR ONLY PAY A PORTION OF YOUR NORMAL MORTGAGE PAYMENT. AT THE END OF THE AGREED-UPON PERIOD, YOU WOULD RESUME REGULAR MONTHLY PAYMENTS AS WELL AS PAY ADDITIONAL FUNDS ON TOP OF YOUR NORMAL PAYMENTS TO MAKE UP FOR THE PAST DUE AMOUNT.

DURING THE TIME THAT THE PAYMENTS ARE SUSPENDED OR REDUCED, YOU WOULD HAVE TIME TO RESOLVE THE FINANCIAL HARDSHIP YOU ARE FACING. AND A FORBEARANCE WILL EVENTUALLY LEAD TO A REINSTATEMENT OF THE LOAN .

TIME PERIODS WILL VARY AS THERE IS NO MAXIMUM OR MINIMUM TIME FRAMES, HOWEVER THE MAXIMUM AMOUNT OF ARREARAGE DUE CANNOT GO OVER 12 MONTHS OF PRINCIPLE, INTEREST, TAXES, AND INSURANCE.

THIS IS AN OPTION THAT THE BANK MAY CONSIDER OFFERING IF YOU HAVE EXPERIENCED A RECENT TEMPORARY DROP IN INCOME DUE TO THE LOSS OF A JOB OR ILLNESS. THIS PERMITS THE LENDER TO WAIT BEFORE TAKING LEGAL ACTION AGAINST YOU WHILE YOU WORK OUT A REPAYMENT PLAN THAT YOU CAN AFFORD.

3. SELL THE HOME TO A CASH BUYER

IF YOUR PROPERTY IS WORTH MORE THAN WHAT YOU OWE OWED ON YOUR MORTGAGE, A FAST SALE TO AN ALL CASH BUYER CAN HELP YOU AVOID THE FORECLOSURE AND ALL THE HASSLE INVOLVED WITH A FORECLOSURE.

USUALLY A CASH BUYERS IS A REAL ESTATE INVESTORS WHO WILL BUY YOUR HOUSE IN AN "AS IS" CONDITION, AND YOU CAN SOMETIMES NEGOTIATE A DATE TO MOVE OUT WITH AN INVESTOR BUYER, ALLOWING YOU TIME TO FIND A NEW HOME.

THE FORECLOSURE PROCESS WILL STOP AS SOON AS THE TITLE IS TRANSFERRED, WHICH MEANS YOUR CREDIT SCORE WILL NOT BE AS BADLY AFFECTED. THIS OPTION IS ONLY REALLY AVAILABLE IF YOU HAVE EQUITY IN YOUR PROPERTY.

IF YOU ARE FACING A DEADLINE SUCH AS A SALE DATE, SELLING A HOUSE FOR CASH CAN PROVIDE THE RELIABILITY AND CERTAINTY THAT YOUR PROBLEM IS SOLVED, MINIMIZING THE STRESS AND WORRY USUALLY INVOLVED WITH THE

SELLING PROCESS. SELLING A PROPERTY USING A REALTOR IS ANOTHER VIABLE OPTION, BUT CAN TAKE AN UNCERTAIN AMOUNT OF TIME. AND SELLING A PROPERTY AT AUCTION, WHILE ALMOST ALWAYS RESULTING IN A SALE, MAY NET A PRICE THAT IS ALMOST ALWAYS MUCH LESS THAN THE MARKET VALUE.

BY SELLING YOUR HOUSE TO A CASH BUYER YOU GET THE CERTAINTY OF KNOWING WHEN THE SALE WILL BE AND THE CERTAINTY OF KNOWING EXACTLY HOW MUCH MONEY YOU WILL RECEIVE.

4. SELLING THROUGH A SHORT SALE

A SHORT SALE IS WHEN A LENDER AGREES TO DISCOUNT A LOAN BALANCE DUE TO AN ECONOMIC OR FINANCIAL HARDSHIP ON THE PART OF THE BORROWER (YOU). THAT IS THEY ACCEPT LESS THAN WHAT IS OWED TO PAY OFF THE MORTGAGE.

THIS NEGOTIATION IS COMPLETED THROUGH COMMUNICATION WITH THE LENDER'S LOSS MITIGATION DEPARTMENT. YOU SELL YOUR PROPERTY FOR LESS THAN THE OUTSTANDING BALANCE ON THE LOAN. ANY PROCEEDS FROM THE SALE GO TO THE LENDER IN FULL SATISFACTION OF YOUR DEBT. AND THE LENDER HAS THE RIGHT TO APPROVE OR DISAPPROVE OF A PROPOSED SALE.

THERE ARE MANY CIRCUMSTANCES WHICH WILL INFLUENCE WHETHER A LENDER WILL DISCOUNT A LOAN BALANCE. THESE CIRCUMSTANCES ARE USUALLY RELATED TO THE CURRENT REAL ESTATE MARKET CLIMATE AND YOUR FINANCIAL SITUATION.

A SHORT SALE TYPICALLY IS EXECUTED TO PREVENT A HOME FORECLOSURE. OFTEN A BANK WILL CHOOSE TO ALLOW A SHORT SALE IF THEY BELIEVE THAT IT WILL RESULT IN A SMALLER FINANCIAL LOSS THAN FORECLOSING. FOR THE HOME OWNER, THE ADVANTAGES INCLUDE AVOIDANCE OF HAVING A FORECLOSURE ON THEIR CREDIT HISTORY AND THE PARTIAL CONTROL OF THE MONETARY DEFICIENCY. ADDITIONALLY, A SHORT SALE IS TYPICALLY FASTER AND LESS EXPENSIVE THAN A FORECLOSURE. A SHORT SALE IS NOTHING MORE THAN NEGOTIATING WITH LIEN HOLDERS, A PAYOFF FOR LESS THAN WHAT THEY ARE OWED.

CERTAIN CONDITIONS USUALLY MUST BE SATISFIED IN ORDER TO QUALIFY FOR A SHORT SALE, BUT IN TODAY'S ECONOMIC CLIMATE, NOT ALWAYS. THE PROPERTY MUST BE OWNER OCCUPIED, THE MORTGAGOR MUST BE 31 DAYS DELINQUENT OR MORE AT THE TIME OF THE PRE-FORECLOSURE SALE CLOSING, AND THE MORTGAGOR MUST PROVIDE DOCUMENTATION OF A REDUCTION IN INCOME OR AN INCREASE IN LIVING EXPENSE, AND DOCUMENTATION THAT VERIFIES THAT THE MORTGAGORS NEED TO VACATE THE PROPERTY.

5. FILE FOR BANKRUPTCY

THE BANKRUPTCY REFORM ACT OF 2005 CHANGED THE ENTIRE BANKRUPTCY LANDSCAPE AS WE USED TO KNOW IT.

TODAY MOST BANKRUPTCY ATTORNEYS NEED AT LEAST 3 WEEKS BEFORE ANY MAJOR EVENT TO ADEQUATELY PREPARE A BANKRUPTCY PETITION AND FILE IT WITH THE COURT.

HOMEOWNERS WHO HAVE WAITED TOO LONG TO DEAL WITH FORECLOSURE OFTEN FIND OUT THAT THERE IS LITTLE THAT CAN BE DONE TO HELP THEM BY BANKRUPTCY ATTORNEY. THE LAW STILL PERMITS INDIVIDUALS TO FILE THEIR OWN BANKRUPTCY PETITION ON A PRO-SE BASIS (REPRESENTING THEMSELVES), BUT UNREPRESENTED INDIVIDUALS SHOULD NEVER FILE CHAPTER 7 BANKRUPTCY WITHOUT THE ASSISTANCE OF A COMPETENT ATTORNEY.

BANKRUPTCY IS A TEMPORARY SOLUTION AND SHOULD ALWAYS BE A LAST RESORT OPTION. MOST HOMEOWNERS HAVE THE POSSIBILITY OF FILING TWO DIFFERENT TYPES OF BANKRUPTCY, A CHAPTER 13 BANKRUPTCY WHICH IS MERELY A REORGANIZATION OF THE DEBTS, AND A CHAPTER 7 WHICH IS A DISCHARGE OF THE DEBTS.

BANKRUPTCIES CAN USUALLY ONLY PROLONG THE SITUATION. IN RARE INSTANCES, A HOMEOWNER MAY BE ABLE TO SUCCESSFULLY USE A CHAPTER 13 BANKRUPTCY AS A WAY OF RESTRUCTURING ALL OF THEIR OTHER DEBTS SO THEY CAN THEN FREE UP ENOUGH CASH TO MAKE THEIR HOUSE PAYMENT.

LESS THAN 10% OF ALL PEOPLE WHO FILE A CHAPTER 13 BANKRUPTCY EVER SUCCESSFULLY MAKE IT THROUGH TO THE END OF THE BANKRUPTCY.

FILING A BANKRUPTCY IS THE ONLY ADVERSE EVENT THAT LASTS LONGER ON AN INDIVIDUAL'S CREDIT REPORT THAN A FORECLOSURE ACTION. IN ORDER TO FILE A BANKRUPTCY A HOMEOWNER IS GOING TO HAVE TO ENGAGE THE SERVICES OF A LAWYER AS WELL AS ATTEND VARIOUS DEBT COUNSELING CLASSES ALL PRIOR TO BEING ABLE TO FILE BANKRUPTCY.

IN INSTANCES WHERE A HOMEOWNER KNOWS THAT THEY WILL BE UNABLE TO MAKE THEIR MORTGAGE PAYMENTS BECAUSE THEIR FINANCIAL SITUATION HAS CHANGED FOR THE WORSE, THEY WOULD BE WISE TO WAIT TO FILE A CHAPTER 7 BANKRUPTCY UNTIL AFTER THE FORECLOSURE PROCESS HAS COME TO A FINAL CONCLUSION.

CHAPTER 13 - REPAYMENT PLAN.

THE 2005 REFORM LEGISLATION HAS MADE CHAPTER 13 THE MOST COMMON TYPE OF BANKRUPTCY. ESSENTIALLY, CHAPTER 13 IS A COURT-SUPERVISED AND COURT-MONITORED REPAYMENT PLAN WHERE THE DEBTOR PROVIDES THE COURT WITH A LISTING OF ALL OF THEIR DEBTS AND A BUDGET FOR THEIR MONTHLY NEEDS. ANY EXTRA MONEY LEFT OVER EACH MONTH IS APPLIED TO PAY THE ARREARAGE OWED ON THE DEBTS.

ONE OF THE BENEFITS OF A CHAPTER 13 REPAYMENT PROGRAM IS THAT A LOT OF THE OUTRAGEOUS LATE FEES, INTEREST RATES, AND OTHER CHARGES CAN NO LONGER APPLY ON THESE KIND OF DEBTS. THE TYPICAL REPAYMENT PROGRAM USUALLY LASTS BETWEEN 48 AND 60 MONTHS.

THE VAST MAJORITY OF CHAPTER 13 REPAYMENT PLANS FALTER AND EVENTUALLY FAIL. PLANS CAN FALTER EVEN WHERE THE DEBTOR GETS A "GRACE PERIOD" FROM THE COURT FOR ADDITIONAL TIME TO TRY AND CATCH UP FOR MISSED PAYMENTS TO THE TRUSTEE.

THE TYPICAL CHAPTER 13 PLAN SENDS THE DEBTOR WAGES TO THE COURT APPOINTED TRUSTEE WHO PAYS ALL OF THE CREDITORS ACCORDING TO A PLAN PRESENTED BY THE DEBTOR AND AGREED TO BY THE CREDITORS.

AFTER THE BANKRUPTCY REFORM ACT OF 2005, CHAPTER 13 REPAYMENT PLANS ALSO INCLUDE PARTIAL REPAYMENTS

IN WHAT USED TO BE A COMPLETE DISCHARGE. CHAPTER 13 BANKRUPTCIES CAN BE FILED AGAIN WITHIN A SHORTER PERIOD OF TIME AFTER THE LAST PLAN, EITHER FAILED OR TERMINATED. HOWEVER, TO PREVENT ABUSE, IF A CHAPTER 13 PLAN IS DISMISSED BY THE COURT DUE TO THE DEBTOR'S NONCOMPLIANCE, THE DEBTOR CANNOT FILE A NEW CHAPTER 13 FOR AT LEAST ONE YEAR.

SEVERAL NEW RULES EXIST ABOUT AUTOMATIC STAYS AND REFILEING, THEY ARE:

AUTOMATIC STAY IS TERMINATED

1. 30 DAYS AFTER PETITION IN CASE FILED BY INDIVIDUAL UNDER CHAPTERS 7, 11 OR 13 IF CASE PENDING WITHIN 1 YEAR PRECEDING WAS DISMISSED OTHER THAN THAT REFILED UNDER DISMISSAL UNDER 7078; MAY BE CONTINUED IF COURT FINDS REFILEING IN GOOD FAITH.
2. . NO AUTOMATIC STAY IS IN EFFECT IN CASES FILED BY INDIVIDUAL UNDER CHAPTERS 7, 11, OR 13 IF TWO OR MORE CASES PENDING IN 1 YEAR PRECEDING WERE DISMISSED OTHER THAN THAT REFILED UNDER DISMISSAL UNDER 70; COURT MAY IMPOSE STAY IS ESTABLISHED LATER FILING IN GOOD FAITH.
3. STAY AUTOMATICALLY TERMINATES 60 DAYS AFTER SEC. 362(D) MOTION FILED IN CASE FILED BY INDIVIDUAL UNDER 7, 11, OR 13 UNLESS THERE IS FINAL DECISION OR EXTENSION REACHED.

MANY TIMES PEOPLE WILL NOT INCLUDE THEIR HOUSE PAYMENT IN THE CHAPTER 13 PLAN. THIS IS FREQUENTLY THE RESULT OF INDIVIDUAL PREFERENCES OF THE ATTORNEYS THAT THEY HIRE TO REPRESENT THEM AS WELL AS THE CHARACTERISTICS OF THE TRUSTEES APPOINTED BY THE PROBATE COURT TO ADMINISTER CHAPTER 13 PLANS. EVEN IF A HOUSE IS NOT INCLUDED IN ANY CHAPTER 13 BANKRUPTCY, THE BANKRUPTCY DOES PROTECT THE HOUSE BY FILING A STAY ON THE FORECLOSURE ACTION AND THAT STAY REMAINS IN EFFECT AS LONG AS THE HOMEOWNER THEN GETS AND REMAINS CURRENT ON THEIR HOUSE PAYMENTS.

CHAPTER 7 - DISCHARGE DEBTS

CHAPTER 7 BANKRUPTCIES PROVIDE FOR THE TOTAL DISCHARGE AND LIQUIDATION OF DEBTS. BECAUSE OF THIS POWERFUL DEBT RELIEF TOOL, INDIVIDUALS ARE ONLY ABLE TO FILE A CHAPTER 7 BANKRUPTCY ONCE EVERY EIGHT YEARS. IN A CHAPTER 7 BANKRUPTCY, PEOPLE MAY LIST THEIR HOME AND MORTGAGE AS ONE OF THE DEBTS THAT THEY ARE SEEKING TO DISCHARGE. IF THIS IS THE CASE, AND IT IS CLEAR INTENTION THAT THEY HAVE ABANDONED ALL HOPES OF SAVING THE PROPERTY AND CONTINUING TO LIVE IN THE PROPERTY. IF AN INDIVIDUAL CHOOSES NOT TO INCLUDE THEIR HOUSE IN A CHAPTER 7 BANKRUPTCY, THEN THEY ARE STILL INTENDING TO KEEP THE HOUSE, AND MUST STAY CURRENT ON THE PAYMENTS ON THE HOUSE WHILE THE OTHER DEBTS ARE BEING DISCHARGED.

MANY PEOPLE THINK THAT IF THEY CAN DISCHARGE THEIR OTHER DEBTS, THEN THEY WILL HAVE ENOUGH AVAILABLE CASH TO GET CAUGHT UP ON THEIR HOUSE PAYMENTS AND STAY CURRENT. MORE OFTEN THAN NOT, THEY ARE WRONG. EVEN IF THE HOUSE IS NOT INCLUDED IN A CHAPTER 7 BANKRUPTCY, THE STAY GRANTED BY THE FILING OF THE BANKRUPTCY WILL APPLY TO THE MORTGAGE AND THE FORECLOSURE ACTION. IF THE HOMEOWNER CAN THEN BRING THE MORTGAGE CURRENT, THEN THE FORECLOSURE ACTION GOES AWAY.

MOST OF THE TIME THOUGH THE HOMEOWNER IS UNABLE TO BRING OR KEEP THE MORTGAGE CURRENT AND THE BANK THEN FILES A MOTION FOR RELIEF OF STAY. CHAPTER 7 IS A VALUABLE TOOL AND A HOMEOWNER WHO REALIZES THAT THEY ARE GOING TO LOSE THEIR HOUSE MAY BE BEST SERVED BY WAITING UNTIL AFTER THE FORECLOSURE ACTION IS COMPLETED OR UNTIL AFTER THE SHORT SALE IS DONE AND THEN USING THE CHAPTER 7 BANKRUPTCY TO WIPE OUT ANY DEFICIENCY JUDGMENT THAT MAY REMAIN.

HOPE FOR HOMEOWNERS (HoHo)

IN JULY OF 2008, THE UNITED STATES CONGRESS PASSED AND PRESIDENT BUSH SIGNED INTO LAW A BILL COMMONLY REFERRED TO AS "[HOPE FOR HOMEOWNERS](#)". IN THE LAND OF ACRONYMS, IT GOT THE NICKNAME OF HOHO. HOHO HAS SOME CHARACTERISTICS THAT EACH HOMEOWNER WHO IS THINKING ABOUT NEEDS TO KNOW BEFORE THEY TRY AND ACCESS THE 300 BILLION DOLLAR LOAN GUARANTEE DESIGNED TO HELP HOMEOWNERS WHO ARE UNDERWATER

REFINANCE THEIR HOMES. THE TERM "UNDER WATER" IS NOT REFERENCING KATRINA, BUT RATHER THE FACT THAT PEOPLE NOW OWE MORE ON THEIR HOUSE THAN WHAT IT IS WORTH. UNDER HOPE FOR HOMEOWNERS A HOMEOWNER WHO NOW OWES MORE ON THEIR HOUSE THAN WHAT IT IS WORTH COULD APPLY TO THE PROGRAM AND RECEIVE A WRITE-DOWN OF THE VALUE OF THEIR MORTGAGE TO 90% OF ITS CURRENT MARKET VALUE. IN ADDITION TO THE 90% OF THE CURRENT MARKET VALUE, THEN THERE WOULD BE A 3% FHA REFINANCE FEE ADDED TO THE NEW MORTGAGE AMOUNT. THE NEW MORTGAGE WOULD THEN COME AT CURRENT MARKET INTEREST RATES OF APPROXIMATELY 6.5% AS OF THE DATE OF THIS WRITING PLUS A 1.5% ANNUAL SURCHARGE, BRINGING THE INTEREST RATE OF 8% AS OF TODAY'S WRITING. THAT INTEREST RATE IS CLEARLY NOT COMPETITIVE IN THE MARKET.

FINALLY, THERE IS THE BACK-END KICKER IN HOHO. WHEN A HOMEOWNER HAS ACCESSED THE PROGRAM AND THEN LATER ON REALIZES SOME VALUE APPRECIATION IN THEIR PROPERTY DUE TO THE MARKET CHANGING THEN WHEN THE HOMEOWNER EITHER REFINANCES TO LOWER THE INTEREST RATE FROM THE HIGH 8% OR SELLS THE PROPERTY, HOHO WILL TAKE HALF OF ANY APPRECIATION. PERHAPS THE FOLLOWING ILLUSTRATION WILL HELP.

A PERSON BOUGHT A \$200,000 HOME FIVE YEARS AGO AND MADE A 5% DOWN PAYMENT AND GOT A 5 YEAR INTEREST ONLY ARM FOR \$190,000. THE HOME HAS SINCE FALLEN IN VALUE BY 25% DOWN TO \$150,000. BY MAKING THE INTEREST ONLY PAYMENTS SINCE THE INCEPTION OF THE LOAN, SHE NOW OWES \$190,000 ENTERING A REPAYMENT AMORTIZATION RESET. HOHO WILL PROVIDE FOR A WRITEDOWN OF THE CURRENT MORTGAGE TO 90% OF THE CURRENT MARKET VALUE, THUS \$135,000 PLUS THE 3% REFINANCE FEE TAKING IT TO \$139,050. THEN IN FIVE YEARS IF THE HOMEOWNER SEES THE HOUSE GO UP TO \$165,000, WHEN THEY SELL THE PROPERTY, THEY WILL HAVE TO SPLIT THE \$26,000 IN EQUITY WITH THE FEDERAL GOVERNMENT AND WE CAN ANTICIPATE THE FEDERAL GOVERNMENT WILL NOT SPLIT THE COSTS OF SELLING THE PROPERTY.

FINALLY, SINCE HOPE FOR HOMEOWNERS (HOHO) IS NEW, THE PROGRAM WILL NOT BE AVAILABLE UNTIL SOMETIME IN OCTOBER OF 2008 AND WILL PROBABLY TAKE SEVERAL MONTHS TO IMPLEMENT AND FIGURE OUT HOW TO HANDLE IT.

6. A DEED IN LIEU OF FORECLOSURE

THE DEED-IN-LIEU OF FORECLOSURE ALLOWS A MORTGAGOR IN DEFAULT, WHO DOES NOT QUALIFY FOR ANY OTHER HUD LOSS MITIGATION OPTION, TO SIGN THE HOUSE BACK OVER TO THE MORTGAGE COMPANY. A HOMEOWNER IS SOMETIMES BETTER OFF SIGNING A DEED-IN-LIEU RATHER THAN LETTING THE LENDER START FORECLOSURE PROCEEDINGS. THAT'S BECAUSE WITH THE SIGNING OF A DEED-IN-LIEU THE BORROWER

DEED IN LIEU IS VOLUNTARILY GIVING THE HOME BACK TO THE BANK. ALTHOUGH THE LOAN DEFAULT WOULD BE ENTERED ON YOUR CREDIT RECORD IT MAY NOT DO THE DAMAGE THAT A FULL FORECLOSURE WOULD. FORECLOSURES USUALLY STAY ON YOUR CREDIT FILE FOR AT LEAST 7 YEARS. YOU CAN ALSO AVOID THE TIME AND STRESS INVOLVED IN FIGHTING A FORECLOSURE BATTLE THAT THE LENDER IS SURE TO WIN. THE LENDER (THE MORTGAGE SERVICER) CAN PAY, NOT TO EXCEED \$2,000 COMPENSATION, TO THE MORTGAGOR (YOU, THE HOMEOWNER), HOWEVER THE \$2,000 COMPENSATION IS NOT PAID TO YOU UNTIL YOU HAVE VACATED THE PROPERTY.

ANY COMPENSATION MUST BE APPLIED TO ANY JUNIOR LIEN(S) PLACED ON THE MORTGAGED PROPERTY. THE LOAN SERVICER MAY DETERMINE THAT A "CURRENT" MORTGAGOR IS ELIGIBLE FOR THE DEED-IN-LIEU OF FORECLOSURE OPTION. UNDER NO CIRCUMSTANCE SHOULD YOU BE ENCOURAGED TO DEFAULT ON THEIR MORTGAGE FOR THE PURPOSE OF QUALIFYING FOR THIS OPTION. A DEED-IN-LIEU MUST BE COMPLETED OR FORECLOSURE INITIATED WITHIN SIX (6) MONTHS OF THE DATE OF DEFAULT, UNLESS THE MORTGAGOR QUALIFIED FOR AN EXTENSION OF TIME BY FIRST TRYING A DIFFERENT LOSS MITIGATION OPTION OR AN EXTENSION OF TIME WAS APPROVED BY HUD PRIOR TO THE EXPIRATION OF THE TIME REQUIREMENT. IF THE DEED-IN-LIEU FOLLOWS A FAILED SPECIAL FORBEARANCE AGREEMENT OR THE PRE-FORECLOSURE SALE PROGRAM, THEN THE DEED-IN-LIEU MUST BE COMPLETED OR FORECLOSURE INITIATED WITHIN 90 DAYS OF THE FAILURE.

A DEED-IN-LIEU CAN ONLY BE DONE WHEN YOU HAVE ONE MORTGAGE ON THE PROPERTY. IF YOU HAVE A FIRST AND SECOND, YOU CANNOT DO A DEED-IN-LIEU. THERE MAY BE INCOME TAX CONSEQUENCES AS A RESULT OF THE DEED-IN-LIEU OF FORECLOSURE.

7. LOAN MODIFICATION

THE LOAN MODIFICATION INCLUDES CHANGING THE ORIGINAL TERMS OF THE MORTGAGE THROUGH SEVERAL METHODS.

THIS OPTION PROVIDES FOR EITHER A PERMANENT CHANGE IN ONE OR MORE OF THE TERMS OF A YOUR LOAN, WHICH ALLOWS A LOAN TO BE REINSTATED AND RESULTS IN A PAYMENT YOU CAN AFFORD. IF YOUR MORTGAGE IS AN ADJUSTABLE LOAN, THE LENDER MIGHT FREEZE THE INTEREST RATE BEFORE IT INCREASES OR CHANGE THE INTEREST RATE TO A MORE MANAGEABLE RATE FOR YOU. A LENDER MIGHT ALSO EXTEND THE AMORTIZATION PERIOD. THIS IS CALLED A LOAN MODIFICATION.

LOAN MODIFICATIONS ARE RARE.

A LOAN MODIFICATION CAN CONSIST OF ANY OF THESE THINGS:

- A PERMANENT CHANGE IN THE INTEREST RATE.
- CAPITALIZATION OF DELINQUENT PRINCIPAL, INTEREST, OR ESCROW ITEMS.
- POSSIBLE EXTENSION OF LOAN TERM. THE USE OF ANY

THREE OF THE ABOVE ITEMS WILL RESULT IN THE REAMORTIZATION OF THE LOAN. MAXIMUM INTEREST RATE ADJUSTMENT TO CURRENT MARKET RATE PLUS 150 BASIS POINTS ALTHOUGH AT MORTGAGEE'S DISCRETION, NOTE INTEREST RATES MAY BE REDUCED BELOW MARKET.

ALL OR A PORTION OF THE PITI ARREARAGE (PRINCIPAL, INTEREST, AND ESCROW ITEMS) MAY BE CAPITALIZED (ADDED) TO THE MORTGAGE BALANCE. FORECLOSURE COSTS, LATE FEES AND OTHER ADMINISTRATIVE EXPENSES MAY NOT BE CAPITALIZED.

THE MORTGAGEE MAY COLLECT THE LEGAL AND ADMINISTRATIVE FEES (RESULTING FROM THE CANCELED FORECLOSURE ACTION), FROM YOU TO THE EXTENT NOT REIMBURSED BY HUD, EITHER THROUGH A LUMP SUM PAYMENT OR THROUGH A REPAYMENT PLAN SEPARATE FROM, AND SUBORDINATE TO, THE MODIFICATION AGREEMENT. NO ADMINISTRATIVE FEES FOR COMPLETING THE LOAN MODIFICATION DOCUMENTS CAN BE PASSED ON TO YOU. THE MODIFIED PRINCIPAL BALANCE MAY EXCEED THE PRINCIPAL BALANCE AT ORIGINATION AND THE MODIFIED PRINCIPAL BALANCE MAY EXCEED 100% LOAN-TO-VALUE.

THE FOLLOWING CONDITIONS WILL APPLY:

- ALL LOAN MODIFICATIONS MUST RESULT IN A FIXED RATE LOAN.
- THE LOAN MODIFICATION MUST FULLY REINSTATE THE LOAN.
- SUBSEQUENT DEFAULTS ARE TO BE TREATED AS A NEW DEFAULT.