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# **NAVIGATING FORECLOSURE**

**KNOW YOUR OPTIONS AND TAKE BACK CONTROL**



## **WHAT IS FORECLOSURE?**

Foreclosure is the process lenders use to “cash in” on the collateral used by borrowers who can't make their mortgage payments. Banks take legal action against borrowers who are defaulting on their loans in order to recoup their potential losses. If you understand what a foreclosure is, you can better navigate the process and potentially avoid the outcome.





## Why Foreclosures Occur

When you purchase property, you typically take out a loan to pay the purchase price. Then, you pay on the loan...slowly, over time, in a manner in which you can afford.

This loan that you take out usually amounts to hundreds of thousands of dollars. The bank...or "lender" has a lien on your property, as a measure of protecting themselves from losing out on the money that they have lent you. They decide whether or not you are worthy of the loan, and assess their risk, then they let 'er rip. In the paperwork of the loan that they have offered to you, the borrower, it states they have the right to repossess the property and evict you, then sell the property to recover the funds they lent you that you cannot repay.

When you can't repay...therefore, you have defaulted on your payments, foreclosure may ensue.

## How Foreclosures Work

Foreclosure is generally a slow process. If you make one payment a few days or weeks late, you're probably not facing eviction. The foreclosure process itself varies from lender to lender and laws are different in each state; however, the description below is a rough overview of what you might experience. The entire process could take several months at a minimum.



**Notices start.** You will generally start to receive communications as soon as you miss one payment, and those communications might include a notice of intent to move forward with the foreclosure process. In general, lenders initiate foreclosure proceedings three to six months after you miss your first mortgage payment. Once you've missed payments for three months, you may be given a "Demand Letter" or "Notice to Accelerate" requesting payment within 30 days. If, by the end of the fourth month of missed payments, you still have not made the payment, many lenders will consider your loan to be in default and will refer you to the lender's attorney. This is when things get critical. Read all of your notices and agreements carefully and speak with an attorney or a U.S. Department of Housing and Urban Development (HUD) housing counselor to stay in the know.

**A judicial or nonjudicial foreclosure ensues.** When it comes to foreclosure proceedings, there are two types of states: judicial and nonjudicial states. In judicial states, your lender must bring legal action against you in the courts to foreclose. This process takes longer, as you often have 30 to 90 days in between each event. In nonjudicial states, lenders can foreclose based on the "power of sale" clause in the agreements you've signed with them, and a judge is not involved. As you might imagine, things move much faster in nonjudicial states. But in either type of state, you will be given written notice to make payment followed by a "Notice of Default" and a "Notice of Sale." You can fight the foreclosure in court; in a judicial state, you'll generally be served with a summons, whereas in a nonjudicial state, you'll need to bring legal action against your lender to stop the foreclosure process. Speak with a local attorney for more details.





**You can stop the process.** In certain states, lenders are required to offer borrowers the option to reinstate the loan and stop the foreclosure process. Whether or not those options are realistic or feasible is another matter. Lenders might say that you can reinstate the loan anytime after the "Notice of Sale" up until the foreclosure date (the sale date) and stay in the home if you make all (or a substantial portion) of your missed payments and cover the legal fees and penalties charged so far. You might also have an opportunity to pay off the loan in its entirety, but this may only be feasible if you manage to refinance the home or find a substantial source of money.

**Be prepared for an auction and eventual eviction.** If you're unable to prevent foreclosure, the property will be made available to the highest bidder at an auction that either the court or a local sheriff's office runs. If nobody else buys the home (which is common), ownership goes to the lender. At that point, if you're still in the house (and haven't made arrangements to protect the house), you face the possibility of eviction, and it's time to line up new accommodations. Local laws dictate how long you can remain in the house after foreclosure, and you should receive a notice informing you of how long you can stay. Ask your former lender about any "cash for keys" incentives, which can help ease the transition to new housing (assuming that you're ready to move quickly).



**FORECLOSURE**



**Get another chance through a redemption.** Many states offer what is known as redemption, a period after the foreclosure sale occurs when you can still reclaim your home. The "Notice of Sale" will generally inform you about the redemption period, and timeframes vary by state. You usually must be willing to pay the loan balance that you owe and any associated costs to reclaim your home.

It often takes four months after you miss your first payment before you are officially in default of your loan.

## Consequences of a Foreclosure

Pretty self-explanatory...the main outcome of a foreclosure is, you lose your home. You and your loved ones will need another place to live. Yes, this could mean great stress.

Foreclosures can be expensive. Late fees, legal fees, etc. If you're fighting to stop a foreclosure, any fees will be added onto your debt to the lender. In fact, you might even still owe money if your home is taken and sold, but the proceeds from the sale are not sufficient to cover the debt. (This is known as "deficiency").

A foreclosure will also hurt your credit scores. This will stay on your credit report for seven years, making it hard to borrow any money for any reason. Also, your credit report can affect your chances of getting certain jobs.





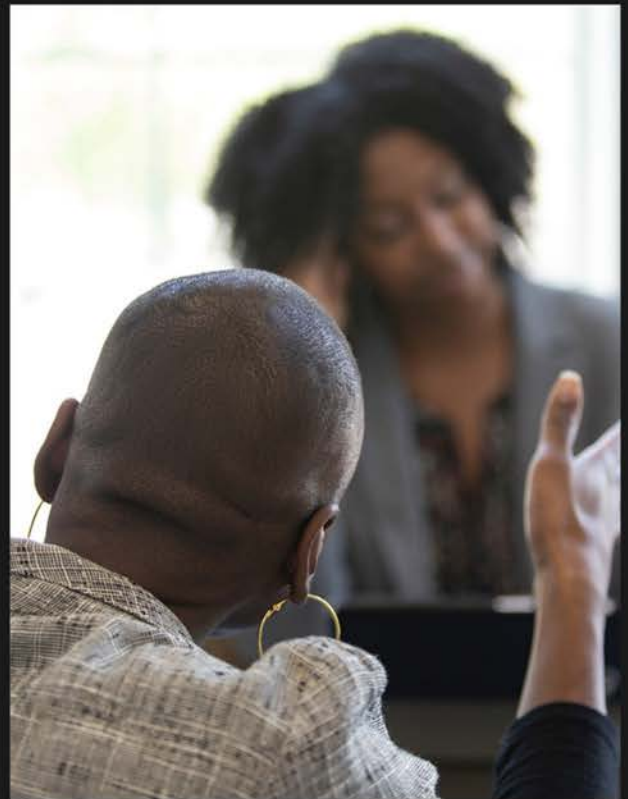
## SO...WHAT CAN I DO TO STOP THIS?

Now that you know what a foreclosure IS, let's get on to the biggest, most important question of all...the one that everyone is asking in their mind when they read this publication: Namely, you want to know what you can do to stop this process...or at least mitigate the damage. You want to fix this situation...or at the very least, get out of the way and let it pass as best as possible without ruining your life.



Well...that's what the rest of this book will be about.

Before we continue, please note that we are NOT lawyers, we are NOT legal or financial advisors. Our word is not gospel and does not carry any expertise or authority that the average person cannot earn very quickly just by looking in the right places or talking to the right people. That said, the smartest move you can make, if this is an important topic for you, is to talk to someone who IS an authority or expert on this subject. There are plenty of outstanding financial and legal advisors you can acquire the service of.



We recommend you do this, as quickly as possible, as there is NO substitute for proper guidance at a time like this, where so much may be on the line for you.

Many people facing a foreclosure are reluctant to reach out to the experts who could provide the most help for two reasons:

- 1.) They feel they can't afford an expert's advice. This can't be further from the truth. Experts in this field understand your situation and your monetary concerns surrounding it. They will offer approaches that take this into account.
- 2.) Many people are embarrassed to reach out to a professional. They feel they should not have allowed themselves to land in this position, so their self-esteem makes it difficult to seek proper guidance. Again, the professionals whose help you may seek have seen it all before, and in most cases, they empathize...because they have learned how and why these things happen.



So, seek proper guidance. This eBook is offered only as a source of information. Please, reach out to a professional.

Now that THAT'S out of the way, let's dive into your options. What can you do? Your first option is the most difficult to face for many... because it involves getting past the embarrassment you may be feeling.

**READ ON.**





# OPTION #1

## PERSONAL LOAN

The absolute best way to get bailed out of a foreclosure is also, by far, the hardest. It's difficult because it involves putting aside one's ego and speaking to a family member who is able to help you, if they were so inclined.

Borrowing from family has many advantages, including flexible repayment terms and low or no interest. There is the possible stigma of asking for a loan and the risk of burning a bridge if you're not able to pay it back in the time and fashion as intended. For these reasons, let's consider this the common-sense path, but also the one that requires the most delicate & deliberate touch.

### Some rules of thumb to follow:

**1.) Clarity is king.** Prior to reaching out, be crystal clear on exactly what you need to eliminate this looming foreclosure. Do you need 1-5 mortgage payments, until you are back on your feet, with significant monthly income to cover further payments as well as repay the personal loan? Do you just need a lump sum of money to cover past dues, because you are now in a position to handle future payments? Or...has the foreclosure process gone long enough now where you need the entire balance of the loan paid, in order to keep your house? You must be absolutely clear what you need. Don't go asking blindly. There's nothing worse than someone who doesn't know exactly what their situation is, but wants help getting out of it.



**2.) Advice first, money second.** Ask your family member if they can help you overcome this obstacle in any way other than loaning you money. Maybe they can help you find work or pay you for something that you currently own, or prepay you for services. This shows that you are interested in doing this "the right way", not just taking their money. If all else fails, then ask for the loan.

**3.) Know exactly what you need,** and state it clearly. This shows your family member that you've put serious thought into this, and you're not relying on them to be the only one taking it seriously.

**4.) Show clarity in discussing how you intend to repay them.**

**5.) Put the request in writing,** explaining in non-elaborate terms how you got into this situation, why getting out of it is important to you and how you intend to pay them back...and when.

**6.) Give them time to think about it.** Ask verbally first, then leave them with the written request and set a time, maybe the following day, to get their decision. They don't deserve to be put on the spot...and if backed into a corner, they will give an answer you don't like.

You might think that Aunt Tessie will be judgmental and harsh. She has more than she needs, but she's never been shy in explaining that she worked hard, made good decisions and never squandered her money as she was building wealth. But, what you might find is that she appreciates your diligence and determination to overcome this situation. She may also feel GOOD about having the ability to share her wealth for the betterment of someone she loves.

But...then again, maybe not. If option #1 fails, let's move on to **option #2.**





# OPTION #2

## LISTING WITH AN AGENT

Maybe you've determined you need to get out of your house. It's time to move on...cut your losses and regroup. If you're early enough in the foreclosure process, you've missed one or a few payments and you know there is no relief in site for you... you KNOW, sooner or later you'll receive a notice of default... then the time is NOW. The sooner you act, the more options you have, and the better those options can help.

Reach out to a Real Estate Agent who specializes in people facing the challenges you're facing. DO IT NOW, don't wait. Many people wait because they're in denial. The last...and we mean LAST thing you want to do is wait and hope things get better. Barring a lottery win or a miracle, they won't.

But, again...timing is critical. If you're too far into the process this won't be an option for you. Unless you have enough foresight to know you're headed down this path without receiving anything written from your lender, the best time to sell your home is when you're in Pre-foreclosure. This means you've received a letter from your lender saying you have a set amount of time to get your balance current, or your house will go into foreclosure.

### **There may be challenges with listing with an agent, though. Consider these:**

- Listing through the MLS will take time...maybe time you don't have. Typically, you might be looking at 2-4 months to sell your property conventionally.
- You may need to spend money to make money...repairs, clean-out, etc.
- Listing with an agent means you'll be paying agent commissions and fees.
- You'll have to show your house to strangers.
- Your agent may suggest you "stage" the house for sale, meaning rent proper furnishings to make the property more desirable.





A knowledgeable real estate professional might even help you with a short sale, if needed. A short sale is when a mortgage lender agrees to accept a mortgage payoff amount less than what is owed in order to facilitate a sale of the property by a financially distressed owner. The lender forgives the remaining balance of the loan.

Each state is different regarding the timeline surrounding a looming foreclosure. According to ATTOM, licensor of the nation's most comprehensive foreclosure data, New Jersey's foreclosure process takes an average of 1,477 days. In Arkansas, by comparison, a foreclosure takes an average of 253 days.

So, if you use a real estate agent and list conventionally, you'll make more money but pay more as well. Plus, you'll take a good deal longer...which may very well be an issue.

Let's move on.

# OPTION #3

## LOAN MODIFICATION

"WAIT...you're telling me I can keep my house just by working a deal out with my lender?!?" Well, in short...maybe. Lenders want to continue to invest in you, if you're worth investing in. In other words, if they believe you just need to be caught up on your unmade payments and you're good to go moving forward, then they may help you out...for a price. Even lenders know that "things happen". If they believe the "things" that happened to you are truly in the rear view mirror and you're back in a good position, they may just rise to the occasion.

What your lender may do is move your delinquent payments to the back of your loan along with any penalties and fees, which is a win/win...you get to keep your house and they make more money. This may be an awesome solution if you qualify. It would resolve your delinquency status and oftentimes even reduce your monthly payment. However, this may not be all it's cracked up to be.







### **Challenges? Well...yes.**

You may be offered a lower payment that looks good without careful scrutiny. Upon closer examination, you could be getting a lower payment in exchange for a much higher amount due overall if the payment term is extended...for example from 30 years to 40 years.

Loan modifications are NOT easy. Banks are notoriously difficult to work with in a loan modification. Sometimes paperwork must be submitted over and over again throughout this process. There are no guarantees that you will be accepted for this, and it could be all for naught if your loan mod is rejected. You could be right back in the same position...delinquent and facing foreclosure.

To top it all off, if you are in fact successful in acquiring a loan modification, your stakes have been upped in your home loan. If you were to miss a loan modification payment, the bank may put you right back into foreclosure but also escalate the process, creating a very stressful and emotional situation.



# OPTION #4

## SELLING TO AN INVESTOR

If you've waited too long after missing mortgage payments, or if you've decided that your best course of action is to sell the property quickly and start over elsewhere, then working with a professional real estate investor might very well be your best option.



### WORD OF ADVICE

When looking for an investor to sell your house to, take the time to review their track record, especially with those in a similar situation to you. Many real estate investors who work with people facing foreclosure, do so first and foremost to provide help to those in need. The skilled investor will come to the table with a skillset and tools that might surprise you. Their objective is to treat you kindly, provide the absolute best solution for you and make money in the process.

### A WORLD OF ALTERNATIVES

Investors have evolved quite a bit in the last decade. Yes, they want to offer you a solution that usually involves buying your house, but many of them have very skilled and creative methods of making a deal work that someone in your shoes might not know they have. Depending on the timing of your pending foreclosure, they can provide you with solutions that can get you out cleanly and quickly, or they can even creatively structure a scenario where you end up staying in the house rather than having to leave. You might have many options.



A man and a woman are shaking hands with a real estate agent in front of a house. The man is wearing a light blue shirt and dark pants, and the woman is wearing a striped dress. The agent is wearing a dark suit and holding a red folder. The background shows a house with a dark door and a tree.

# OPEN

## The benefits to selling your house quickly could be tremendous:

- No real estate commissions or fees
- No repairs needed, as most investors purchase your house "AS-IS"
- No cleaning...you can leave most or all unwanted items behind
- No property showings. You work with the investor and that's usually it
- Much quicker process than listing, prepping and waiting through a conventional sale

**The list goes on.**

**A word of caution, though. You may end up still owing the lender a portion of the unpaid balance of your home. It pays to get solid, professional advice prior to taking this or any steps of this magnitude.**



# OPTION #5

## BANKRUPTCY

When a homeowner falls behind on their mortgage payments and the lender decides to take action, they must notify the homeowner. As such, the foreclosure process can take some time, which allows the homeowner to use alternate measures like renegotiating the loan, organizing a short sale, or crafting a deed in lieu of foreclosure. In some cases, filing for bankruptcy can delay a foreclosure or save a debtor's home.

When you file for bankruptcy, the court will issue an automatic stay. This order requires creditors to stop trying to collect debts. The order includes a requirement that a mortgage holder cease foreclosure activities. If the lender has already scheduled your home to be sold at auction, the sale will be legally postponed for 3-4 months, unless the creditor successfully brings a motion to lift the stay. Even if a motion to lift the stay is brought successfully, the sale will likely be postponed, which can give you time to make other plans.





# Chapter 7 or Chapter 13?

In many cases, exemptions will not protect your home from being liquidated to repay creditors in Chapter 7 bankruptcy. It may do a great job stalling for time or even canceling debt secured by your home, but it is not a good choice for those who do not want to give up certain property, including in many cases their homes.

For most homeowners who want to keep their homes, Chapter 13 is a better choice because it affords more options. In a Chapter 13 bankruptcy, you can pay off the late payments over the length of the repayment plan, as long as you continue to meet your current mortgage payments as well. If you make timely payments under your Chapter 13 debt repayment plan, you can avoid foreclosure.

In terms of your credit score? A foreclosure or short sale, as well as a deed in lieu of foreclosure, are all pretty similar when it comes to impacting your credit score. BUT...a bankruptcy is worse. It's hard to pinpoint exactly the difference between them, but suffice it to say you're looking at a 20-30% further drop with a bankruptcy.

You might consider this your last resort. Consider talking to a bankruptcy attorney or a foreclosure attorney prior to making any such move. Again, the information in this publication is for informational purposes only and should not be construed as legal or financial advice.





# CONCLUSION

Whether you choose to attempt to stay in your home or sell it in order to either recoup or just move on and start fresh, you have options. Many options, in fact. The quicker you act, the more options you have...regardless what actions you decide are appropriate for you.

Everyone facing foreclosure has a unique set of needs and circumstances. Having scrolled through the pages of this publication, pause for a while and reflect on your specific situation. It is our sincere hope that this eBook helps you make the best decision possible for the future.



**IMPORTANT NOTE: Each state has its own legal process and timeline regarding foreclosure. Please consult professionals who understand your state's process for accurate information.**



This document does not and was not intended to provide legal advice. This information is offered solely to our readers for general knowledge and informational purposes. Only a formal attorney-client relationship can provide legal advice, and it is recommended to speak to a financial professional for full financial understanding of your situation and a real estate professional for real estate guidance.

All material presented herein is intended for informational purposes only. Information is compiled from sources deemed reliable but is subject to errors, omissions, changes in price, nothing herein shall be construed as legal, accounting or other professional advice.

Every state has its own, unique set of real estate needs and processes. That said, there are still many general and global principles. We hope the above can help you get an idea of what to expect and where to start when you choose to sell a home.





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