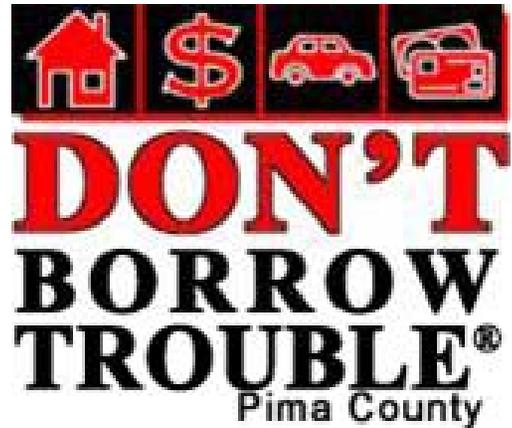


# Foreclosure Timeline and Scams

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**Presented by: Cheri Horbacz**

## Disclaimer:

This information will allow Arizona residents experiencing mortgage difficulties to become better prepared when working with their lenders, servicers and HUD approved non-profit housing counseling agencies.

This presentation is not intended to provide you with legal advice. Please contact the State Bar of Arizona at 1-866-48-AZBAR to find an attorney who can provide you with legal counsel

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[www.dbtaz.org](http://www.dbtaz.org)



# The Foreclosure Information Workbook

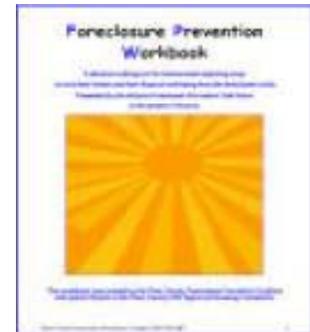


A tool designed to inform, educate and/or help deal with a potential foreclosure

- Offers clear direction on what information you will need to know & gather
- Provides information to help in decision making
- It provides contact information for reputable HUD Approved HCA's

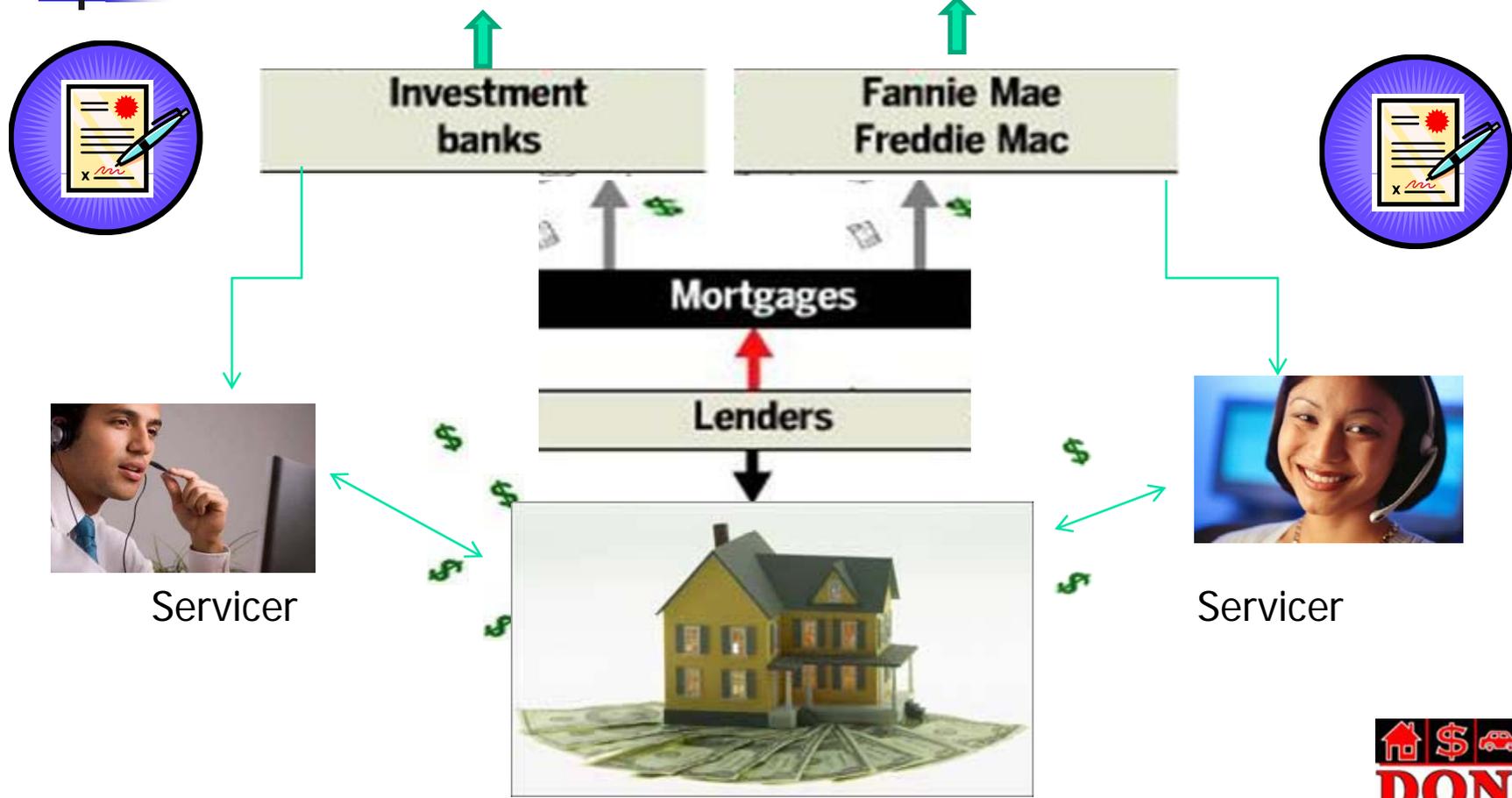
Other tools include a

- Sample letters
- Financial worksheets
- State wide Community Resources
  
- Working with Parts of this tool today

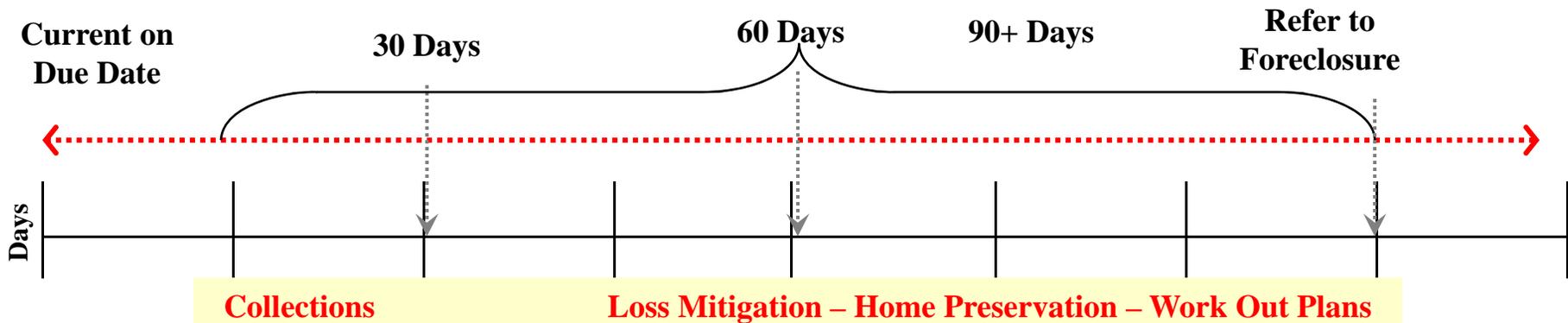


Download a Full Copy of This workbook at [www.dbtaz.org](http://www.dbtaz.org)

# Lender/Servicer Defined



# Arizona Delinquency Cycle



- **Take Action Now!**
- **Call your Lender for assistance early!**



- **More options may be available when you ask for assistance early!**





# Role of The HUD Approved, Nonprofit Housing Counseling Agency



# Role of The HUD Approved, Nonprofit Housing Counseling Agency

- Are familiar with the various workout arrangements
- Will help you assess your financial situation
  - Help to establish a monthly budget plan
  - Discuss options available to you
- Help to determine course of action that make sense
- Have dedicated phone numbers to Servicers/Lenders
- Help to negotiate with Servicers /Lenders



## At No Charge to You

# Role of The HUD Approved, Nonprofit Housing Counseling Agency

- Have information on services, resources and programs available in your local area
- The HUD Approved Non-profit Housing Counseling Agency Counselor will require very specific information from home owner
- The more information provided, the easier it will be to assess expectations and situation



**At No Charge to You**

# Finding A Participating Counseling Agency

Statewide Locations –	Consumer Credit Counseling, a division of MMI <b>1-866-515-2227</b>
Avondale –	Neighborhood Housing Services of SW Maricopa County <b>623-932-9077</b>
Bisbee –	South Eastern Arizona Governments Organization (SEAGO) <b>520-432-5301</b>
Chandler –	Genesis Housing Services <b>480-306-5161</b>
Eloy –	Community Action Human Resources Agency (CAA) <b>520-466-1112</b>
Flagstaff -	Both Hands <b>928-214-7456</b>
Glendale –	Community Services of Arizona, Inc. <b>480-963-6276</b>
Nogales –	Nogales Community Development Corporation <b>520-397-9219</b>
Phoenix –	ACORN Housing <b>602-253-1111</b>
Phoenix –	Chicanos Por La Causa <b>602-253-0838</b>
Phoenix –	Community Housing Resources of Arizona (CHRA)
Phoenix –	Greater Phoenix Urban League <b>602-254-5611</b>
Phoenix –	Housing our Communities <b>480-649-1335</b>
Phoenix –	Labor's Community Service Agency <b>602-263-0815</b>
Phoenix -	Neighborhood Assistance Corporation of America (NACA)
Phoenix -	Neighborhood Housing Services of Phoenix (NHS) <b>602-258-1659</b>
Phoenix/Tempe –	Newtown CDC <b>480-517-4500</b>



•Workbook page 12



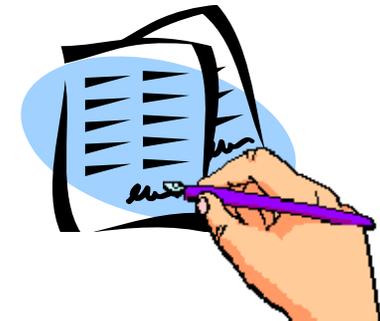
# Understanding the Financial Situation

Preparing For The Servicer/ HCA Conversation

Servicers Will Typically Require A  
Hardship Letter



Please Turn to Page 13 in the Workbook



# Preparing For Your Conversation

with the Servicer and/or HUD Approved Non-profit Agency Housing Counselor

- A hardship letter is a brief and to the point overview of the homeowner's situation.

- **Think about Your Situation**

Be prepared to tell about your situation

Use the worksheet to summarize your circumstances.

When did you miss your first payment (date)?

Why did you miss this and any other payments?



# Preparing For Your Conversation

with the Servicer and/or HUD Approved Non-profit Agency Housing Counselor

- **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?

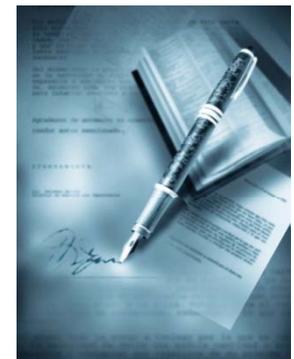
**Please be as accurate and detailed as possible**

Once you complete the exercise, WB13

page 14 gives outline of what the paragraphs should contain

page 15 – is a Sample Hardship letter to help write a

**Personal Hardship Letter.**



# Preparing For Your Conversation

## Hardship Letter Sample



Dear Loss Mitigation Manager:

Our names are/My name is \_\_\_\_\_ 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 get behind, also, if applicable; explain how it has been resolved).

We/I have sat down with my/our family and taken a very hard look at our financial situation and we all have agreed to make the following sacrifices in order to make certain that we can pay our mortgage on time. I have met with HUD Approved Non-profit Housing Counseling Agency Counselor and have saved \$3,000 to pay towards my late payments. Explain what steps you have taken to correct your Financial Position (cut back on spending, canceled some things... cable, eliminated activities, met 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 while, as well as making timely mortgage payments to you for it.

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

Sincerely,





# Options

There are a number of solutions for a distressed homeowner.

Solutions are individualized and based on *all* of the following:

- Reason for delinquency
- Ability and willingness to pay; payment history; current financial condition
- How delinquent you are
- The investor or owner of your loan; servicer must follow investor requirements
- The number of mortgages on your home
- Occupancy status of the home



# IRS Debt Cancellation & The Mortgage Forgiveness Relief Act

Forgiven or Cancelled Debt -- How does it work?

- Is It always Taxable? Not Always; There are some exceptions

The Mortgage Forgiveness Debt Relief Act of 2007

- Allows you to exclude certain cancelled debt on principal residence
- Debt reduced through a mortgage restructuring may qualify for the relief of taxable income



- Loan Modification
- Deed in Lieu
- Short Sale
- Foreclosure

Turn to Workbook  
page 25



- Please be sure to consult with a tax professional



For a list of exceptions visit <http://www.irs.gov>;  
This special relief applies to calendar years 2007 through 2012.

# 1099-C IRS Form



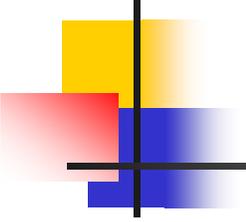
8585       VOID       CORRECTED

CREDITOR'S name, street address, city, state, ZIP code, and telephone no.		1 Date canceled	Cat. No. 1545-1424
		2 Amount of debt canceled \$	2009
		3 Interest if included in box 2 \$	Form 1099-C
CREDITOR'S federal identification number	DEBTOR'S identification number	4 Debt description	
DEBTOR'S name			
Street address (including apt. no.)		5 Was borrower personally liable for repayment of the debt?	
City, state, and ZIP code		<input type="checkbox"/> Yes <input type="checkbox"/> No	
Account number (see instructions)		6 Check for bankruptcy <input type="checkbox"/>	7 Fair market value of property \$

**Copy A**  
For Internal Revenue Service Center  
File with Form 1096.  
For Privacy Act and Paperwork Reduction Act Notice, see the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.

Form 1099-C      Cat. No. 26280W      Department of the Treasury - Internal Revenue Service

- check carefully.... Notify the lender immediately if any of the information shown is incorrect. (qualified written request)
- Pay particular attention to the amount of debt forgiven (Box 2) and the value listed for their home ( Box 7).



# Foreclosure Scams

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How They Work

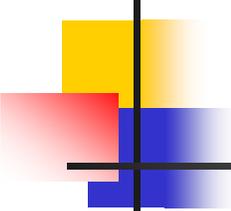
What to Watch Out For

Common Types

Where to File a Complaint

Where to Report Fraud





# How Foreclosure Scams Work

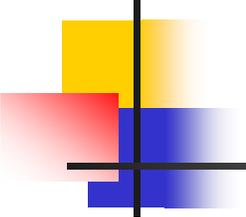
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Scams target people of all backgrounds, ages and income levels

Scams succeed because of two things

- looks like the real thing
- It appears to meet your need or desire
- You need to ask questions and think carefully
- Secondly,
  - scammers manipulate you by 'pushing your buttons' to produce the automatic response they want

Variety of "rescue" scam, but you should be aware of the common elements and red flags



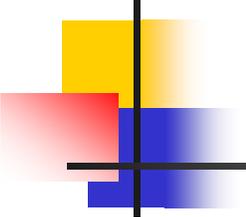
# Red Flags Elements



- 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

Turn to Workbook  
page 15





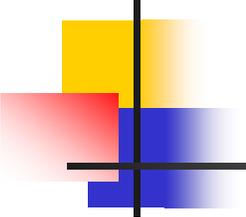
# Red Flags Elements



- Encourages you to lease your home ; 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 them
- 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 you haven't had a chance to read thoroughly or that you don't understand

Turn to Workbook  
page 15





# Common Foreclosure Scams

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## Phony Counseling or Phantom Help –

The “rescuer” tells the borrower

- can negotiate a deal with the servicer to save the house
- if the borrower pays a fee first.

Once the fee is paid

- rescuer takes off with the money and provides no assistance.

Turn to Workbook  
page 30





# Common Foreclosure Scams

**Lease or Buy-Back – We'll buy the property, lease it to you, you have the option to buy it back**

- Sign over the deed
- Told will be able to remain in the house as a renter and eventually buy it back
- Usually, terms are so demanding; buy-back becomes impossible
- Homeowner gets evicted and the "rescuer" walks off with most or all of the equity





# Common Foreclosure Scams

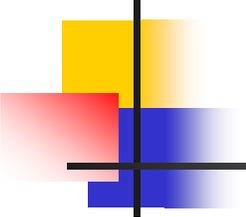
## Bait and Switch –

- Homeowners believe signing documents for a new loan to make the mortgage current
- However sign away your home and are left holding the mortgage

## ■ Refinance Fraud –

**'We'll get you a new loan and solve all these difficulties'**

- offering to refinance loan; afford the payments
- consider total loan amounts also, not just the monthly payments
- May trick you into signing over the ownership



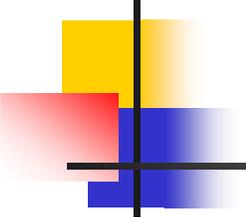
# Common Foreclosure Scams

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**Bankruptcy Foreclosure** -- Bankruptcy does NOT STOP foreclosure; puts a hold on foreclosure which can allow you time to reorganize your finances

- Every area has reputable attorneys who handle bankruptcies
- Spend the time to find one and spend the time to know what you have to do and when.





# How Do You Tell Difference?

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There are many honest, qualified and caring professionals who are trying to help the millions of American homeowners who are struggling with their mortgages and at risk of losing their homes.

They are easy to find

- Department of Housing and Urban Development (HUD)

[www.hug.gov](http://www.hug.gov)



- Page 12 – Finding a Participating Counseling Agency

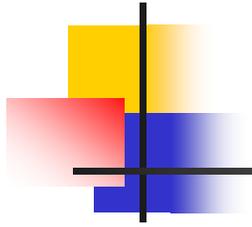




# No Legitimate Housing Counselor will:

- Guarantee to stop a foreclosure
- Tell you not to contact your lender or lawyer
- Collect a fee before providing you with services
- Ask for payment only by cashier's check or wire transfer
- Encourage you to lease your home and buy it back over time
- Collect mortgage payments from you directly
- Tell you to transfer your property deed or title
- Offer to buy your house for cash
- Offer to fill out paperwork without explaining it in detail
- Pressure you to sign paperwork you haven't had a chance to read thoroughly or that you don't understand.





# Report Fraud

- Put the scammer out of business
- File a complaint with one of these agencies:

- Federal Trade Commission**

1-877-FTC-HELP

[www.ftc.gov](http://www.ftc.gov)

- Arizona Attorney Generals Office**

602-542-4266

[www.azag.gov](http://www.azag.gov)

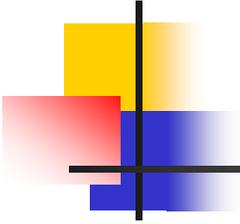
- Better Business Bureau**

1-877-291-6222

[www.bbb.org](http://www.bbb.org)



# Questions ?????



- Contact Information:

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**[cheri@dbtaz.org](mailto:cheri@dbtaz.org)**

