

Foreclosure

Don't Let It Happen To You!

Home foreclosures are at an all time high in the United States. Ohio is at or near the top in various ratings of states with the highest percentage of foreclosures. Fortunately, borrowers living in fear of losing their homes can sometimes prevent foreclosure by acting quickly to contact lenders and taking other steps to reduce their risk. Many lenders understand that individuals and families can face temporary job loss, serious illness or other major life events that can impact their ability to pay the mortgage. These lenders are willing to work with borrowers who notify them as soon as they are experiencing financial trouble.

What is foreclosure?

Foreclosure is a devastating financial event. It is a legal action that a lender can bring to take your home from you. Generally, the lender sues a borrower who has failed to make mortgage payments. The lender essentially seeks a court order to sell the house so that money can be raised to pay the borrower's debt to the lender. After the foreclosure, you no longer have a home and you may not receive any money from the sale of your home.

How soon can foreclosure happen?

Technically, after one missed payment! Based on most mortgage agreements, lenders have the ability to call the entire loan balance due and start foreclosure proceedings after only one missed payment. The vast majority of lenders do not initiate action that quickly. However, by the time a borrower misses three payments most lenders begin reviewing their options to collect the debt borrowers owe them, including the possibility of foreclosure. Don't be lulled into a false sense of comfort just because you may have missed one payment previously and the lender did not do anything. Make your payments on time or contact the lender as soon as you believe you will have difficulty making a payment.

Can I prevent foreclosure?

Yes. Before you fall behind in your mortgage payments, call your lender or the company servicing your loan as soon as possible and explain your circumstances. Don't procrastinate! Lenders are much more willing to work with borrowers who contact them than those who do not. Call your lender's Foreclosure Prevention or Loss Mitigation Division. Since foreclosures involve time and expense for the lender, many lenders have options available to "work out" resolutions with borrowers. (See complementary publication titled "**Foreclosure Prevention: "Work Out" Resolutions**")

Foreclosure was just filed against me – what do I do?

Immediately seek legal counsel and/or contact a U.S. Department of Housing and Urban Development (HUD) approved counseling agency by calling HUD at **1-800-569-4287** or visiting its website at www.hud.gov. Make sure you respond to the court within the timeframe given in the lawsuit. If you do not respond, the court will likely issue a default judgment against you. This

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means the court makes a formal determination that you have not made your mortgage loan payments on schedule and you are not disputing the fact. If the court issues a default judgment, your house will be ordered to be sold unless you can somehow raise the money to satisfy the judgment, perhaps by obtaining a new loan. The money from the sale of your house will then be used to pay the debt you owe the lender. Keep in mind that if the sale of your house is not enough to pay the entire debt, you will continue to owe money to the lender.

FORECLOSURE PREVENTION TIPS

- Call your lender at the first sign that you will have a problem making your mortgage payment.
- If you are having trouble making your mortgage payment, review your monthly expenses to determine what you can reduce or eliminate.
- If you determine that you cannot afford your current home, consider selling it and moving into another home or an apartment with lower housing costs.
- When contacting your lender, take and keep good notes, including the name of anyone to whom you spoke, their department or section, the date and time of your call, and ask that any agreements reached with the lender be provided to you in writing.
- Stay in contact with your lender.
- Seek help from one of your area's HUD-approved counseling agencies that may be able to assist you through this process. A list can be found on HUD's website at www.hud.gov or by calling toll free **1-800-569-4287**.

BEWARE OF SCHEMES

Be careful not to fall victim to one of the many foreclosure assistance schemes that promise to get you out of foreclosure for a "small fee." Work only with HUD-approved housing counseling agencies and verify with HUD that they are approved. Take the time to carefully review the various offers you will receive or see advertised to refinance your loan. Do not sign any papers you don't understand, and check with an attorney or your lender before entering into any refinancing arrangement or foreclosure assistance contract. Signing over your deed to another party does not necessarily relieve you of your loan obligation.

OFFICE OF CONSUMER AFFAIRS

While the Ohio Department of Commerce's Office of Consumer Affairs cannot provide legal assistance to you during a foreclosure, the Office can provide you with contact information for local counseling agencies and organizations that may be able to help you. Please call the Office of Consumer Affairs' free hotline at **1-866-278-0003** for a list of groups in your area.

Consumer Lending Toll Free Hotline

1-866-278-0003

TTY/TDD: 1-800-750-0750

Ohio Department of Commerce

Division of Financial Institutions

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