

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

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DETAILED FORECLOSURE AVOIDANCE INFORMATION FOR OWNER-OCCUPIED PROPERTIES

If you are having trouble making any upcoming mortgage payments on your home, please continue reading for some helpful advice.

The most important thing to do if you think you may be having trouble making your payments is to contact your lender, by telephone or at their web site. Although it may be scary or embarrassing to make that call, your lender has loan counselors available who can discuss your situation in detail and explore your options.

If you have a loan from the Department of Housing and Community Development (HCD), we will explore all available alternatives in order to attempt to bring your HCD loan current. Possible solutions may be a short or long term repayment plan, special forbearance to suspend payments for a period of time or loan modification. If under the circumstances, retaining the property is not practical or possible, the possibility of a short sale, loan assumption or deed-in-lieu of foreclosure may be explored. Subject to all applicable laws, regulations and guidelines, as well as HCD's and other lender(s) approvals, the following loss mitigation possibilities may be considered:

- Special Forbearance Plan

A forbearance plan is a formal written agreement which allows a borrower to either suspend making monthly payments or make less than the scheduled monthly payments for a specified period of time. If agreed to by all parties, mortgage insurer, servicer and HCD may agree to delay foreclosure or other legal action in return for the borrower's promise to pay the arrearage or full unpaid principal balance by a specific date. Typically, special forbearances are for a term not longer than three months. Forbearances longer than three months must be determined on a case-by-case basis.

- Repayment Plan

A repayment plan allows the borrower to bring the loan current, within a given time frame, by making scheduled payments towards the delinquent amount in addition to the regular monthly payments. This type of workout is generally used when delinquency results from a temporary curtailment of income, or increase in expenses, which is later improved or resolved.

- Short Term plan – six months or less
- Long Term plan – seven months or more. (Documents required, without limitation, include: hardship letter, last two months pay stubs, last two months bank statements, last two years tax returns, documentation verifying an involuntary decrease of income and/or increase of expenditures, and other information as needed by HCD.)

- Loan Modification

At HCD's sole discretion, and subject to all applicable laws, regulations and guidelines, a loan modification may be considered. A loan modification changes one or more of the terms of the note and/or mortgage in order to bring the loan current and avoid foreclosure. (Documents required, without limitation, include: hardship letter, last two months pay stubs, last two months bank statements, last two years tax returns, documentation verifying an involuntary decrease of income and/or increase of expenditures, preliminary title report, opinion of value, and other information as needed by HCD.) Once the proposed changes to the loan have been agreed upon by all required parties (borrower, other lien holders and HCD), a written Loan Modification Agreement

between HCD and the borrower which specifies these changes is executed. The loan terms are modified by either:

- Re-amortizing the loan balance within the remaining loan term
- Adding the delinquent amount to the unpaid principal balance (capitalization)

• Short Sale

In the event that a loan modification, special forbearance plan or repayment plan is unsuccessful in bringing the loan current, HCD may consider a short sale. A short sale (also called presale, compromise sale, short payoff or pre-foreclosure sale) is simply a borrower's sale of the mortgaged property prior to foreclosure sale with insufficient net proceeds to payoff the loan. All parties (borrower, servicer, other lien holders, and HCD) must agree that the net proceeds of the sale satisfy the complete and total payoff of the mortgage. (Documents required, without limitation, include: hardship letter, last two months pay stubs, last two months bank statements, last two years tax returns, documentation verifying an involuntary decrease of income and/or increase of expenditures, estimated HUD-1, listing agreement, purchase agreement, current appraisal, and other documents as needed by HCD.)

• Deed-In-Lieu

As an alternative to a foreclosure, HCD at its sole option may consider acceptance of a Deed-in-Lieu of Foreclosure. A Deed-in-Lieu of Foreclosure is the acceptance of a deed from the borrower before foreclosure to avoid a lengthy foreclosure, as well as, additional interest accrual plus expenses. This option is generally applicable when all other relief measures or loss mitigation alternatives have been explored and proven unworkable, as when the borrower's ability to make the mortgage payments has been permanently curtailed and when marketing efforts to sell the property have been unsuccessful. HCD may also consider this option for a borrower who has a non-reaffirmed chapter 7 bankruptcy. HCD prior approval is required and many conditions must be met, including: mortgage insurer has given its approval; the ability to convey clear, marketable and insurable title is established; the property has been listed for sale at fair market value for a minimum of three months without a reasonable sales offer; the property is in good condition and possession can be delivered; and the property is subject to no liens or restrictive agreements affecting marketability. (Documents required, without limitation, include: hardship letter, last two months pay stubs, last two months bank statements, last two years tax returns, documentation verifying an involuntary decrease of income and/or increase of expenditures, preliminary title report, current appraisal, and other documents as needed by HCD.)

To discuss your specific situation, please contact your lender. Communication is the first and most important step toward resolving your financial concerns. In addition to contacting your lender, there is also a toll free referral number, 1 (800) 569-4287, listed by the US Department of Housing & Urban Development, which can help you locate homeownership counseling agencies in your area. Additionally, we encourage you to use other available counseling sources, including, without limitation:

1 (888) 995-HOPE or www.995HOPE.org
www.yourhome.ca.gov / www.sucasa.ca.gov

If you are a member of the military, you may also be entitled to rights and protections under the Servicemembers Civil Relief Act. For additional information on this program, please contact Military OneSource at 1 (800) 342-9647 or www.militaryonesource.com. You can also contact your unit's JudgeAdvocate or their installation's Legal Assistance Officer.