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## DO YOU WANT HELP SAVING YOUR HOME?

### *When You are Behind OR*

#### **- Think you might get behind on Mortgage Payments...**

You can set an appointment with JEDI counselor for help on the steps below.

1. Go over financial situation and budget and address what went wrong.
2. Create a do-able "Save My Home Budget."
3. Create debt elimination plan if needed.
4. Decide on your best renegotiation option and understand why.
5. Get "hardship letter" completed with documentation.
6. Call your lender and ask for help.
7. Call HUD Housing Counselor.

### *At the first sign of trouble...*

1. BE PRO-ACTIVE, **call for help right away** at the first sign that you won't be able to make a payment. Call JEDI, call HUD and call your lender. Open and read all letters from lender, during the entire process. Keep a file with all your relevant information on this in a handy place.
2. Also call a HUD-certified Housing Counselor. Some charge and some are free. Call the HUD office to get a list of the free ones. [www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm](http://www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm) - **This counselor is trained to guide someone through the process of preventing foreclosure.** One free approved HUD housing counselor is *Money Management International* that offers telephone consultation at **(800) 308-2227**.
3. Your JEDI counselor can help you think through the process you choose to use to deal with your mortgage situation, *if you would like that support*. We can also help you prepare the information and materials you will need to talk with your HUD counselor and your lender in ways that are most likely to be successful.
4. See the next page of this handout to review common mortgage renegotiation options, to help you decide which would be best for your situation.

**REMEMBER: THE BANK DOES NOT WANT YOUR HOME.**

## **EIGHT COMMON MORTGAGE RENEGOTIATION OPTIONS –**

*Key to choosing the right option: Which one is DO-able?*

Review these options to get ideas and hope. Different lenders offer different options...

*NOTE: Any negative stats/trends IN THE NEIGHBORHOOD makes the lender more likely TO LET THE OWNER RENEGOTIATE AND STAY – They don't want the property to be destroyed and devalue other homes while sitting empty...*

*(If anyone has defaulted on repayment agreement – we can argue that it was signed under duress and never thought through correctly to be workable, and present a plan that IS workable.)*

1. Total Reinstatement – for owners who have enough saved to cover the back payments due, right away
2. Repayment Plan - for those 1-2 months behind – catch-up amount is spread over 6 months and added to regular payment.
3. Forbearance Plan – for 90-365 days late – spreads catch-up amount over 6 to 18 months, and adds to regular payment.
4. **Loan Modification** or Re-fi to new loan –for long **or** short term crisis. May include:
  - a) lower interest rate
  - b) extend term of loan
  - c) waive downpayment required
5. VA loan modification/refunding
  - a) VA buys your loan back from the lender
  - b) useful when VA has more options than current lender
  - c) VA will not sell loan to another lender
6. Partial Claim or Advance Claim – mostly for FHA insured homeowners – some Private Mortgage Insurance Co.s (PMI) have Partial Claim programs
  - a) for 120-365 days past due
  - b) places past due payments (up to one year) into an interest free second loan, due when the first mortgage is paid off – so you have the life of the original mortgage to spread out paying the amount.
  - c) only one available per mortgage

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7. Short Sale – Pre-Foreclosure Sale

- a) Mortgage can only be 2 months delinquent
- b) Home must list and sell within 3-5 months
- c) Appaised value must = 63% of amount owed
- d) Net sales must be at least 82% of appraised value
- e) Lender may issue a 1099 income tax form for the difference between amount owed and amount accepted for short sale

8. Deed-in-Lieu – “Cash for Keys or Keys for Cash” (Last option to avoid foreclosure)

- a) Homeowner willingly leaves house in good shape – agreed upon conditions set by lender and receives a cash incentive to do this

From Consumer Credit Counseling Service

Top Three Foreclosure Scams To Avoid

Unfortunately scammers have no problem taking advantage of homeowners who are facing foreclosure. The Federal Trade Commission lists the top three foreclosure scams to be aware of as the housing crisis deepens.

- The foreclosure prevention specialist: The “specialist” really is a phony counselor who charges outrageous fees in exchange for making a few phone calls or completing some paperwork that a homeowner could easily do for himself. None of the actions results in saving the home. This scam gives homeowners a false sense of hope, delays them from seeking qualified help, and exposes their personal financial information to a fraudster.
- The lease/buy back: Homeowners are deceived into signing over the deed to their home to a scam artist who tells them they will be able to remain in the house as a renter and eventually buy it back. Usually, the terms of this scheme are so demanding that the buy-back becomes impossible, the homeowner gets evicted, and the “rescuer” walks off with most or all of the equity.
- The bait-and-switch: Homeowners think they are signing documents to bring the mortgage current. Instead, they are signing over the deed to their home. Homeowners usually don’t know they’ve been scammed until they get an eviction notice.

See <http://www.cccsso.org/default.asp?pg=Housing> for more information.