

# **HANDBOOK** to **Stop Foreclosure**



**Do You Know All Your Options?**

Compliments of Eliah Huloq

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# Handbook To Stop Your Foreclosure

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*This handbook was written to the person who is facing foreclosure to let them know that foreclosures can be avoided! In fact, 50% of all foreclosures could have been prevented with the knowledge you will learn in this booklet. So read this a few times to get understanding, and by all means meet with the person who gave you this book, and go over the options with them. You have nothing to lose and everything to gain – your home!*

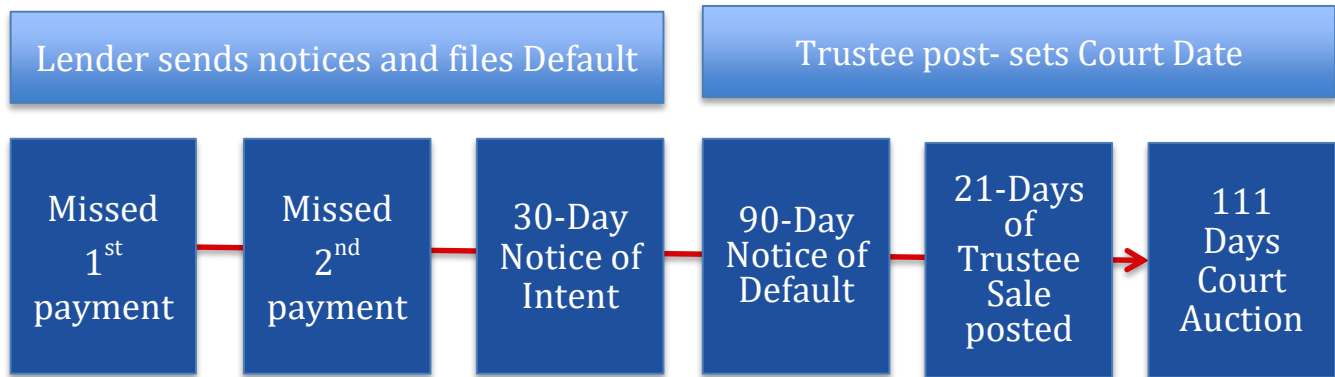
Dear Homeowner,

The best time to address the problem of a foreclosure is during the pre-foreclosure stage, as this allows for more options. Falling behind one payment or two is not life threatening. By law, in most states, and especially in California, the lender has to provide a redemption period. This is usually for 90 days. This allows the borrower to make good the back payments and reinstate their loan in good standing.

Let's review the foreclosure time line so you know where you stand and what options are available to you.

## **What is a Pre-Foreclosure?**

A pre-foreclosure is when someone who has fallen behind on his or her payments and the lender has filed a Notice of Default. A Notice of Default is the first step to foreclosure in California when someone falls behind two payments, usually 60 days. The lenders have a trustee send out 30-day letter of intent to foreclose.



### FORECLOSURE TIME LINE

In California, lenders must then wait 90 days before they can file a Notice of Trustee Sale. Borrowers have the right to make up the back payments and reinstate the loan.

- After the 90 days have passed, the lender has the right to publish a Notice of Trustee Sale for 21 days, during this time the homeowner can stop foreclosure by making payments in arrears, pay off the mortgage or file bankruptcy.
- After 21 days the lender may sell the property to the highest acceptable bidder at the auction.
- From the time the Notice of Default is filed the investor has 111 days to contact the homeowner/borrower and offer them solutions.
- Time is of the essence! The earlier you contact them the more options they have to cure the problem.
- If the property is not sold at the auction it reverts to an REO (Real Estate Owned), meaning “banked-owned”.

## **What Borrowers Need To Avoid**

The number one thing to avoid is bankruptcy, and here is why: Bankruptcy will stay on your credit report for 7 years which means your FICO scores or credit rating will always report it as “Public Records”. This will keep your credit score low for years!

Some people, like banks, investors, or even friends, are advising bankruptcy as a solution to stop foreclosure, and this is simply not true. Bankruptcy will stay a foreclosure for maybe six months at most, and then you are right back in the same boat, but now with a recorded bankruptcy for seven long years. This makes for a long road to recovery. We will look at some better options in just a little while, but first let’s look at the other villain to bankruptcy.

Foreclosure itself is by far the worst thing that could happen to destroy your life and credit and here is why...Foreclosures stay on your credit report for ten long years. A foreclosure will force you to lose most of the equity in your property, if not all of it. Even though there are ways to file for recovery after the auction takes place, it is difficult and time consuming. The auction bids start at the outstanding balance of the loan plus past due amounts and charged interest, so who wins your equity are the banks, and eventually the state, if unclaimed.

Remember, investors are bidding at the lowest possible price, and are buying your home and equity. That’s right! The winner at the auction buys your home usually 30 to 50% under fair market value, and gains your precious equity in the purchase.

So, in conclusion, your enemies are **bankruptcy** and **foreclosure!** Avoid them at all cost. Now here is the mistake most people in foreclosure make; “My credit is shot anyway so what is the difference?” Wrong! There is a huge difference. When you get back on your feet you can really do good by rebuilding your credit. There are programs for credit restoration that can help you get back on your feet with good credit scores in 6 months. No bankruptcy or foreclosure!

## Your Options

1. In the 90-day NOD (Notice of Default Stage)
  - a. Sell the property as a FSBO (For Sale by Owner) This is not recommended as it attracts the lowest possible offers from people looking to save commissions.
  - b. List the property with a Realtor (recommended if the property is in good condition and up-to-date), and if there is more than 30 days to market the home)
  - c. Loan modification if the bank is willing to work with the owner (Owner must show enough income and debt ratios to qualify at new payment)
  - d. Rent the property as a lease-option as long as the option requirement covers the back payments, and can give the owner enough money to move and pay a few months of rent.
  - e. Forbearance or Payment Plan, if the owner is in the military or under special circumstances, such as a temporary loss of income due to death, unemployment, or natural disaster some banks will take lower payments for a temporary amount of time.
  - f. Bankruptcy allows a temporary means for the owner to stay in their home, usually about 6 months. Bankruptcy is expensive, can only be declared every seven years, and will ruin a person's credit.
  - g. Sell the property "AS IS" to an all cash investor with a fast close.
  
2. In 21-Day Notice of Trustee Sale
  - a. Pay off the entire outstanding balance, loan penalties and any liens.
  - b. Let the property go to auction. (Not advisable great loss of equity and damaged credit).
  - c. Sell property to Investor "AS IS" all cash with a fast close.

## Let's Review Your Options

### Selling As A FSBO

(For Sale By Owner), in a seller's market with multiple offers this is a preferred method should you want to sell your home to stop the foreclosure and save as much equity as the market will bear. In a buyers market this requires negotiation skills, as the FSBO buyer will go for making a lower offer just because you are saving commissions. The biggest mistake owners make is telling the potential buyer their situation which causes even a lower offer. YIKES!

Pros:

- Save money on commissions in a seller's market
- Can under price market for a fast sale
- Not contractually obligated to a listing agreement over a period of time

Cons:

- Will attract tons of Realtors looking for listings
- Will attract tons of Investors looking for discounted properties
- Will have to qualify your buyer
- Will have to arrange your own escrow and title service
- Must be a good negotiator

### List With A Realtor

If you have 30 days or more to market your home then this could be your best option. However make sure the Realtor is trust- worthy and will not put things like, "distressed sale", or "motivated seller", which entices low offers. Realtors want to make a fast commission.

Pros:

- MLS exposure to great number of buyers
- Realtors work with pre-qualified buyers
- 90% of all sales recorded are represented by a Realtor source: NAR (National Association of Realtors)

Cons:

- Realtor may not have enough experience in foreclosures
- Realtor may put "seller motivated" or other similar language in MLS and other websites which will entice low offers

- Paying high commissions

### **Loan Modification**

#### **Pros:**

- Resolve your delinquency status with your mortgage company
- May reduce your monthly mortgage payments to a more affordable amount
- Change the original terms of your mortgage permanently, giving you a new start
- Less damaging to your credit score than a foreclosure
- Stay in your home and avoid foreclosure

### **How Does Loan Modification Work?**

#### **A modification involves one or more of the following:**

- Changing the mortgage loan type (e.g., changing an Adjustable Rate Mortgage to a Fixed-Rate Mortgage)
- Extending the term of the mortgage (e.g., from a 30-year term to a 40-year term)
- Reducing the interest rate either temporarily or permanently
- Adding any past-due amounts, such as interest and escrow, to the unpaid principal balance, which is then re-amortized over the new term

#### **Cons:**

- In some cases, it takes a long time
- There are scam artists out there who make a living off of loan modifications
- It is costly
- Must qualify for new payments



### **Lease Options**

Can be a way out, if the option payment covers the delinquent payments and any back taxes that may be due. You will need money to move and a deposit on your new rental home. You would have to move out and give up your home. This would save your credit from a foreclosure.

### **Forbearance And Payment Plan**

Forbearance are options if you have undergone a serious illness, loss of job, or catastrophe? This is entirely up to the bank or lender, and takes time.

At this point we fully reviewed your options in relation to your foreclosure time line. As you can see, it is very complicated and requires help of a professional, and can be very costly. I warned you against scams, and they are out there as well. The safest way to pursue this is to book a no cost, no obligation appointment with me.

After reviewing your situation I can advise you as to the correct options that best fit your needs. Let's stop this foreclosure before it's too late!

### **Disclaimer:**

We do not represent ourselves as qualified professionals, such as an attorney or CPA, therefore though we believe the information is true and accurate to the best of our ability we highly recommend you seek the advice of a professional attorney or CPA. Some of us are Licensed Real Estate Agents and or Brokers, which is disclosed at the bottom of this report.

### **30 Minute Free Home Consultation Meeting**

It is always best to sit down face to face to explain the best options available for you. We offer a free home consultation to make sure you fully understand your options.

Contact me for a sit-down appointment right now. **Call 408-849-4020**  
**or email me at [Eliah@amberhomesolutions.biz](mailto:Eliah@amberhomesolutions.biz)**

