

FPP Foreclosure Workshop and Information Session

Presented by The Foreclosure Prevention Project
of Buffalo and WNY
A partnership with:



**Legal Aid Bureau
of Buffalo**



Funded through the New York State Attorney General
Homeownership Protection Program

Disclaimer

- ▶ ***Please note: The following content is for informational purposes only. It is not to be interpreted as legal advice and the information contained is not necessarily applicable to your specific case.***



Welcome

- ▶ What is the Foreclosure Prevention Project?
- ▶ Introduction
- ▶ Format



Mortgage Default

- ▶ What does it mean if you are in default?
- ▶ Why won't the bank accept my payments?
- ▶ Correspondence from bank:
 - Statements & escrow analysis
 - Auto-generated solicitations



Pre-foreclosure

- ▶ What is the difference between legal and bank foreclosure?
 - When should I contact FPP?
 - Bank employees do not always know the foreclosure process for each state
 - Sale dates
- ▶ Housing Counseling
 - The role of housing counselors
 - Relationship between housing counselor and FPP
 - Getting started with a housing counselor



Foreclosure Process in New York

- ▶ Judicial v. Non-judicial foreclosure
- ▶ What does this mean for you?
- ▶ Foreclosure timeline



- ▶ What is a Summons & Complaint?
 - Initiation of a foreclosure action
 - Content
 - Should you answer?
 - How to answer:
 - Consult an attorney
 - Pro se answers
 - CLARO



Foreclosure Process (cont.)

- ▶ Request for Judicial Intervention
- ▶ Settlement Conference Notice
- ▶ Settlement Conferences
 - Purpose
 - Process
 - What to expect
 - Court deadlines



Whose loan is it?

- ▶ Lender
- ▶ Investor
- ▶ Servicer



Workout Options for Home Retention

- ▶ Payoff
- ▶ Reinstatement
- ▶ Repayment Plan
- ▶ Forbearance
- ▶ Loan Modification



Payoff & Reinstatement

▶ Payoff

- Requires that you pay the full balance of your loan, including all fees, taxes, insurance, and foreclosure costs
- Results in satisfaction of mortgage



▶ Reinstatement

- Requires that you pay the full amount of past due payments, including taxes, insurance, fees and foreclosure costs
- Results in bringing your account and resume making payments at previous interest rate and payment amount

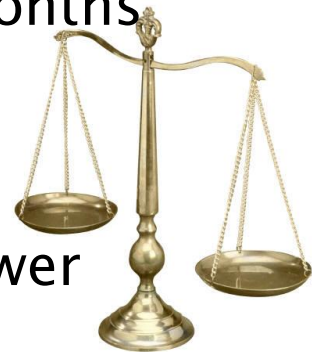
Repayment plans & Forbearance agreements

▶ Repayment Plan:

- Agreement with the bank to resume making your normal monthly mortgage payments, in addition to part of the back payments each month
- Typically plans are not extended beyond 6–12 months
- Often payments are unaffordable

▶ Forbearance Agreement:

- A temporary agreement with the bank to offer lower payments until financial situation changes
- Often used in situations where borrower is unemployed
- Does not result in a permanent payment arrangement or modification of loan terms
- Does not typically discontinue foreclosure action



Loan Modification



- ▶ What is it?
 - An agreement that changes one or more of the original terms of the loan such as interest rate, payment amount, maturity date or the amount of the unpaid principle balance
 - The arrears (amount of delinquent debt+fees) is added to the remaining loan balance & then the loan is re-amortized
- ▶ What can the lender do?
 - Reduce the interest rate
 - Reduce the principle balance
 - Extend the maturity date
 - Change the product type (from adjustable to fixed)
 - Increase the principle balance by capitalizing the delinquency

Applying for a loan modification

- ▶ Required documents
 - (Please refer to the hand out in packets)



- ▶ Importance of providing documents in a timely manner
 - Review stale-dated documents
 - Bank may ask for additional informational
- ▶ How to write a hardship letter



Crisis Budgeting

- ▶ **What is it?**
- ▶ A temporary plan that aims to maximize the share of income that can be used to address your mortgage delinquency and other obligations
- ▶ Essential vs. non-essential expenses
- ▶ Look for opportunities to save money or eliminate expenses
- ▶ To afford a mortgage payment, you may need to explore how expenses can be reduced and you should develop a budget that incorporates reduced spending
- ▶ Plan for continued financial stability



Best practices

- ▶ Begin saving money on a monthly basis if possible
 - Initial trial plan payments
 - Budgeting for continued mortgage payment
- ▶ Set aside updated documents
 - Keep all paystubs and bank statements in a folder for regular submission
 - Be prepared for multiple requests
- ▶ Open mail and respond to requests in a timely manner.



Obstacles to working out an agreement with the bank

- ▶ Insufficient income
 - Budgeting/prioritizing monthly expenses
 - Many banks do not include unemployment payments as monthly income
- ▶ Lack of communication between bank, attorney, and borrower
- ▶ Late submissions
- ▶ Improper/incomplete paperwork
- ▶ Judgments/Liens
 - CLARO Program
- ▶ Estate issues



Fees & Costs

- ▶ Foreclosure fees:
 - Fees assessed by bank attorney
 - Escrow costs
 - Interior and exterior appraisals
 - Recording fees
 - Title searches



What to expect from your workout agreement with the bank if one is reached

- ▶ Cancelled Lis Pendens
- ▶ Mortgage brought current
- ▶ Possible issues with monthly statements being received
- ▶ Always keep proof of payments and confirm with bank that payments are received



What if a work out is not possible?

- ▶ Foreclosure to proceed
- ▶ Order of reference
- ▶ Judgment of foreclosure
- ▶ Sale date
 - House to be auctioned
- ▶ Notice to vacate
 - Dependent on who buys property & what they decide
- ▶ Homeowner's responsibility during this time
- ▶ Deficiency Judgment
- ▶ Search for alternate housing



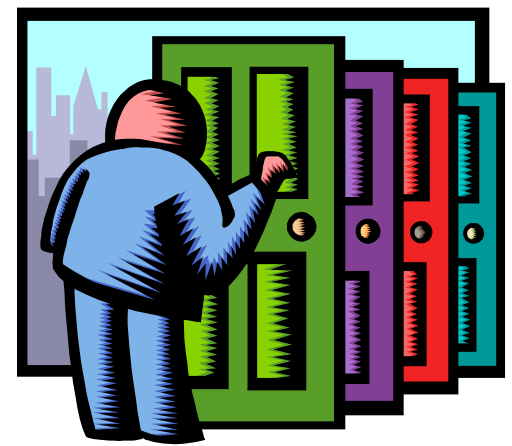
Bankruptcy

- ▶ Chapter 13
 - Repayment plan over 5 years
 - Allows you to keep your house
 - Often not affordable
- ▶ Chapter 7
 - Liquidation of your assets
 - Discharge of debts
 - Avoid deficiency judgment



Transition Options

- ▶ Sale of the Property
 - Consult a real estate agent for traditional sale or to pursue a short-sale
 - Bank approval needed for short sale
- ▶ Deed in Lieu of Foreclosure
 - Application and additional requirements may be needed
- ▶ Credit Implications
 - See a tax professional if you have questions
- ▶ Renting a new home
 - Setting aside funds for deposit, rent and moving expenses



Questions

