

Foreclosure and Short Sale

Consumer Resource Guide

Overview

Homeowners and homebuyers in today's real estate market face unique challenges. Of special concern are issues arising out of the possibility of foreclosure on their homes, and possible alternatives. While foreclosure occurrence is relatively low in Maryland compared to the rest of the country, the rate and number of foreclosures in the state has risen substantially.

The Maryland Association of REALTORS® has created this Resource Guide to assist you in meeting the challenges of potential foreclosure. It includes general information about foreclosure and "short sales," as well as articles, publications and useful links.

Foreclosure

What is Foreclosure?

At the time of settlement, you signed paper work agreeing that the mortgage company has a right to take ownership of the property through a process called foreclosure if you stop paying your monthly mortgage payments.

When you miss mortgage payments, in some cases for as short a period as 60 days, you are considered in default on your mortgage. Mortgage lenders can move your loan into collections, which can be the start of the foreclosure process.

If you are having trouble keeping up with your mortgage payments, or if you have received a notice from your lender asking you to contact them, don't ignore it. Contact your lender immediately to try to work out your options.

[Foreclosure Law](#)

General information about the types of foreclosure sales and the foreclosure process in Maryland can be found at http://www.foreclosures.com/www/pages/state_laws2.asp?state=md

Local Foreclosure Help for Homeowners

Maryland resources for those who may face foreclosure:

- The NeighborWorks[®] Center for Foreclosure Solutions, an initiative of NeighborWorks America, was created to preserve homeownership in the face of rising foreclosure rates. In conjunction with national nonprofit, mortgage and insurance partners, the Center is building a network among foreclosure counselors around the nation. It conducts public outreach campaigns to reach struggling homeowners with information about how to keep their homes, and researches local and national trends to develop strategic solutions. In cities and states with high rates of foreclosure, the Center works with local leaders to create sustainable foreclosure intervention programs. Anyone in Maryland who calls 1-888-HOPE will be automatically connected to the staff at St. Ambrose Outreach Center, the official Maryland foreclosure counselors for the NeighborWorks[®] Center. Homeowners who live in Baltimore may dial 311 to be connected automatically to qualified housing counselors who can advise them about foreclosure issues. For more information go to www.nw.org
- **The Baltimore Homeownership Preservation Coalition**, created by public and private funders, lenders and nonprofit practitioners, develops and implements key programs and policies to reduce the incidence of foreclosure and high cost lending in Baltimore. The aim is to preserve and increase the assets of families, thereby supporting the revitalization of the neighborhoods in which they live and the city as a whole. Trained professional housing counselors give consumers sound advice, contact their lender and connect consumers with local housing counselors at various Baltimore Homeownership Preservation Coalition member sites. The service is free, confidential and available 24 hours a day, seven days a week. To get more information call 1-888-995-HOPE or go to www.preservehomeownershp.org
- **Consumer Credit Counseling Service of MD & DE, Inc.**, an accredited non-profit community service organization, has been serving the community since 1966. CCCS is dedicated to helping individuals and families resolve financial problems by promoting the wise use of credit through confidential budget counseling, debt management repayment program, and community education. CCCS helps more than 30,000 individuals through counseling sessions, and reaches more than 150,000 individuals through education programs. For more information, call 1-800-642-2227 or go to www.cccs-inc.org.

- **The Maryland Department of Housing and Community Development's (DHCD)** HOPE Initiative offers the Lifeline Refinance Mortgage program, which provides a refinancing option to Marylanders who are currently facing problems with an adjustable rate or other unfavorable mortgage. Contact 1-877-HOA-P555 or <http://www.dhcd.state.md.us/Hope/Index.aspx>.
- **The U.S. Department of Housing and Urban Development (HUD)** has created "Tips for Avoiding Foreclosure," which provides information on housing counselors and legal assistance in Maryland, and information on its FHA Secure program, which helps homeowners refinance their adjustable rate mortgages. For more information go to <http://www.hud.gov/foreclosure/index.cfm>.
- HUD also has a list of qualified housing counselors. Contact a **HUD-approved Housing Counseling Agency** or call 1-800-569-4287 or TTY (800) 877-8339. For more information go to <http://www.hud.gov/foreclosure/index.cfm>

Short Sale

Options for Avoiding Foreclosure—Short Sale

Many homeowners facing rising interest rates on their sub prime adjustable rate mortgages and flat or falling home prices, are being advised to use a short sale to help them out of the difficult situation of mortgage delinquency or foreclosure.

What is a Short Sale?

A short sale is an "arrangement" between the current owner of a home and the current mortgage lender holding the mortgage to accept an offer for less than the total amount owed to pay off the home loan which also includes other obligations such as closing costs, property taxes, transfer tax, and/or commission.

In some cases, sellers may be in default on their mortgage and are potentially facing foreclosure. Life changes such as a divorce or job transfer may force a sale of their property, but some sellers

find themselves in an “upside down” situation, meaning that they owe more than they can potentially realize from the sale of their property.

Short Sale Basics

The buyer of a property being sold in a short sale should be aware of several key issues. The contract is usually contingent upon the agreement of the seller’s mortgage lender to accept the net proceeds of the sale as full payment for the underlying debt. This is often a long process, which can delay an anticipated settlement date, and buyers and agents should be prepared for this possibility. Indeed, the fact that the property is a short sale should be disclosed in the comments section of the Multiple Listing Service listing. The sales contract should also include a third party addendum, outlining that the contract is contingent upon the agreement of the seller’s mortgagee to accept the net proceeds of the sale as full payment of the underlying outstanding debt.

Help with Short Sales

As always, if you are considering a short sale, or any real estate transaction, whether you are a seller or a buyer, it is important to seek competent legal and financial professional advice. Be sure you deal with a real estate professional with experience with short sale transactions.

Homeowners Beware: Foreclosure Rescue Scams

Distressed homeowners who face foreclosure are understandably frightened and looking for relief. They are prime targets for advertisements that promise help and rescue from their financial woes. Unfortunately for many homeowners in this already precarious position, they can unwittingly make their situation even worse, sometimes signing over the deeds to their most valuable asset as part of a foreclosure “rescue.”

In an article published in the June 25, 2007 edition of Business Week Online, “The Foreclosure Rescue Racket,” reporters Dean Foust and Brian Burnsed outline the general mechanics of these schemes. An individual or group contacts desperate homeowners from an online list compiled when mortgage lenders file a notice of trustee sale with the courts, the first step in the foreclosure process. Under the guise of helping the homeowner, the individual or group contacts these homeowners and convinces them that they can avoid losing their home by “refinancing” it. The

“rescuer” then arranges a deed of transfer with a “rent to own” plan, which will allegedly allow homeowners to buy back their home at some point.

However, buried deep within the stacks of paper work is some form of quitclaim or gift deed, in which the homeowner has actually signed away his home to the investor. The rescuers then charge the former owner astronomically high rents which the homeowner cannot pay, making it impossible for him to stay in the home. Eviction follows, and the investor may then sell the home.

Not all programs to help homeowners keep their homes are scams; there are some legitimate services. To avoid the scams, consumers should follow certain best practices. First, call your mortgage company to see if it is willing to work with you to bring your payments current. Many established mortgage companies have created workout programs in response to rising foreclosure rates and are willing to work with homeowners. Consider reaching out for help from reliable sources, including trusted counseling national nonprofits such as Neighborworks (1-888-HOPE), or local groups, including St. Ambrose Resource Center in Baltimore. Finally, seek expert and independent advice from a lawyer before signing any documents.

Articles and Publications for Consumers

- The National Association of REALTORS® has created several brochures to help consumers deal with issues concerning foreclosure and protecting their homes:
- “Concerned About Your Existing Mortgage?” is available at http://www.realtor.org/home_buyers_and_sellers/protect_your_home.html.
It includes links to counseling services and foreclosure prevention programs.
- “Smart Home Financing,” available at http://www.realtor.org/home_buyers_and_sellers/smart_home_financing.html
provides consumers information about basic home finance and how to avoid predatory lending.
- The U.S. Department of Housing and Urban Development has prepared “Foreclosure Frequently Asked Questions” for Maryland consumers, available at <http://www.hud.gov/local/index.cfm?state=md>
- Freddie Mac has created a useful guide, “How to Avoid Foreclosure” Go to http://www.freddiemac.com/corporate/buyown/english/avoiding_foreclosure/
- Fannie Mae also has some useful tips for avoiding foreclosure and working with your lender. Go to http://www.fanniemae.com/aboutfm/borrower_resource.jhtml

