

12 Things You Should Know When You Call Your Lender

1. Contact your servicer immediately if you are unable to make your mortgage payments. (Your servicer is the company that sends you statements and the people you make your payments to.)

Even if you are already delinquent or in foreclosure, your servicer may be able to help you with a solution. Don't delay!

2. Ask your servicer about alternatives to foreclosure, including repayment plans, postponements of regular payments (called a forbearance), and other "work-out" options. Visit our Glossary of Foreclosure Terminology at <http://www.phoenix.gov/nsd/fland.html> for more information on these terms. Remember: Work-out options are tailored to fit your individual situation, but you must qualify for the plan being considered.
3. Provide any information requested by your servicer quickly to avoid further foreclosure action – don't wait until the last minute. Servicers must evaluate each borrower's circumstances on a case-by-case basis and go through an approval process to arrange work-out plans. This can take time, so it's important you act immediately to be in touch and promptly provide any information the servicer requests.
4. Be prepared to provide detailed financial information to assist your servicer in qualifying you for a potential work-out option. Be honest about your circumstances and personal finances – it will help lead to the work-out option that best fits your situation.
5. Be ready to change your spending habits. By creating a workable budget and understanding where your money is going, you are more likely to be successful in a work-out plan.
6. If you need additional assistance or are uncomfortable calling your servicer, request free housing counseling from a Certified U.S. Department of Housing and Urban Development's (HUD) approved counselor near you by calling the Arizona Mortgage Foreclosure Prevention Hotline at 1-877-448-1211 or visit the following websites: www.phoenix.gov and click on foreclosure information or the HUD website: <http://www.hud.gov/foreclosure/index.cfm>.
7. Be sure you open all mail from your servicer or your servicer's law firm and return calls promptly. Failure to respond quickly may result in further foreclosure actions and additional costs.
8. Ask the critical questions:
 - What is the anticipated timeline to complete a work-out?
 - Will the foreclosure sale be postponed while your servicer reviews the work-out option?
 - What are your obligations under the work-out arrangement: due dates, amounts due, how long your servicer will postpone collection of payments, if applicable, and when such deferred payments must be paid back?
9. If you are not making payments into an escrow account for real estate taxes and insurance, your servicer will likely require that you begin doing that and will work with you to recover any payments already made on your behalf. You can usually save money and get better coverage if you obtain your own homeowner's hazard insurance policy instead of having your servicer arrange coverage for you.
10. Stay in contact with your servicer and/or counselor at all times. Notify your servicer and counselor of any change in your circumstances, including new employment or problems with making payments under a work-out plan.
11. Be realistic about your own financial condition. If you cannot afford to keep your property, consider selling it to get your equity out, or talk to your servicer about other options to give up your property such as approving a short sale or accepting a deed-in-lieu of foreclosure.
12. Understand that the servicer is trying to ensure a positive result for you. Be cooperative, honest and keep your promises on any work-out arrangement.

Common Foreclosure Terminology

Deed-in-lieu of Foreclosure - An instance where borrowers voluntarily convey their rights in a property to the lender rather than going all the way through the foreclosure process.

Deed of Trust - A three party security instrument conveying the legal title to real property as security for the repayment of a loan. The three parties included in a deed of trust are the borrower, lender and trustee.

Deferred Payments - Payments that are authorized to be postponed as part of the work-out process.

Equity - The net value of an asset. In the case of real estate, it would be the difference between the present value of the property and the mortgage amount on that property.

Escrow - An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due, or the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate. In some parts of the country, escrows of taxes and insurance premiums are called impounds or reserves.

Forbearance - The act of refraining from taking legal action despite the fact that the mortgage is in arrears. It's usually granted only when a mortgagor makes satisfactory arrangements to pay the amount owed at a future date.

Foreclosure - The forced sale of property pledged as security for a debt that is in default.

Hazard Insurance - Insurance coverage which provides compensation to the insured in case of property loss or damage.

Notice of Trustee Sale - A notice giving specific information about the loan in default and the foreclosure proceedings about to take place. This notice must be recorded with the county where property is located and advertised as stated in the security document and as dictated by state law.

Partial Claim or Partial Release - If your mortgage is insured, you may qualify for a low interest or interest-free loan to bring your loan current through the insurer (usually Federal Housing Administration). This loan would be repaid at a later date, usually when you pay off your first mortgage or sell your home.

Pre-Foreclosure Sale or Short Sale - If you can no longer afford your home, this option involves selling your house to prevent foreclosure. If you owe more on the home than its value, your lender may agree to accept less than what is owed on the mortgage. There may be income tax consequences with a short sale, so please talk to a tax preparer to find out more information.

Reinstatement - A reinstatement is when you pay the full amount you owe (total of past due monthly payments plus all fees) in a lump sum by a specific date.

Repayment Plan - An arrangement by which a borrower agrees to make additional payments to pay down past due amounts while still making regularly scheduled payments.

Trustee - A neutral party who advertises the foreclosure property for sale and conducts the auction to sell said property to the highest bidder.

Trustee Sale - An auction of real property conducted by a trustee.

Work-Out - An alternative action to foreclosure for the benefit of the lender and the borrower. Alternative options include; loan modification, short sales and various forms of forbearance. Also called "restructure".