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# Foreclosure Prevention

~ a workbook ~

STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL  
LAWRENCE G. WASDEN

954 W. JEFFERSON ST., 2ND FLOOR  
P.O. BOX 83720  
BOISE, ID 83720-0010

(800) 432-3545 (in Idaho)  
(208) 334-2424

[www.ag.idaho.gov](http://www.ag.idaho.gov)



STATE OF IDAHO  
OFFICE OF THE ATTORNEY GENERAL  
LAWRENCE G. WASDEN

Dear Homeowner:

While Idaho's housing market has improved and the foreclosure rate has declined, homeowners continue to struggle with unaffordable and underwater home loans. Losing a home to foreclosure can be a devastating life event. In many situations, however, it is possible for a homeowner to avoid foreclosure through a loan refinance or modification, a short sale, or a deed in lieu of foreclosure.

This workbook includes information and worksheets to help homeowners explore their alternatives to foreclosure, and, when possible, keep their homes. If continued home ownership is not an option, borrowers can use this workbook to help them choose their best exit strategy.

By opening this workbook, you are demonstrating your commitment to confronting the problem head on. The sooner you take action, the better chance you have of preventing foreclosure.

To learn more about specific loan modification programs available to you, please call your loan servicer or consult with a nonprofit housing counselor. Never pay someone to obtain a loan modification. Help is available for free at (888) 995-4673.

Sincerely,

LAWRENCE G. WASDEN  
Attorney General



# BEFORE YOU BEGIN

If your home is in foreclosure and you have not applied for a loan modification or you are unsure of your options, you need to talk to a HUD-approved housing counselor as soon as possible.

To locate a housing counselor near you, call (888) 995-4673 or visit [www.hud.gov](http://www.hud.gov).

This workbook is provided for informational purposes only and does not constitute legal advice. If you need legal assistance or if you have questions about your legal rights, you need to speak with a private attorney.

To locate an experienced, Idaho-licensed attorney, call the Idaho State Bar's Lawyer Referral Program at (208) 334-4500 or visit [www.isb.idaho.gov](http://www.isb.idaho.gov).

## TERMS TO LEARN

*(See the Glossary for Additional Definitions)*

**Beneficiary.** The entity for whose benefit a deed of trust is given. The beneficiary may be the bank or credit union that loaned you money to buy your home. The beneficiary also may be the entity that bought your loan from the original lender, such as a trust or Freddie Mac.

**Deed of Trust.** A legal document that transfers the title of real property.

**Escrow Account.** A special account where a portion of your monthly payments is held and then used to pay home-related obligations like property taxes, homeowner association dues, and insurance.

**Foreclosure.** A legal process that results in the forced sale of property.

**Notice of Trustee's Sale.** A legal document that informs the borrower and others about the location, date, and time of the trustee's sale.

**Promissory Note.** A legal document signed by the borrower to repay a loan under agreed-upon terms.

**Servicer.** A business, often a bank or mortgage company, that accepts and records your monthly loan payments, negotiates loan modifications, and supervises the foreclosure process.

**Title Company.** An entity that processes the title to real property. A title company may research the property and provide a title opinion letter or prepare a commitment of title insurance. A title company also may handle the closing of a home loan and record the deed of trust with the county recorder's office.

**Trustee.** A person to whom legal title to real property is conveyed by a trust deed or by his successor in interest (a "successor trustee").

**Trustee's Sale.** A public auction to sell property under the terms of the deed of trust.

# PART ONE

## *Gather Your Tools and Records*

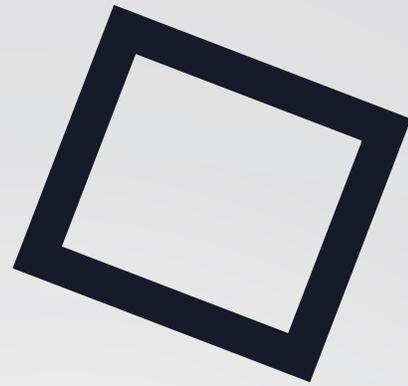
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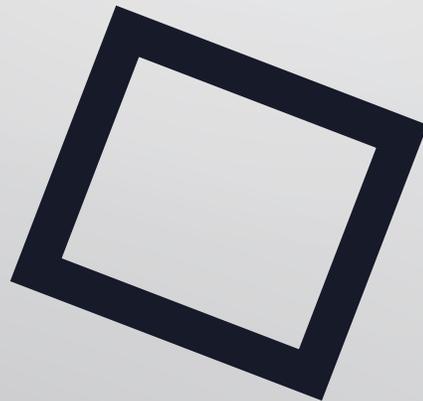
**T**HIS IS NOT just a book. It is a workbook. To get the most value from this workbook, take the time to read each section, understand it, and complete the worksheets while applying what you have learned.

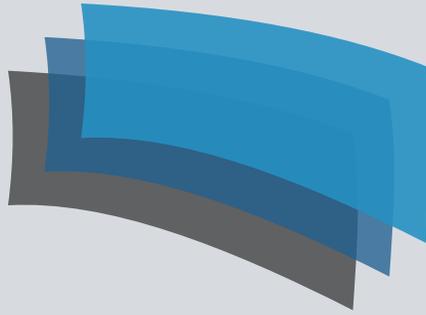
**T**HE FIRST STEP is to gather the tools and records you need to complete the worksheets. The next three pages include lists of the financial and mortgage records you need to compile.



## TOOLS YOU NEED

- Pencils with erasers
- Pencil sharpener
- Pens with blue ink
- Calculator
- Scratch paper
- Sticky notes





# Gather Your Financial Records

Type of Record	Have Them <input checked="" type="checkbox"/>	Need Them <input checked="" type="checkbox"/>
<b>Financial (Received in the Past 90 Days)</b>		
Bank Statements		
Monthly Bills/Credit Card Statements/Collection Notices		
Income Records/Paystubs		
Mortgage Statements		
Retirement Account Records		
Social Security/SSI/SSDI Statements		
Tax Returns/Schedules (Most Recent Federal)		
Unemployment Payment Records		
<b>Other (All You Have Received)</b>		
Child Custody & Spousal Support Orders		
Credit Reports (All 3 Credit Reporting Agencies)		
Equifax		
Experian		
TransUnion		
Bankruptcy Records (Discharge in Last 7 Years)		
Judgments (Unpaid)		
Liens (Unpaid)		

# Gather Your Mortgage Records



Because of new federal laws and regulations, the disclosure forms that home buyers receive at closing have changed. If you purchased your home before 2013 you received the following documents when your loan closed:

Type of Record	Have It <input checked="" type="checkbox"/>	Need It <input checked="" type="checkbox"/>
HUD-1 Settlement Statement (RESPA)		
Truth in Lending Disclosure (TILA)		

If you purchased your home after 2013, you may have received the following document when your loan closed:

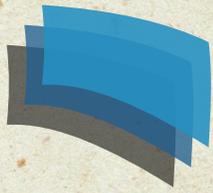
Type of Record	Have It <input checked="" type="checkbox"/>	Need It <input checked="" type="checkbox"/>
Closing Statement		

If you cannot locate your documents, you may be able to obtain copies from (1) the title company; (2) your real estate agent; or (3) the loan servicer.

You also need the following records from your loan closing:

Type of Record	Have It <input checked="" type="checkbox"/>	Need It <input checked="" type="checkbox"/>
Deed of Trust & Attached Riders		
Promissory Note		

The title company recorded the deed of trust with your county recorder's office. If you don't have a copy in your file, you can obtain a new copy from your county recorder, but expect to pay a fee. You can request a copy of your promissory note from your loan servicer.



# Are You In Foreclosure?

If your mortgage loan is delinquent, in default, or scheduled for a trustee’s sale and you want to retain your home, you must take action **today**. Gather your records and call your loan servicer to discuss your options. You also should speak with a HUD-approved housing counselor about your financial situation. Call (888) 995-4673 to locate a counselor in your area. See page 43 for Idaho contact info.

**NEVER PAY SOMEONE TO HELP YOU  
OBTAIN A LOAN MODIFICATION.  
HELP IS AVAILABLE FOR FREE!**

## Gather the Following Documents

Type of Record	Have It <input checked="" type="checkbox"/>	Need it <input checked="" type="checkbox"/>	Not Applicable <input checked="" type="checkbox"/>
Notice of Delinquency			
Notice of Intent to Accelerate			
Notice of Default			
Home Loan Modification Request Form			
Notice of Trustee’s Sale			
Amended Notice of Trustee’s Sale			

### **IMPORTANT:**

If you received a **Notice of Default** with a **Request for Loan Modification Form** and you want your servicer to review your loan for a modification, you must return the completed form to your loan servicer before the deadline specified on the form.

# PART TWO

## *Focus On Your Mortgage*

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# THE HUD-1 SETTLEMENT STATEMENT

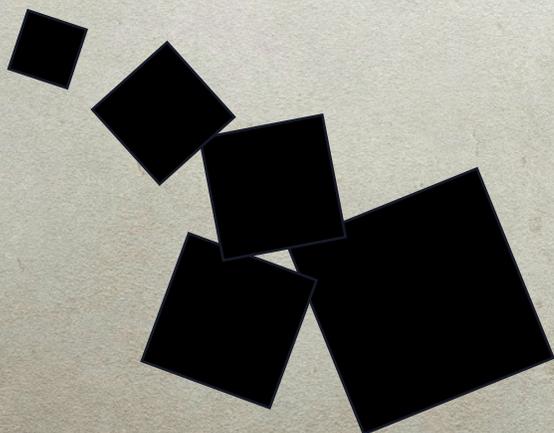


## What Is It?

If you closed on your loan before 2010, your HUD-1 Settlement Form will be two pages. If you closed in 2010 or later, it will be a 3 page form.

You probably received this HUD-1 Settlement Statement at the loan closing. This document must clearly and conspicuously itemize all charges the borrower must pay at the time of closing. The Real Estate Settlement Practices Act (RESPA), which applies to most residential loans, requires lenders to provide this form.

## The “New” Closing Disclosure



To help borrowers better understand the costs associated with their home purchase, the Closing Disclosure will soon replace the HUD-1 Settlement Statement. The borrower will receive the Closing Disclosure three business days before the loan closure date.



# Truth in Lending Statement

The federal Truth in Lending Act applies to most home loans. It requires lenders to provide a Truth in Lending Statement, which must disclose:

- the annual percentage rate
- the finance charge
- the amount financed
- any security interest taken.

In 2013 the Truth in Lending Statement will be integrated into the Closing Disclosure and provided to the borrower at least three business days before the loan closing.

## FOR MORE INFORMATION:

To learn more about the new Closing Disclosure (and other new federal disclosure forms), visit the Consumer Financial Protection Bureau's website at:

[www.consumerfinance.gov](http://www.consumerfinance.gov)

# WHAT IS A DEED OF TRUST?

In Idaho a **Deed of Trust** is used instead of a mortgage to purchase residential property.

The Deed of Trust includes uniform covenants that outline the borrower's obligations. For example, the Deed of Trust defines the payment terms, funding for taxes and insurance, occupancy and principal residence, care and maintenance of the property, and protection of the lender's security.

Title to the property is held as security to ensure the borrower performs his or her obligations, including making all payments, maintaining the property, and paying the taxes. If the borrower defaults on his or her obligations, the entire balance of the loan becomes due and payable. The trustee may sell the property to fulfill the unpaid obligation.

The Deed of Trust is recorded with the county recorder's office.

## THE DEED OF TRUST

### INFORMATION IN THE DEED OF TRUST

- Date of the instrument
- Names of the:
  - Grantor/Borrower
  - Trustee
  - Beneficiary/Lender
  - Beneficiary's Nominee
- Principal amount
- Date the debt is due
- Property's legal description
- Property's address
- Uniform covenants
- Escrow provisions
- Application of payments
- Insurance requirements
- Occupancy requirements
- Assignment restrictions
- Default and foreclosure procedure
- List of Riders

# ANALYSIS OF A DEED OF TRUST

## (SELECT SECTIONS ONLY)

Effective date of the Deed.

State of Idaho DEED OF TRUST Account No. 121212  
**MIN 1001201-006048028-0**

Your MERS identification number. Use this number to get information from MERS at: [www.mers.com](http://www.mers.com).

Name of your lender and its address. This is the owner of the loan. Most likely your loan will be sold to a different owner.

THIS DEED OF TRUST ("Security Instrument") is made on **August 1, 2009**. The Grantor is IDAHO HOMEOWNER, an unmarried person ("Borrower"). The trustee is **TITLE CORP. OF IDAHO** ("Trustee"). The beneficiary is Mortgage Electronic Registration Systems, Inc. ("**MERS**"), (solely as nominee for Lender, as hereinafter defined, and Lender's successor and assigns).

The trustee holds the property in trust for the benefit of the lender and to the lender's successors.

Amount of your loan.

**MORTGAGE LOAN CORP.**, a DELAWARE CORPORATION, ("Lender") is organized and existing under the laws of THE STATE OF IDAHO, and has an address of **P.O. BOX 12345, FOREST HILL, CA 83701**. Borrower owes Lender the principal sum of **TWO-HUNDRED THOUSAND THREE HUNDRED FOUR and NO/100 Dollars (U.S. \$200,304.00)**. This debt is evidence by Borrower's note dated the same date as this Security Instrument ("Note"), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on September 1, 2039. . . . For this purpose, Borrower irrevocably grants and conveys to the Trustee, in trust, with power of sale, the following described property located in ADA County, Idaho: [LOCATION OF PROPERTY].

MERS serves as the beneficiary, making it more convenient to sell your loan to subsequent investors.

The Real Estate Settlement Procedures Act is a federal law that governs many aspects of mortgage loans, including escrow accounts. More information about RESPA is available at [www.hud.gov](http://www.hud.gov).

\* \* \*

2. Monthly Payment of Taxes, Insurance and Other Charges. Lender may, at any time, collect and hold amounts for Escrow Items in an aggregate amount **not to exceed the maximum amount that may be required** for Borrower's escrow account under the **Real Estate Settlement Procedures Act** of 1974. . . . If the amounts held by Lender for Escrow Items exceed the amounts permitted to be held by RESPA, **Lender shall account to Borrower for the excess funds**. . . if the amounts of funds held by Lender at any time are not sufficient to pay the Escrow Items when due, Lender **may** . . . **require Borrower to make up the shortage**. . . .

Your lender may collect sufficient funds to cover the cost of your property taxes and hazard insurance. The lender must account for all funds deposited into your Escrow Account and may not retain excess funds.

Your deed specifies how your payments are applied. Payments are applied to your principal balance last, assuming you do not owe any late fees.

3. Application of Payments. All payments under paragraphs 1 and 2 shall be **applied by Lender as follows**: [1<sup>st</sup>] mortgage insurance premium; [2<sup>nd</sup>] taxes and insurance; [3<sup>rd</sup>] interest; [4<sup>th</sup>] principal; [5<sup>th</sup>] late charges.

If you fail to comply with the requirements of your deed your lender may foreclose on your property under the Idaho Deed of Trust Act.

Riders are add-on contracts that are executed separately from the deed, but are recorded with your deed. The most commonly executed riders are pre-listed at the end of the deed.

18. Foreclosure Procedure. If Lender requires immediate payment in full . . . Lender may invoke the **power of sale** and any other remedies permitted by applicable law.

21. Riders to this Security Instrument. If one or more **riders are executed by Borrower** and recorded together with this Security Instrument, the covenants and agreements of each such rider shall be incorporated into . . . this Security Instrument. [Check applicable box(es)]:

- |  |   |
|--|---|
| <input type="checkbox"/> Condominium Rider                         | <input type="checkbox"/> Growing Equity Rider             |
| <input checked="" type="checkbox"/> Planned Unit Development Rider | <input checked="" type="checkbox"/> Adjustable Rate Rider |
| <input type="checkbox"/> Graduated Payment Rider                   | <input type="checkbox"/> Other (specify)                  |

# WHAT IS A PROMISSORY NOTE?

In a real estate transaction, the promissory note represents the borrower's promise to repay the debt. The promissory note is typically not recorded with the county recorder.

The promissory note outlines the repayment terms of the loan, including the amount of the loan, the interest rate, the dates on which the rate changes, the monthly payment amount, and how the late fees are calculated. Promissory notes come in a variety of forms, depending on the type of loan involved.

For example, promissory notes for adjustable rate loans differ substantially from notes for fixed rate loans, which differ from notes for interest only loans. As such, it is important to first identify the type of loan you have.

## THE PROMISSORY NOTE

### INFORMATION IN THE PROMISSORY NOTE

- Date of the instrument
- Names of the:
  - Grantor/Borrower
  - Beneficiary/Lender
- Principal amount
- Interest rate
- Rate changes (dates/terms)
- Monthly payment amount
- Monthly payment date
- Date the debt is due
- Place of payments
- Late charge for overdue payments
- Default and foreclosure procedure

# ANALYSIS OF AN ADJUSTABLE RATE NOTE

## (SELECT SECTIONS ONLY)

LIBOR = the London Inter Bank Offering Rate. It is one of the three most commonly used rate indices. Additional indexes could be: COFI= Cost of Funds Index; T-Bill=Treasury Bill; CMT=Constant Maturity Treasury; MAT= 12 month Treasury Index.

The effective date of your loan.

The name of your lender.

Information about your interest rate, including your initial rate.

**IMPORTANT!**  
This section outlines the date on which your interest rate first changes, all subsequent changes, and the minimum and maximum interest rates your lender may charge you. This section also discloses how much your monthly payment can increase and how often it can increase during the life of your loan.

**ADJUSTABLE RATE NOTE**      LOAN NO. : 00123456  
**(LIBOR Six-Month Index** (As Published In *The Wall Street Journal*) - Rate Caps)

THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MONTHLY PAYMENT. THIS NOTE LIMITS THE AMOUNT MY INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE I MUST PAY.

**SEPTEMBER 2, 2006**                      DENVER                      COLORADO  
 (Date)    (City)    (State)

**1234 MAIN STREET, HOMETOWN, ID 00000**  
 (Property Address)

1. **BORROWER'S PROMISE TO PAY.** In return for a loan that I have received, I promise to pay U.S. **\$245,000.00** (this amount is called "Principal"). Plus interest, to the order of Lender. Lender is **Financial Institution USA.**

2. **INTEREST.** Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at the yearly rate of **7.676%**. The interest rate I will pay may change in accordance with Section 4 of this Note.

3. **PAYMENTS.** (A) Time and Place of Payments. I will make my payments on the **first day of each month beginning on NOVEMBER 2006.** . . . If, on **OCTOBER 2036**, I still owe amounts under the "Maturity Date". . . . I will make my monthly payments at Financial Institution USA, P.O. Box 1234, Old Town, PA, 19462 or at a different place if required by the Note Holder.  
 (B) Amount of My Initial Monthly Payments. Each of my initial monthly payments will be in the amount of U.S. **\$1,742.70.**

4. **INTEREST RATE AND MONTHLY PAYMENT CHANGES.** (A) Change Dates. The interest rate I will pay may change on the **first day of NOVEMBER 2008**, and on that day **every 6<sup>th</sup> month** thereafter. . . .

(C) Calculation of Changes. Before each Change Date, the Note Holder will calculate my new interest rate by adding **7.150%** to the Current Index. . . .

(D) Limits on Interest Rate Changes. The interest rate I am required to pay at the first Change Date will not be greater than **10.400%** or less than **7.400%**. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than **1.000%** from the rate of interest I have been paying for the preceding 6 months. My interest rate will never be greater than **13.400%**, or less than **7.400%**.

7. **BORROWER'S FAILURE TO PAY AS REQUIRED.** (A) Late Charges for Overdue Payments. If the Note Holder has not received the full amount of any monthly payment by the end of **15 calendar days** after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be **5.000%** of my loan payment of principal and interest. . . .

Your loan number may change if your loan is sold to another lender.

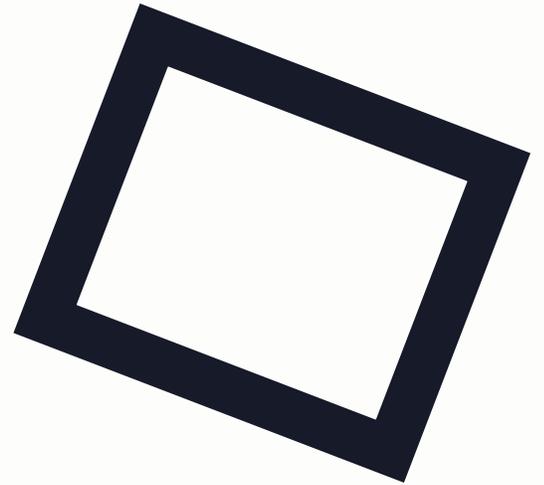
The address of the property secured by the note.

The total amount you have borrowed and promise to repay.

Information about when your payments begin and when they end.

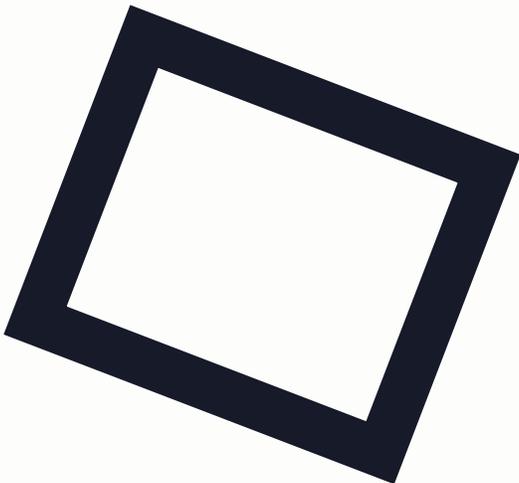
The amount of your initial monthly payments.

Consequences for making late payments.



**TO COMPLETE THE EXERCISES  
ON THE NEXT TWO PAGES . . .**

**REFER TO YOUR DEED OF TRUST  
AND YOUR PROMISSORY NOTE.**



## MORTGAGE BROKER

A mortgage broker is the person who arranges financing between the lender and the home buyer. Brokers may be employees of mortgage lenders or independent third-parties. Most home buyers work with brokers who are employees of their lenders.

Mortgage brokers are licensed and regulated by the Idaho Department of Finance.

### IDENTIFY YOUR BROKER

Name	
Address	
Address	
Telephone	
Email	

## TITLE COMPANY

A title company provides escrow, closing, or title insurance services in real estate transactions. Many loan closings occur at title companies.

The Idaho Department of Insurance licenses and regulates title companies.

### IDENTIFY YOUR TITLE COMPANY

Name	
Address	
Address	
Telephone	
Email	

## BENEFICIARY/LENDER

The beneficiary usually is the lender, the entity that made the loan and whose name is on the mortgage loan documents.

Lenders can be national or state chartered banks, credit unions, private investors, or other financial entities. To determine what government agency (if any) regulates your lender, visit [www.helpwithmybank.gov](http://www.helpwithmybank.gov).

### IDENTIFY THE BENEFICIARY/LENDER

Name	
Address	
Address	
Telephone	
Email	
Regulator	
Regulator's Contact No.	

## TRUSTEE

A trustee holds and maintains a property title for the borrower and the lender for the duration of the loan.

An Idaho licensed attorney or a bank, savings and loan association, authorized trust institution, or licensed title insurance company may serve as a trustee.

### IDENTIFY YOUR TRUSTEE

Name	
Address	
Address	
Telephone	
Email	

TYPE OF INFORMATION	YOUR INFORMATION
Date of Your Loan	
Amount You Borrowed	
Interest Rate (Beginning)	
Monthly Payment (Beginning)	
<b>INTEREST RATE CHANGES (IF APPLICABLE) DOCUMENT ALL RATE CHANGES TO DATE (USE ADDITIONAL SHEETS)</b>	
What is the Applicable Interest Rate Index?	
Change No. 1: Date of Change	
Change No. 1: Interest Rate	
Change No. 2: Date of Change	
Change No. 2: Interest Rate	
Change No. 3: Date of Change	
Change No. 3: Interest Rate	
<b>OTHER IMPORTANT TERMS</b>	
Total Years (Term of Your Loan)	
Balloon Payment Date	
Balloon Payment Amount	
Prepayment Penalty Term	
Prepayment Penalty Amount	
Is Mortgage Insurance Required?	YES <input type="checkbox"/> NO <input type="checkbox"/>
Is An Escrow Account Required?	YES <input type="checkbox"/> NO <input type="checkbox"/>
Is Your Loan Assumable?	YES <input type="checkbox"/> NO <input type="checkbox"/>

# JUST A QUICK NOTE ABOUT . . .

## “LENDERS” vs. “SERVICERS” vs. “OWNERS” vs. “INVESTORS”

Many questions surround these terms. Do they mean the same thing? Can they be the same entity? If they are different, which one has authority to grant a loan modification ?

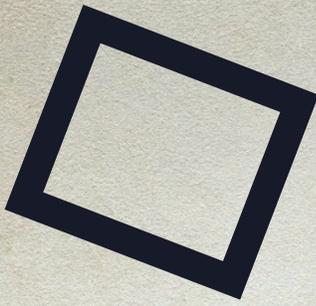
**For purposes of this workbook, if you want to negotiate a modification of your loan, you need to work with your servicer.**

Your servicer is the entity that sends you your monthly billing statements, accepts your payments, and administers your escrow account. During the lifetime of a loan, a servicer may change several times, but your old and new servicers will inform you in writing of each change.

Your servicer has authority under its servicing agreement with the loan owner or investor to review your loan and your finances to determine if you qualify for a modification.

**It is imperative that you know who your servicer is and how you can contact your servicer with questions about your loan.** Contact information is located on your billing statement, as well as on the servicer’s website.

If your servicer needs consent from another entity, such as the loan’s owner, to offer you a modification, your servicer will contact that entity.



# **TYPES OF MORTGAGE LOANS**

**Fixed Rate/Conventional.** A “conventional loan” is one that the federal government does not guarantee or insure under the Veterans Administration, the Federal Housing Administration, or the Rural Housing Service of the U.S. Department of Agriculture. Conventional loans are either conforming or nonconforming, which means they may or may not follow the lending terms set by Freddie Mac or Fannie Mae. The loan limit for a first-time conventional conforming loan is \$417,000 for a single-family residence. If the interest rate remains the same for the life of the loan, it is a “fixed” rate loan.

**Adjustable Rate.** An adjustable rate mortgage has a variable interest rate that typically starts very low for two to three years. When the introductory or “teaser” rate ends, the rate goes up, sometimes tripling the borrower’s monthly payment.

**Interest Only (I/O).** An interest-only loan gives the borrower, for a limited period, the option of paying only the accumulated interest on the loan. I/O loans make monthly payments lower, but if the borrower does not make principal payments, the principal balance will not decrease during the interest-only term. Some I/O loans require the borrower to make a large balloon payment at the end of the interest-only term. Also, when the interest-only term ends, the payment increases significantly because the principal has not decreased.

**Pay Option Adjustable Rate Mortgage.** Pay option adjustable rate mortgage (“ARM”) loans have interest rates that increase periodically. The borrower selects from different payment options, including (1) fully amortizing 30-year payment; (2) fully amortizing 15-year payment; (3) interest-only payment; or (4) minimum payment. The most popular ARM has been the minimum payment ARM, which involves a low monthly payment at an introductory rate for a brief period of time. After that, the rate is adjusted annually, and the payment amount increases.

**Piggyback.** A piggyback loan involves more than one mortgage loan, therefore; there may be multiple lenders involved. The mortgages can have adjustable, fixed, or a combination interest rate. Piggyback loans come in different forms, but the most popular are the 80-10-10 loan, the 80-20 loan, and the 80-15-5 loan. The first lender finances 80% of the home’s purchase price. The second lender finances between 10% and 20% of the purchase price, and the third lender finances between 5% and 10% of the purchase price. The second and third lenders, who are financing only a small part of the home’s price and share more of the risk, likely will charge a higher interest rate to compensate for that risk.

# What Type of Mortgage Loan Do You Have?

Refer to the descriptions on the previous page to identify the type of loan you have. You can read additional loan descriptions in the Attorney General's manual titled "Buying a Home"—available at [www.ag.idaho.gov](http://www.ag.idaho.gov).

COMMON TYPES OF MORTGAGE LOANS	
LOAN TYPE	<input checked="" type="checkbox"/>
Fixed Rate/Conventional	
Adjustable Rate	
Interest Only	
Pay Option ARM	
OTHER TYPES OF MORTGAGE LOANS	
Idaho Housing & Finance	
U.S. Department of Agriculture	
U.S. Veterans Administration	
Home Equity Loan	
Reverse Mortgage	
Second Mortgage	

Min. Rate	Max. Rate	Index	Rate Changes
	%		
%	%		
%	%		
%	%		
Fixed Rate	Adjustable Rate	Rate Changes	
%	%		
%	%		
%	%		
%	%		
%	%		
%	%		

Piggyback Loans				
	Min. Rate	Max. Rate	Index	Rate Changes
Loan #1	%	%		
Loan #2	%	%		

# *For Homeowners Facing Foreclosure*

The information and worksheets on the next five pages are for homeowners whose mortgage loans are in foreclosure.

(If your loan is not in foreclosure, skip these pages.)



# *The Notice of Default*

## *Begins the Foreclosure Process*

The notice of default begins the foreclosure process. The trustee mails the notice of default to the delinquent borrower and records the notice of default with the county recorder.

Idaho law requires the trustee to include **three additional documents** with the notice of default:

1. A notice explaining the risks of paying a foreclosure rescue company to help you resolve your home loan delinquency;
2. A notice titled “IMPORTANT NOTICE” that explains your right to request:
  - a. a review of your home loan for a possible modification,
  - b. a meeting with your loan servicer; and
3. A home loan modification request form that you may return to your servicer to request a review of your home loan for a modification and to request a meeting with your servicer.

## *Defines the Default*

One paragraph of the notice of default is especially informative for the borrower because it specifies how the borrower broke his or her contract with the lender. If the reason for default is the borrower’s failure to make timely monthly payments, this paragraph designates the date on which the payments ended and how much the borrower owes as of the date specified. This amount is only a “snapshot” of what the borrower owes. This is not how much the borrower will need to pay to bring the loan current.

# ANALYSIS OF A NOTICE OF DEFAULT

(select sections only)

The trustee that is handling the foreclosure for the beneficiary (the "owner" of the loan).

**PACIFIC STATES COMPANY** ADA COUNTY RECORDER Amount 13.00  
 1234 W. HOMETOWN AVE. BOISE, ID 01/02/2011 03:23 PM  
 WESTERN VIEW, USA 12345 DEPUTY J.R. Doe  
 RECORDED-REQUEST OF  
 TS No. 11-01111000 LOCAL TITLE CO.  
 Title Order No. LTC040000  
 Parcel No. R170000000

This information describes where and when the Notice of Default was recorded.

Typically, the servicer is named first.

**NOTICE OF DEFAULT**

~~THE BANK OF WEST NEW YORK, N.A., AS TRUSTEE FOR THE CERTIFICATE HOLDERS OF THE AWALT, INC., PRIMARY LOAN TRUST 2006-10A~~, Beneficiary, under that certain Deed of Trust dated 08/01/2006, and executed by **IDAHO HOMEOWNER, AN UNMARRIED WOMAN**, as ~~Trustor~~, to TITLE CORP. OF IDAHO, as Trustee, and **MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC.**, as Beneficiary, and recorded 08/04/2006, as Instrument No. 106000000, in the records of Ada County, Idaho, to wit: [LEGAL DESCRIPTION]

The "owner" of the loan. Reference to a "Trust" means the loan was securitized.

MERS may be the named beneficiary in the Deed of Trust. However, MERS is not the lender and does not own the loan.

Hereby gives notice that a breach of the obligation for which said transfer is security has occurred, the nature of said breach being:

As identified in the security documents, the borrower is the named Trustor.

**IMPORTANT!**  
 This is the most important paragraph of the Notice of Default because it explains why the loan is in foreclosure and how much the borrower owes the lender as of the date of the Notice. This however, is NOT the amount required to bring the loan current.

Failure to pay the monthly payment due **12/01/2010** of principal, interest and impounds and subsequent installments due thereafter; plus late charges; together with all subsequent sums advance by a beneficiary pursuant to the terms and conditions of said Deed of Trust, and any supplemental modifications thereto. As of **01/01/2011** this amount is **\$17,598.40**, together with any unpaid and/or accruing real property taxes, and/or assessments, attorneys' fees, Trustees' fees and costs, and any other amount advanced to protect the security of said Deed of Trust.

The date your loan became delinquent.

Notice that the beneficiary intends to sell the property to satisfy the debt.

Therefore the Beneficiary **elects to sell** or cause the trust property to be sold to satisfy said obligation.  
 [DEBT COLLECTION NOTICE]

A representative of the trustee signs the Notice of Default before a notary public.

[TRUSTEE'S SIGNATURE AND NOTARY PROVISIONS]

ENTER THE FOLLOWING INFORMATION FROM YOUR NOTICE OF DEFAULT	
Trustee's Name	
Beneficiary's Name ("Owner" of Your Loan)	
Delinquency Date	
Delinquency Amount (As of _____)	\$

# The Home Loan Modification Request Form

**Delivery of the Request Form.** The Home Loan Modification Request Form is included with the Notice of Default and is accompanied by an informational document titled “IMPORTANT NOTICE”.

**Purpose of the Request Form.** The Request Form allows you to request a loan modification review from your servicer and to schedule a meeting—typically by telephone—with your servicer where you can discuss your modification options.

**Loan Modification Review.** To request a loan modification review, you must return the Request Form to the contact address listed in the Form. You must mail the form via certified mail, return receipt requested, so the form arrives at the contact address within 30 days of the date provided at the bottom of the “IMPORTANT NOTICE.”

**Review of Your Request Form.** Your servicer has 45 days to obtain additional information from you, review your information, and decide whether to grant or deny a modification of your loan or offer you other foreclosure avoidance options. During the review process, the servicer may not sell your property at a trustee’s sale.

**Meeting with Your Servicer.** You also can request a meeting with your servicer to discuss your options, including a loan modification. Your servicer will call or write to you to schedule a meeting. The meeting must occur before the servicer decides to modify your loan. You must cooperate with your servicer during the meeting process. If you don’t, your servicer no longer has an obligation to meet with you.



# *The Notice of Trustee's Sale*

**Notice to the Borrower.** At least 120 days before the sale date, the trustee must serve a notice of trustee's sale on the property's occupant or post the notice at the property. The trustee also mails a copy of the notice to the borrower.

**Publication of the Notice.** The trustee publishes the notice of trustee's sale in a local newspaper once a week for four weeks. The final publication must occur at least 30 days before the trustee's sale.

**Amended Notice of Trustee's Sale.** The lender may instruct the trustee to postpone the sale for up to 30 days. In most instances, the borrower will receive an amended notice of trustee's sale at least 14 days before the next sale date. If the lender postpones the sale for only a few days, however, the trustee will not have time to send an amended notice to the borrower.

## ***Information in the Notice of Trustee's Sale***

- Trustee's Sale Number
- Trustee's name (the entity conducting the sale)
- Location of the sale
- Date and time of the sale
- Legal description of the property and address
- Borrower's name
- Information from the Deed of Trust
- Date on which the borrower breached the contract with the lender (date of default)
- Total amount of the default (if the default involves nonpayment)

## Analysis of Notice of Trustee's Sale

(select provisions only)

Name of the Trustee (the entity conducting the sale).

The location, date, and time of the sale.

Explanation of how the borrower defaulted on the Promissory Note. In this case, the borrower failed to make the required monthly payments. In addition to past payments, the borrower now owes late fees, unpaid interest, and foreclosure costs.

**NOTICE OF TRUSTEE'S SALE**

NOTICE IS HEREBY GIVEN that **PACIFIC STATES COMPANY**, the duly appointed **Successor Trustee** will sell at the following described property at public auction to the highest bidder, payable in lawful money of the United States, at **1234 Main Street, Home Town, ID USA 00000**, on **06/30/2012** at **1:00 p.m.** (recognized local time) for the purpose of foreclosing that certain Deed of Trust recorded 08/03/2006 as Instrument Number 106000000, and executed by IDAHO HOMEOWNER, AN UNMARRIED WOMAN, as **Grantor**, in favor of MORTGAGE LOAN CORP., as **Beneficiary**, to TITLE CORP. OF IDAHO, the **Trustee**, covering the following real property **located in Ada County**, State of Idaho: [LEGAL DESCRIPTION OF PROPERTY]

\* \* \*

The default for which this sale is to be made is: **Failure to pay when due under the Deed of Trust dated 08/01/2006, the monthly payment which became due on 01/01/2010** and all subsequent monthly payments, late charges, accrued interest, and costs and expenses advanced by the Beneficiary as authorized under the Deed of Trust. The principal balance owing on the obligation is \$180,988.23, plus interest, costs and expenses, unpaid real property taxes and assessments, attorneys' fees, Trustees' fees and costs, and any other amounts advanced to protect the Beneficiary's security, as authorized in the promissory note secured by the Deed of Trust.

Delinquent Payments from 01/01/2010	Amount due as of 01/03/2012
24 payments at \$2,500.00 each	\$60,000.00
Late Charges	\$1,200.00
Beneficiary Advances	\$50.00
<b>TOTAL:</b>	<b>\$61,250.00</b>

\* \* \*

Because this information comes from the Deed of Trust, it should match the Deed of Trust.

Itemization of the borrower's delinquency. A Notice of Trustee's Sale may not always contain this level of detail. Some trustees only include the total amount the borrower owes or the principal balance.

ENTER THE FOLLOWING INFORMATION FROM YOUR NOTICE OF TRUSTEE'S SALE	
<b>Successor Trustee's Name</b>	
<b>Location of Sale (Address)</b>	
<b>Date of Sale / Time of Sale</b>	
<b>Principal Balance (As of _____)</b>	\$
<b>Delinquency Amount (As of _____)</b>	\$

# YOUR MORTGAGE LOAN SERVICER

*What is a servicer?*

A mortgage loan servicer is an entity authorized by your loan's owner to manage your loan. Sometimes the servicer and the owner are the same entity, but, because loans are often sold to new owners, this is rare. Your servicer may change several times throughout the life of your loan. Federal law requires that you receive written notice whenever your loan is sold to a new owner or to a new servicer.

*How do I find out who my servicer is?*

Look on your monthly billing statement (or coupon) for your servicer's name, address, telephone number, email address, and website address. Even if you receive your statements electronically, you can obtain this same information from the emailed statement, or the website where you make your payment. Look for a link titled "Contact Us" or visit the customer service page to identify the servicer's correct contact information.

*Why should I contact my servicer?*

Your servicer has authority to assist you in multiple ways, including authority to modify your loan, grant a forbearance, or approve a short sale. If you want to apply for a loan modification under the federal Making Home Affordable Program, you must submit your application and supporting documents to your servicer.

*Why can't I choose my servicer?*

When you bought your home you likely chose your real estate agent, your loan broker, your lender, and maybe even your title company. Unless your lender agreed otherwise, however, it assigned the servicing responsibilities of your loan to a third party. Your lender may also have sold your loan to an investor. You can't choose who gets your loan, but you will receive timely written notice of all servicing and ownership changes to your loan.

# Understanding Your Mortgage Statement

## YOUR MORTGAGE SERVICER

**Return Mail Address**  
 P.O. Box 123456  
 Any Town, USA 12346

## MONTHLY MORTGAGE STATEMENT

**Statement Date** January 10, 2020  
**Payment Due Date** February 1, 2020  
**Loan Number** 0123456789

## CUSTOMER SERVICE

**Online**  
 Yourmortgagecompany.com

**Telephone** (000) 012-1234  
**Fax** (000) 567-8901

**Payments** P.O. Box 1234567  
 Any Town, US 01234  
**Correspondence** P.O. Box 000123  
 Big City, USA 00001

## Property Address

1234 Main Street  
 Home Town, ID 0000-1234

**Unpaid Principal Balance** \$205,468.12

Contact Customer Service for current  
 payoff amount

**Interest Rate** 7.676%  
**Interest Paid Year to Date** \$1,338.75  
**Taxes Paid to Date** \$0.00  
**Escrow Balance** \$750.01

1234567 1 AT 1.123 01234567890 01 ABDEFGHIJ

**IDAHO HOMEOWNER**  
**1234 MAIN STREET**  
**HOME TOWN, ID 00000-1234**

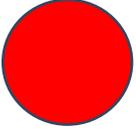
## Summary

Payment (principal, interest, escrow)	\$1,975.44
Mortgage Insurance	\$97.50
<b>Current Monthly Payment</b>	<b>\$2,072.94</b>
Overdue Payments	\$0.00
Unpaid Late Charges	\$0.00
<b>TOTAL PAYMENT</b>	<b>\$2,072.94</b>

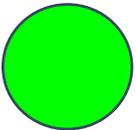
Date	Description	Total	Principal	Interest	Escrow	Late Charge
12/01/2019	PAYMENT	\$2,072.94	\$280.70	\$1,319.73	\$375.01	\$0.00
01/01/2020	PAYMENT	\$2,072.94	\$282.50	\$1,317.94	\$375.00	\$0.00

# **KEY TO READING**

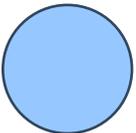
## **YOUR MORTGAGE STATEMENT**



**Contact Addresses.** Mortgage statements typically contain a number of addresses, telephone numbers, and other contact information. If you are unsure whether an address is the correct address for a particular purpose, **DO NOT GUESS**. It is your responsibility to make sure your payments reach the correct address before your payment deadline. If they don't, you may be charged a late fee.



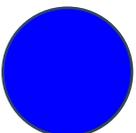
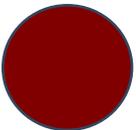
Likewise, you are obligated to comply with the servicer's requirements when submitting qualified written requests under the Real Estate Settlement Procedures Act. Make sure you send such requests to the address specified by your servicer.



**Payment Deadline.** This is the date on which the servicer expects to receive your payment. The time of day deadline may be 5:00 p.m. or midnight in the time zone where the servicer is located. This information should be disclosed on your statement or on your servicer's payment website.



**Summary/Payment Activity.** This section identifies the payment amounts for each line item. Your total monthly payment includes, at a minimum, payments for your loan principal and accrued interest. Your payment also may include amounts for property taxes, monthly liability insurance premiums, and monthly mortgage insurance. In some cases, borrowers elect to pay their taxes and liability insurance directly rather than having their servicers collect and pay those amounts.



**Taxes Paid/Escrow Balance.** This section shows how much property tax the servicer has paid for the current year and how much money remains in your escrow account. An escrow account provides the servicer with money to pay property taxes, homeowners insurance, and mortgage insurance.

**REFER TO YOUR MOST RECENT MORTGAGE STATEMENT  
TO COMPLETE THIS WORKSHEET**

TYPE OF INFORMATION	YOUR INFORMATION
Loan / Account Number	
Payment Due Date	
Current Interest Rate	
Current Unpaid Principal Balance	\$
Current Escrow Balance	\$
Total Payment Amount (Prin., Int., Escrow, Etc.)	\$
Principal Payment	\$
Interest Payment	\$
Mortgage Insurance Payment	\$
Escrow Payment (Insurance, Taxes)	\$
Unpaid Late Fees	\$
Overdue Payments	\$
Other Unpaid Fees/Charges	\$
Are You Current on Your Payments?	Yes <input type="checkbox"/> No <input type="checkbox"/> Months Delinquent: _____

Address for Payments	Address for Correspondence
Customer Service Telephone Number:	

# PART THREE

## *Review Your Finances*

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Worksheet: Your Assets . . .	37
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# What Is Your Financial Situation?

What is your current financial situation? Has your salary decreased or did you lose your job? Have you lost a spouse or experienced a medical emergency? An unexpected crisis impacts more than your emotional well-being.

Your financial stability can change overnight. Rather than panic or ignore the problem, you need to confront your finances head on.

If you want to keep your home, but are unsure what your options are--or even if you can afford to--you need to complete the worksheets in this section of the workbook.

When completing the worksheets, be honest. Don't exaggerate your income, but don't sell yourself short either. Keep things realistic. If you know you will never give up cable TV, sell your jet ski, or get a second job, don't say you will. Now is not the time to make unrealistic promises that you inevitably will break.

Time is of the essence. The faster you take action, the quicker you will develop a plan and, hopefully, reach a resolution that is in your best interest.

**No one can predict  
the future or plan  
for every financial  
crisis.**



## A Note About Income

For budgeting purposes, you need a complete picture of all of your available income, including income you receive irregularly and income your mortgage servicer may not consider when calculating whether you can afford to retain your home.

For example, in its decision whether to qualify you for a mortgage modification, your servicer may not require you to disclose child support payments or include your employment severance benefits in its calculations.

However, to accurately judge your financial situation, you should consider all of your income sources. Also if you want your servicer to consider child support or spousal maintenance payments when it considers you for a modification, you must provide accurate, current figures to your servicer.

Your servicer requires documentation of each type of income you claim. You will need copies of your most recent pay stubs, statements, and receipts. Also, you likely will need to update your income information before your modification is finalized, so each time you receive a new pay stub or statement, make a copy of it for your files.

**Never send your original documents to your servicer—  
you will not get them back.**

TYPE OF INCOME	BORROWER A	BORROWER B	TOTAL (A+B)
<b>EMPLOYMENT</b>			
Base Monthly Income (Gross Salary)			
Pension/Retirement Monthly Income			
Self Employment Monthly Income (Gross)			
Social Security/SSI/SSDI Monthly Benefits			
<b>TOTAL EMPLOYMENT MONTHLY INCOME:</b>			\$
<b>EMPLOYMENT BENEFITS</b>			
Car Allowance			
Commissions/Bonuses			
Housing Allowance			
Tips			
Travel Allowance			
<b>TOTAL EMPLOYMENT BENEFITS MONTHLY INCOME:</b>			\$
<b>INVESTMENT INCOME</b>			
Dividends (Stocks/Bonds)			
Interest			
Rental Income/Investment Property			
<b>TOTAL INVESTMENT MONTHLY INCOME:</b>			\$
<b>OTHER INCOME</b>			
Child Support			
Employment Severance Pay			
Other Public Assistance Benefits			
Spousal Support			
Student Scholarships/Grants			
Survivor Benefits			
Unemployment Benefits			
Other			
<b>TOTAL OTHER MONTHLY INCOME:</b>			\$
<b>GRAND TOTAL OF ALL MONTHLY INCOME:</b>			\$
<i>Transfer this total to pages 39 &amp; 40</i>			

## What is an Asset?

An asset is an item of economic value that you own. Think of an asset as something you could sell or liquidate into cash. The following items are assets:

- Checking & savings accounts
- Real property
- Motor vehicles
- Boats & jet skis
- Snow mobiles & ATVs
- Heavy equipment
- Jewelry, furs & silverware
- High-end electronics
- High-end furniture
- Tools
- Livestock
- Gold & silver
- Original art
- Stocks & bonds
- Retirement funds
- Life insurance policies

Items that (a) are of no value or have only nominal value, (b) have only sentimental value, or (c) are “underwater” are not assets. For example:

(a) Items with no or little value:

- Most electronics
- Appliances & low-end furniture
- Costume jewelry
- Old vehicles that don't run
- Clothing & other personal items

(b) Items with sentimental value:

- Family pets
- Artwork (prints)
- Household decor

(c) Underwater items:

- Real property with an excessive mortgage and no equity
- Motor vehicles with liens greater than value of car

# YOUR ASSETS

## What Can You Sell Or Liquidate?

After listing your assets, consider what you are willing to sell or liquidate to improve your immediate financial situation.

You may be able to keep your mortgage payments current and qualify for a special refinancing program. If your mortgage is delinquent or only recently entered default, you may have sufficient assets to bring your loan current. You also may have to pay a lump sum to your servicer when it comes time to finalize your permanent loan modification.

## Is It Worth It?

As you can see, your access to quick cash may affect what options are available to you when your home is at stake. However, you must consider the cons of selling your assets to retain what may be four underwater walls and a roof in need of repair. Is it worth losing your retirement to save the potentially unsavable?

## CAUTION

DO NOT RACK UP CREDIT CARD DEBT TO PAY YOUR MORTGAGE. INCREASING YOUR DEBT WHEN YOU ALREADY CAN'T PAY YOUR BILLS ONLY PROLONGS AND DEEPENS THE FINANCIAL PAIN. USE EXTREME CAUTION WITH PAYDAY LENDERS, AS THEY CHARGE VERY HIGH FEES AND INTEREST RATES.



- Describe each asset you own. Provide enough information to distinguish the item from other like assets.
- Assign a value to the asset or list the amount of equity you have in the asset. Don't overvalue an asset. Sentimental value doesn't translate into a dollar value.
- Enter the total value of all liens securing each asset. If a creditor holds the title to your car, provide the balance you owe on your car loan. If the asset is "underwater," denote that fact using a negative sign or with parentheses.
- Provide an approximate sales value for the asset. How much could you sell the asset for today?

DESCRIPTION	VALUE/EQUITY	LIEN VALUE	SALES VALUE
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$
<b>GRAND TOTALS:</b> <i>Transfer these Grand Totals to page 39</i>	\$	\$	\$

HOME	AMOUNT
Mortgage/Rent	
Appliances/Furniture	
Electricity	
Cable/Satellite TV	
Gas/Oil	
Home Supplies	
Internet	
Lawn/Garden	
Maintenance	
Telephone	
Water	
Sewer/Trash	
<b>TOTAL:</b>	
DAILY LIVING	AMOUNT
Cleaning Services	
Clothing	
Discretionary	
Dining/Eating Out	
Dry Cleaning	
Food/Groceries	
Personal Services	
Salon/Spa/Barber	
<b>TOTAL:</b>	
CHILDREN	AMOUNT
Babysitting/Daycare	
Clothing	
School Tuition/Fees	
School Lunch	
Lessons/Sports/Toys	
<b>TOTAL:</b>	
CAR/TRANSPORT	AMOUNT
Bus/Taxi/Train Fare	
Car Loan/Lease	
Fuel	
Registration/License	
Repairs	
<b>TOTAL:</b>	
EDUCATION	AMOUNT
Books	
Tuition/Fees	
<b>TOTAL:</b>	
PETS	AMOUNT
Food	
Medical	
Toys/Other	
<b>TOTAL:</b>	

OBLIGATIONS	AMOUNT
Child Support	
Credit Card 1	
Credit Card 2	
Credit Card 3	
Legal Fees	
Loan 1	
Loan 2	
Loan 3	
Spousal Support	
Taxes	
<b>TOTAL:</b>	
ENTERTAINMENT	AMOUNT
Books	
Concerts/Plays	
DVDs	
Hobbies	
Membership Fees	
Music	
Photos	
Rentals	
Sports	
Subscription Fees	
Theater/Movies	
Travel/Vacation	
<b>TOTAL:</b>	
HEALTH	AMOUNT
Doctor	
Dentist	
Eyes	
Pharmacy	
<b>TOTAL:</b>	
INSURANCE	AMOUNT
Car	
Health	
Home/Rental	
Life	
<b>TOTAL:</b>	
MISCELLANEOUS	AMOUNT
Bank Fees	
Charitable Donations	
Gifts	
Postage	
Other	
<b>TOTAL:</b>	

## Monthly Expenses

Provide an accurate accounting of all your monthly expenses and total them in the table below.

EXPENSE	AMOUNT
Home	\$
Daily Living	\$
Children	\$
Car/Transport	\$
Education	\$
Pets	\$
Obligations	\$
Entertainment	\$
Health	\$
Insurance	\$
Miscellaneous	\$
<b>GRAND TOTAL OF MONTHLY EXPENSES:</b>	\$
Transfer this total to page 39	

# Putting It All Together

## Income and Expenses

Grand Total of All Monthly Income (from page 35)	\$	
Grand Total of Monthly Expenses (from page 38)	\$	(subtract)
<b>Income Remaining at the End of the Month</b>	\$	

## Assets and Delinquency

Grand Total of Assets Available to Liquidate (from page 37)	\$	
Amount Needed to Bring Your Loan Current	\$	
<b>Can You Afford to Bring Your Loan Current?</b> If Assets > Amount Needed to Bring Loan Current, then answer is "yes".		Yes <input type="checkbox"/> No <input type="checkbox"/>

# CAN YOU AFFORD TO KEEP YOUR HOME?

Based on your income, your expenses, and your assets, you may not be able to stay in your home. That, however, does not mean you are destined for foreclosure.

Other options may be available to you depending on your financial eligibility. For example, you may qualify for a short sale, a deed in lieu of foreclosure, or a loan assumption.

Can you afford a monthly loan payment that is equal to 31% of your gross monthly income?

If your answer is “yes”—and you feel comfortable with that payment well into the future—absent other complications, you may qualify for a loan modification.

Grand Total of all monthly income:

(Total from page 35)

\$

x .31

= \$



**IF YOU CANNOT AFFORD THIS PAYMENT TODAY, BUT YOU WANT TO KEEP YOUR HOME, REVIEW YOUR EXPENSES AND FIGURE OUT WHERE YOU CAN CUT COSTS. LOOK AT YOUR ASSETS AND DECIDE WHAT YOU CAN SELL OR LIQUIDATE.**

# PART FOUR

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## *Get Help If You Need It*

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Contact Information for Housing Counselors, Attorneys & Government Agencies . . . .	43
The Attorney General's Consumer Protection Division . . . .	44

# Who Can I Talk To About My Situation?

## **HOUSING COUNSELORS**

- Provide free, straight-forward advice about your housing options
- Stay up-to-date on new loan programs
- Negotiate with your servicer on your behalf
- Help you develop a realistic financial plan

## **ATTORNEYS**

- Explain applicable laws and legal terms
- Evaluate your potential legal claims and advise you about your legal remedies under state and federal law
- Represent you in court actions, including eviction proceedings

## **GOVERNMENT AGENCIES**

- Accept complaints from borrowers
- Offer voluntary dispute resolution services between borrowers and servicers
- Investigate and enforce violations of applicable state and federal laws

## Contact Information for Housing Counselors, Attorneys, and Government Agencies

Region	Housing Counselors ( <a href="http://www.hud.gov">www.hud.gov</a> )	
<b>West</b>	Idaho Housing & Finance Association <a href="http://www.ihfa.idaho.gov">www.ihfa.idaho.gov</a> (877) 888-3135	Neighborhood Housing Services, Inc. <a href="http://www.nhsid.org">www.nhsid.org</a> (208) 258-6224
<b>North</b>	Community Action Partnership <a href="http://www.cap4action.org">www.cap4action.org</a> (800) 326-4843	CCCS of Northern Idaho, Inc. <a href="http://www.cccsnid.org">www.cccsnid.org</a> (208) 746-0127
<b>East</b>	Pocatello Neighborhood Housing Services, Inc. <a href="http://www.asite.com">www.asite.com</a> (208) 232-9468	Southeastern Idaho Community Action Agency <a href="http://www.seicca.org">www.seicca.org</a> (208) 232-1114-152

Region	Attorneys	
<b>Statewide</b>	Idaho State Bar Lawyer Referral Program <a href="http://www.isb.idaho.gov">www.isb.idaho.gov</a> (208) 334-4500	Idaho Volunteer Lawyers Program <a href="http://www.isb.idaho.gov">www.isb.idaho.gov</a> (800) 221-3295
<b>West</b>	Idaho Legal Aid Services (Boise) <a href="http://www.idaholegalaid.org">www.idaholegalaid.org</a> (208) 345-0106	Idaho Legal Aid Services (Caldwell) <a href="http://www.idaholegalaid.org">www.idaholegalaid.org</a> (208) 454-2591
<b>North</b>	Idaho Legal Aid Services (CDA) <a href="http://www.idaholegalaid.org">www.idaholegalaid.org</a> (208) 667-9559	Idaho Legal Aid Services (Lewiston) <a href="http://www.idaholegalaid.org">www.idaholegalaid.org</a> (208) 743-1556
<b>South</b>	Idaho Legal Aid Services (Twin Falls) <a href="http://www.idaholegalaid.org">www.idaholegalaid.org</a> (208) 734-7024	
<b>East</b>	Idaho Legal Aid Services (Pocatello) <a href="http://www.idaholegalaid.org">www.idaholegalaid.org</a> (208) 233-0079	Idaho Legal Aid Services (Idaho Falls) <a href="http://www.idaholegalaid.org">www.idaholegalaid.org</a> (208) 524-3660

State Government Agencies		
Idaho Attorney General's Consumer Protection Division <a href="http://www.ag.idaho.gov">www.ag.idaho.gov</a> (800) 432-3545	Idaho Department of Finance <a href="http://finance.idaho.gov">finance.idaho.gov</a> (208) 332-8000	Idaho Real Estate Commission <a href="http://www.irec.idaho.gov">www.irec.idaho.gov</a> (866) 447-5411
Federal Government Agencies		
Consumer Financial Protection Bureau <a href="http://www.consumerfinance.gov">www.consumerfinance.gov</a> (855) 411-2372	Federal Trade Commission <a href="http://www.ftc.gov">www.ftc.gov</a> (877) 382-4357	Office of the Comptroller of the Currency <a href="http://www.helpwithmybank.gov">www.helpwithmybank.gov</a> (800) 613-6743

# THE ATTORNEY GENERAL'S CONSUMER PROTECTION DIVISION

## Did You Know?

If you are having difficulties communicating with your mortgage servicer or can't get a final decision about your loan modification application, you may obtain assistance from the Attorney General's Housing Specialist at (208) 334-2424.

## INFORMAL DISPUTE RESOLUTION SERVICE

The Attorney General offers Idaho consumers an informal, voluntary dispute resolution service through his Consumer Protection Division. If you are an Idaho resident and you file a complaint, we will forward your complaint to the business and mail the business's response to you. If we do not receive a response, we will notify you.

Our dispute resolution process takes time and is not an immediate or guaranteed solution to your problem. If you need immediate assistance or you have a legal emergency, you should contact a private attorney.

The Attorney General cannot force a business to respond to a complaint and cannot settle factual disputes between the parties.

To obtain a complaint form, visit [www.ag.idaho.gov](http://www.ag.idaho.gov) or call the Consumer Protection Division at (208) 334-2424 or, toll free in Idaho, (800) 432-3545.

# PART FIVE

## *Know Your Options*

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# What Is “Making Home Affordable” and How Can It Help Me?

Since 2008, the U.S. Departments of Treasury and Housing and Urban Development have administered the Making Home Affordable (MHA®) Program to help homeowners avoid foreclosure. Depending on your situation, participation in MHA® can decrease a homeowner’s monthly mortgage payments by lowering the interest rate or by extending the loan payments to 40 years. If you are a homeowner with an underwater mortgage, unemployed, or cannot afford to keep your home, options may be available.

A HUD-approved housing counselor can help you apply for MHA® assistance. However, only your servicer (or lender) can decide whether you qualify.

Also, it is important to understand that a servicer’s participation in MHA® is voluntary. Even if you meet all of the eligibility requirements for a particular program, the servicer has discretion to deny your application. This is another reason why you should seek assistance early. If you are unable to modify your loan, you will need as much time as possible to evaluate your other options.

Unless noted differently in this section, the following MHA® programs are available through December 31, 2013:

- Home Affordable Modification Program (HAMP<sup>SM</sup>)
- Principal Reduction Alternative (PRA)
- Second Lien Modification Program (2MP)
- FHA Home Affordable Modification Program (FHA-HAMP<sup>SM</sup>)
- USDA’s Special Loan Servicing
- Veteran’s Affairs Home Affordable Modification (VA-HAMP<sup>SM</sup>)
- Home Affordable Refinance Program (HARP)
- FHA Refinance for Borrowers with Negative Equity (FHA Short Refinance)
- Second Lien Modification Program for FHA Loans (FHA-2LP)
- Home Affordable Unemployment Program (UP)
- Home Affordable Foreclosure Alternatives Program (HAFA<sup>SM</sup>)

[www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)

## DID YOU KNOW?

Applying for assistance through MHA is simple. Contact your servicer for individualized assistance or visit the MHA® website to download the forms you need to complete to apply.

## **BENEFITS**

- Lower monthly payment
- Lower interest rate
- Extended payment term

## **HOME AFFORDABLE MODIFICATION PROGRAM (HAMP<sup>SM</sup>)**

### **You may be eligible for HAMP if you meet all of the following criteria:**

- You obtained your mortgage on or before January 1, 2009.
- You owe up to \$729,750 on your primary residence or single unit rental property.
- You owe up to \$934,200 on a 2-unit rental property; \$1,129,250 on a 3-unit rental property; or \$1,403,400 on a 4-unit rental property.
- The property has not been condemned.
- You have a financial hardship and are either delinquent or in danger of falling behind on your mortgage payments (non-owner occupants must be delinquent in order to qualify).
- You have sufficient, documented income to support a modified payment.
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud or forgery, money laundering or tax evasion, in connection with a mortgage or real estate transaction.

*\*Eligibility criteria are for guidance only.*

# Principal Reduction Alternative

## BENEFITS

The program includes incentives to encourage investors and servicers to reduce the amount that “underwater” homeowners owe on their mortgage loans.

### You may be eligible for Principal Reduction Alternative if:

- Your mortgage is not owned or guaranteed by Fannie Mae or Freddie Mac.
- You owe more than your home is worth.
- You occupy the house as your primary residence.
- You obtained your mortgage on or before January 1, 2009.
- Your mortgage payment is more than 31 percent of your gross (pre-tax) monthly income.
- You owe up to \$729,750 on your 1st mortgage.
- You have a financial hardship and are either delinquent or in danger of falling behind.
- You have sufficient, documented income to support the modified payment.
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud or forgery, money laundering or tax evasion, in connection with a mortgage or real estate transaction.

*\*Eligibility criteria are for guidance only.*

## **BENEFITS**

Helps borrowers with second mortgages whose first mortgages were modified permanently under HAMP<sup>SM</sup>.

Increases the long-term affordability of both mortgage loans.

# **Second Lien Modification Program**

**You may be eligible for the Second Lien Modification if you meet all of the following criteria:**

- Your first mortgage was modified under HAMP.
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud or forgery, money laundering or tax evasion, in connection with a mortgage or real estate transaction.
- You have not missed three consecutive monthly payments on your HAMP modification.

*\*Eligibility criteria are for guidance only.*

# HOME AFFORDABLE REFINANCE PROGRAM

For underwater  
borrowers who need  
an affordable, stable  
mortgage loan.

## You may be eligible for the Home Affordable Refinance program if you meet all of the following criteria:

- The mortgage must be owned or guaranteed by Freddie Mac or Fannie Mae.
- The mortgage must have been sold to Fannie Mae or Freddie Mac on or before May 31, 2009.
- The mortgage cannot have been refinanced under HARP previously unless it is a Fannie Mae loan that was refinanced under HARP from March-May, 2009.
- The current loan-to-value (LTV) ratio must be greater than 80%.
- You must be current on the mortgage at the time of the refinance, with a good payment history in the past 12 months.

*\*Eligibility criteria are for guidance only.*



## **BENEFITS**

By refinancing into an FHA loan, the borrower's loan balance is reduced to no more than 97.75% of the current value of the borrower's home.

### **You may be eligible for FHA Short Refinance if you meet the following criteria:**

- Your mortgage is not owned or guaranteed by Fannie Mae, Freddie Mac, FHA, VA or USDA.
- You owe more than your home is worth.
- You are current on your mortgage payments.
- You occupy the house as your primary residence.
- You are eligible for the new loan under standard FHA underwriting requirements.
- Your total debt does not exceed 55 percent of your monthly gross income.
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud, forgery, money laundering or tax evasion in connection with a mortgage or real estate transaction.

*\*Eligibility criteria are for guidance only.*

## BENEFITS

- Helps borrowers with second mortgages whose first mortgages qualified for refinancing under the FHA Short Refinance Program.
- Limits the total amount of the borrower's mortgage debt after the refinance to 115% of the home's current value.



# Treasury/FHA Second Lien Program

## **You may be eligible for the Treasury/FHA Second Lien Program if you meet the following criteria:**

- You are eligible for FHA Short Refinance.
- You obtained your mortgage on or before January 1, 2009.
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud, forgery, money laundering or tax evasion in connection with a mortgage or real estate transaction.

*\*Eligibility criteria are for guidance only.*



# Home Affordable Unemployment Program

## **BENEFITS**

May reduce the borrower's mortgage payments to 31% of the borrower's income or suspend them for 12 or more months.

**You may be eligible for the Home Affordable Unemployment Program if you meet all of the following criteria:**

- You are unemployed and eligible for unemployment benefits.
- You occupy the house as your primary residence.
- You have not previously received a HAMP<sup>SM</sup> modification.
- You obtained your mortgage on or before January 1, 2009.
- You owe up to \$729,750 on your home.

*\*Eligibility criteria are for guidance only.*

## PROGRAM OPTIONS

If you can't afford your mortgage payment and need to transition to more affordable housing, the Home Affordable Foreclosure Alternatives<sup>SM</sup> (HAFAS<sup>SM</sup>) program may be an option for you.

**HAFAS offers two options for transitioning out of your mortgage:**

**Short Sale.** In a short sale, you can sell your house for an amount that falls "short" of the amount you still owe. A HAFAS<sup>SM</sup> short sale releases you from your debt and waives any remaining deficiency. Your servicer helps you determine an acceptable sale price.

**Deed-in-Lieu (DIL) of Foreclosure.** In a DIL, you transfer ownership of the property to the lender.

Before evaluating you for HAFAS<sup>SM</sup>, your servicer will consider you for a loan modification and any other options.

Your mortgage must be owned or guaranteed by Freddie Mac or Fannie Mae or serviced by a HAMP<sup>SM</sup> participating loan servicer.



# HOME AFFORDABLE FORECLOSURE ALTERNATIVES PROGRAM<sup>SM</sup>

**You may be eligible for the Home Affordable Foreclosure Alternatives Program if you meet all of the following criteria:**

- You have a documented financial hardship.
- You have not purchased a new house within the last 12 months.
- Your first mortgage is less than \$729,750.
- You obtained your mortgage on or before January 1, 2009.
- You must not have been convicted within the last 10 years of felony larceny, theft, fraud, forgery, money laundering or tax evasion in connection with a mortgage or real estate transaction.

*\*Eligibility criteria are for guidance only.*

## FEDERALLY GUARANTEED LOANS

FHA Home  
Affordable  
Modification  
Program

USDA Special  
Loan  
Servicing

VA Home  
Affordable  
Modification

### BENEFITS

- For borrowers with loans insured or guaranteed by the Federal Housing Administration (FHA), the U.S. Department of Agriculture (USDA), or the U.S. Veterans Administration (VA)
- May lower your monthly mortgage payment to no more than 31% of your verified monthly gross income
- Call the FHA's National Servicing Center at: (877) 622-8525
- Call the Veterans Affairs Regional Loan Center at: (877) 827-3702

# MAKING HOME AFFORDABLE PROGRAMS: DOCUMENTS YOU NEED TO SUBMIT

## **Required forms are available at the Making Home Affordable Website**

[www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)

### **Required forms**

- Request for Mortgage Assistance
- IRS Form 4506T-EZ or Form 4506-T

### **Other Documents You May Have to Provide**

- Monthly mortgage statement
- Information about second mortgage
- Two most recent pay stubs for all household members contributing toward the mortgage payment
- Last two years of tax returns (if self-employed, the most recent quarterly or year-to-date profit and loss statement)
- Documentation of income received from other sources (alimony, child support, social security, etc.)
- Two most recent bank statements
- A utility bill showing your name and address
- Unemployment insurance letter
- Account balances and minimum monthly payments due on all of your credit cards
- Information about your savings and other assets

### **It May Also Be Helpful to Have**

A letter describing the circumstances that caused your income to be reduced or your expenses to be increased (job loss, divorce, illness, etc.)

# A Sample Hardship Letter

Idaho Homeowner  
1234 Main St.  
Home Town, ID 00000-1234  
(208) 000-0000  
Idaho-homeowner@yahoo.com

*Via Certified Mail*

November 30, 2013

ABC Mortgage Services, Inc.  
ATTN: Home Retention Division  
P.O. Box 123456  
Any Town, USA 12346

**Re:** Loan No. 0123456789  
Borrower: Idaho Homeowner

Dear Loss Mitigation Manager:

I am writing to you regarding my family's mortgage loan (0123456789), which ABC Mortgage Services, Inc., began servicing on March 1, 2007. For the past six years, I have made the required monthly payments and, in some months, paid an additional amount toward the principal.

On August 1, 2012, I had to close the used car lot that my family has owned for 20 years. I could not sell the business to anyone and the flooring company repossessed the entire inventory. My sixteen-year-old daughter suffered a medical emergency in early 2013 and without health insurance, I have had difficulties paying her medical bills.

I am searching for a job, but my only experience is in sales. The Sandpoint, Idaho, area experienced a 7% decline in employment in 2011 and the demand for used car salesmen is nonexistent. I interviewed for a telemarketing position last week, and I hope to hear back from the company this week.

My two children (ages 10 and 16) and I are living on my \$1,200 unemployment check. Despite eliminating all unnecessary spending, we cannot afford our \$700 monthly mortgage payment. I met with a HUD-approved housing counselor and I have enrolled in a free credit-counseling workshop to help my family better budget our money. This is the only home my children have known, and I am committed to doing whatever is necessary to stay here.

I ask that you consider lowering our interest rate to 2%. A lower interest rate will make our monthly payments affordable. If that is not possible, we are open to other options, but we cannot afford more than \$550 a month.

Please call me at (208) 000-0000 as soon as possible. I appreciate your consideration and look forward to working with you toward a meaningful resolution.

[SIGNATURE]

# Practice Writing a Hardship Letter



# A Note About Bankruptcy

If you are considering bankruptcy, you need to speak to a licensed Idaho attorney who has experience representing consumer-debtors. To find a qualified bankruptcy attorney, call the Idaho State Bar's Lawyer Referral Program at (208) 334-4500 or visit [www.isb.idaho.gov](http://www.isb.idaho.gov).

## TYPES OF BANKRUPTCY

If you need more time to pay off a mortgage delinquency or restructure your debt, and your income or assets are restricted, you may be able to file for bankruptcy. Depending on your financial situation, you can file one of two types of bankruptcy.

**Chapter 7 (Liquidation).** The purpose of Chapter 7 bankruptcy is to eliminate unsecured, non-priority debts, while retaining exempt property. An unsecured, non-priority debt includes most consumer debts, such as credit cards and medical bills. This type of debt differs from non-dischargeable debt, such as criminal restitution or debt that is secured by property, such as a car loan. Exempt property includes a portion (or value) of your homestead and a portion (or value) of your personal property. Eliminating your debts devotes more of your income to making a mortgage payment. A typical liquidation takes between four and six months to complete.

**Chapter 13 (Reorganization).** The purpose of Chapter 13 bankruptcy is to give you a chance to work out a debt payment plan over a period of years. A Chapter 13 bankruptcy is available only if you can afford to make the required payments. Second mortgages can be eliminated when no equity is attached to the interest.

## IMPORTANT BENEFITS OF BANKRUPTCY

Filing for bankruptcy offers two important benefits. As soon as the petition is filed, an "automatic stay" of all debt collection efforts, including a foreclosure action, is entered. Most creditors must get the court's permission to continue collection. Keep in mind, however, that a bankruptcy does not stop some legal actions, including criminal prosecutions, child support collections and evictions.

The second benefit of bankruptcy is that it requires creditors to submit their claims to the court for review. If a creditor is attempting to collect a debt that is questionable or that includes unlawful fees, the bankruptcy court's review can help eliminate erroneous charges.

## BANKRUPTCY IS NOT A BARRIER TO OBTAINING A LOAN MODIFICATION

The federal government requires mortgage servicers to consider borrowers in bankruptcy for loan modifications under the Making Home Affordable Program.



# DON'T LOSE YOUR HOME TO FRAUD

## **Loan Modification Fees are Illegal in Idaho**

The Idaho Consumer Protection Act, title 48, chapter 6, Idaho Code, prohibits persons from charging you for loan modification services. Only licensed mortgage brokers, licensed real estate agents, and attorneys licensed with the Idaho State Bar may charge you for such services after obtaining a loan modification for you.

If you have evidence that someone has unlawfully charged you for loan modification services, you should file a complaint with the Attorney General's Consumer Protection Division.

## **FTC's Mortgage Assistance Relief Services Rule**

The Federal Trade Commission's Mortgage Assistance Relief Services (MARS) Rule prohibits mortgage modification companies from collecting any fees from you until you receive:

- a written offer from the lender or servicer that you deem acceptable, and
- a written explanation from the lender or servicer that describes all of the changes that would occur to your loan if you accepted the offer.

The modification company also must inform you that you have a right to reject the offer without any charge. Attorneys who are licensed in Idaho and who place their clients' fees in a trust account according to Idaho law are exempt from the MARS Rule. The Federal Trade Commission has chosen not to enforce the MARS Rule's disclosure requirements against licensed real estate agents. If you suspect a person has violated the MARS Rule, you can file a complaint with the Attorney General or with the Federal Trade Commission at [www.ftc.gov](http://www.ftc.gov).

## **Mass Joinder Lawsuit Offers**

Unscrupulous attorneys may contact you about joining a nationwide lawsuit against your lender. Attorneys claim they have filed a lawsuit based on widespread mortgage fraud, and if you pay their law firm a \$5,000 retainer fee, you can join the lawsuit. Homeowners report receiving telephone calls, as well as official-looking letters marked "Personal and Confidential Legal Notice—Joinder Action Suit." The attorneys claim that if you join their lawsuit, they can stop a foreclosure, slash your loan principal by up to 80%, reduce your interest rate to 2% and obtain punitive damage awards of \$75,000 or more. These solicitations are false. If you want to explore your potential legal options or remedies, schedule a face-to-face consultation with a licensed Idaho attorney. To locate a local attorney who specializes in real estate issues, contact the Idaho State Bar's Lawyer Referral Service at (208) 334-4500 or visit [www.isb.idaho.gov](http://www.isb.idaho.gov).

**PART  
SIX**

*Learn About the National  
Mortgage Settlement*

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# Highlights of the National Mortgage Settlement

Settlement includes the country's five largest mortgage servicers:

**Ally/GMAC • Bank of America • Chase • Citi • Wells Fargo**

- ✓ **Relief to Struggling Homeowners.** The servicers must allocate \$17 billion to help borrowers who have the ability to make reasonable payments on their home loans.
- ✓ **Refinancing of Underwater Homes.** To assist homeowners who are not delinquent on their payments but who cannot refinance to lower rates because of negative equity, the servicers must offer refinance programs totaling at least \$3 billion.
- ✓ **Payments to Foreclosure Victims.** Approximately \$1.5 billion was allocated to compensate borrowers whose homes were foreclosed between 2008 and 2011.
- ✓ **Mortgage Servicing Reforms.** The servicers must comply with comprehensive loan servicing reforms for 3 1/2 years.
- ✓ **Monitoring and Enforcement.** Compliance with the settlement is enforceable through a court order. Civil penalties may be assessed for violations of the order.
- ✓ **Payments to the States.** The servicers paid the states approximately \$2.5 billion. The State of Idaho received \$13 million.



# Mortgage Servicing Standards

- The information in foreclosure affidavits must be personally reviewed and based on competent evidence.
- The loan owner's right to foreclose must be documented and disclosed to the borrower.
- At least 14 days before referring a loan to foreclosure, the servicer must send written notice to the borrower informing the borrower of the servicer's loss mitigation efforts and the basis for the foreclosure referral.
- Servicers must thoroughly review each borrower's loss mitigation options before referring the borrower's loan to foreclosure.
- Borrowers in bankruptcy are entitled to apply for loss mitigation relief.
- Borrowers may appeal loss mitigation denials.
- Servicers must accurately document all default fees and implement enhanced borrower dispute rights.
- Restrictions are imposed on default fees, late fees, third-party fees, and force-placed insurance.
- Servicers must reach out to borrowers who are eligible for loan modifications and other loss mitigation options.
- Services must disclose their standards for providing proprietary loan modifications.
- Servicers must provide borrowers a single point of contact to help borrowers during the loss mitigation process. Servicers also must employ trained staff to handle the demand for loss mitigation relief.
- Servicers must expedite and facilitate short sales of distressed properties.
- Military personnel who are covered by the Servicemembers Civil Relief Act have enhanced protections.



# NATIONAL MORTGAGE SETTLEMENT

## Monitoring and Enforcement

### Monitoring

Following entry of the National Mortgage Settlement, the participating state attorneys general appointed a Monitor to oversee the activities of the five servicers and to help ensure the servicers' compliance with the Settlement's servicing standards and consumer relief requirements. The Monitor established the Office of Mortgage Settlement Oversight to help him carry out his responsibilities.

The Monitor receives and reviews periodic reports from the five servicers and makes his own determinations and findings as to the servicers' compliance with the Settlement. The Monitor communicates those determinations and findings to the servicers, the court, and a Monitoring Committee composed of state attorneys general and federal agency officials.

### Enforcement

The Monitor works with any noncompliant servicer to establish and then oversee corrective plans, or, if necessary, make recommendations for additional corrective actions. If the servicer continues to fail to meet its obligations under the Settlement, the United States District Court of the District of Columbia may take action by imposing civil penalties or injunctive relief.

### Report Violations

The Attorney General encourages housing counselors to report violations of the National Mortgage Settlement to the Office of Mortgage Settlement Oversight. Instructions and webinars about the reporting process are available at [www.mortgageoversight.com](http://www.mortgageoversight.com).

The Monitor does not have authority to intervene in disputes between borrowers and their servicers. However, borrowers may report these disputes to the Monitor for his information.

**Borrowers who believe they qualify for a loan modification or other relief under the Settlement, but who are having difficulty obtaining assistance from their servicer should file a complaint with the Attorney General's Office. Complaint forms are available at [www.ag.idaho.gov](http://www.ag.idaho.gov) or by calling (208) 334-2424 or, toll free in Idaho, (800) 432-3545.**

# PART SEVEN

## *Understand the Foreclosure Process*

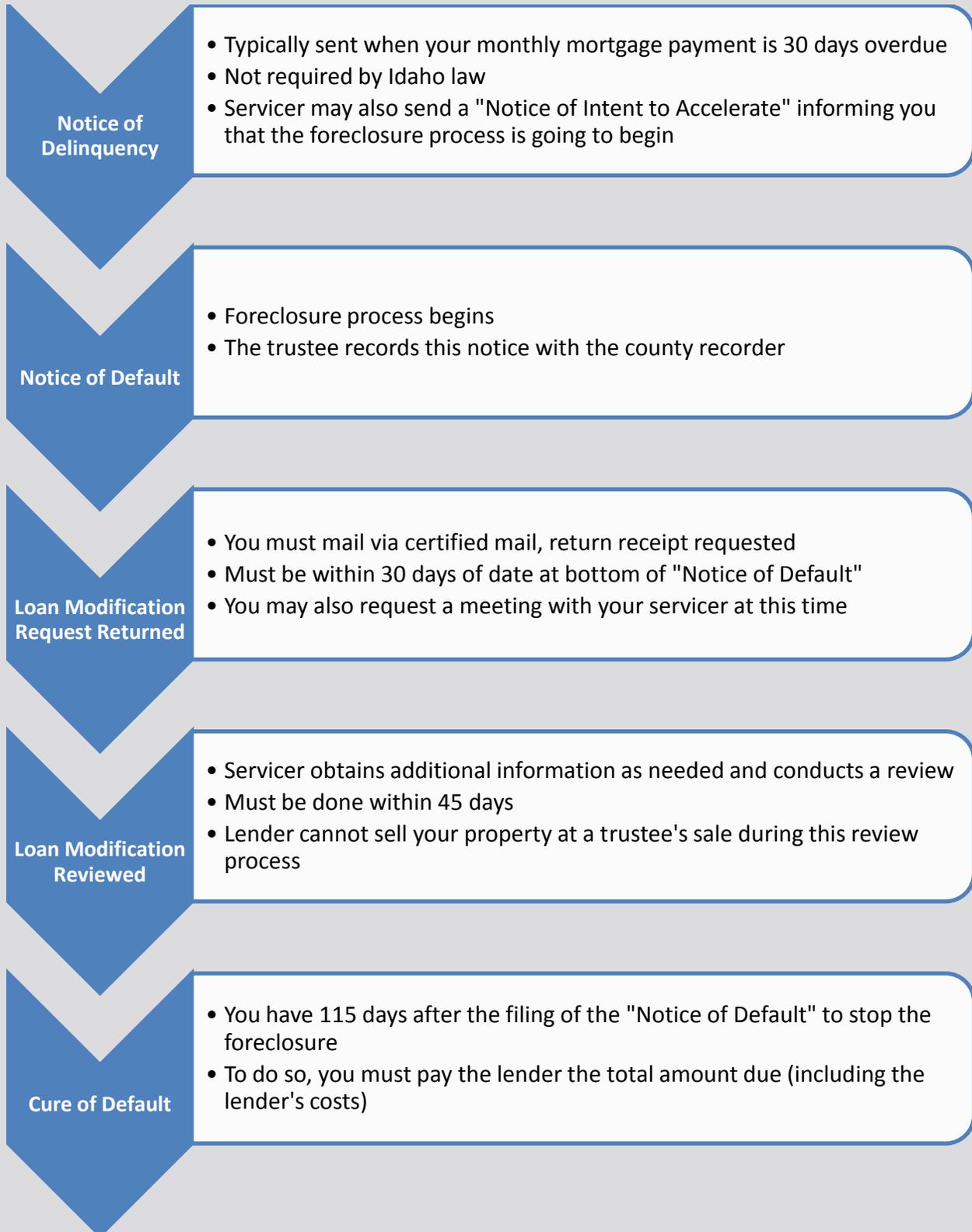
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# Idaho's Foreclosure Process: Test Your Knowledge

1. Idaho's primary method of foreclosure is through: (select one)
  - A. judicial foreclosures
  - B. nonjudicial foreclosures
  - C. administrative foreclosures
  
2. If you don't make your monthly payment, your loan is: (select one)
  - A. in default
  - B. delinquent
  - C. current
  
3. You can \_\_\_\_ your defaulted loan by bringing the loan payments current and paying all accumulated interest and costs. (select one)
  - A. modify
  - B. cure
  - C. transfer
  
4. The foreclosure process begins when the trustee records the \_\_\_\_\_ with the county recorder where the property is located. (select one)
  - A. deed of trust
  - B. promissory note
  - C. notice of default
  
5. You have at least \_\_\_\_ days from the date you receive your note of default to request a loan modification review from your loan servicer. (select one)
  - A. 30
  - B. 15
  - C. 90
  
6. After the trustee postpones a sale, depending on when the new sale date is scheduled, the trustee must mail you an amended notice of trustee's sale. (select one)
  - A. true
  - B. false

# STEPS TO FORECLOSURE



### Notice of Sale (Notice to Borrower)

- A notice of trustee sale must be mailed to you 120 days before the sale date
- It must be personally served to the property's occupant or posted on the property

### Publication of Notice

- Lender must publish notice of trustee's sale in a local newspaper
- Once a week for 4 weeks with final publication occurring at least 30 days before the sale

### Postponement of Sale

- Sale may be postponed for 30 days
- If sale is postponed an amended notice of trustee's sale must be mailed 14 days before actually conducting the sale
- Sale may also be rescheduled (this also triggers a new notice of trustee's sale to be mailed)

### Buyer's Possession of Property

- The buyer is entitled to possession of the property within 10 days after the sale

### Deficiency Judgment

- Within 90 days after the sale, a lender may file a court action to recover the difference between the debt you owe and the amount obtained at the sale



## Tips to Prevent Foreclosure

- ✓ **Don't ignore the problem.** Contact your servicer before your loan becomes delinquent. The further behind you get, the harder it is to recover. If you want to stay in your home, you must take action now.
- ✓ **Know your options.** Federal loan modification and refinancing programs, as well as expanded short sale opportunities, give homeowners more options for avoiding foreclosure.
- ✓ **Talk to a HUD-approved housing counselor.** If you have questions about your options or are unsure if you qualify, you can get free assistance from an experienced housing counselor.
- ✓ **Increase your income.** If you have assets you can sell easily to help you reinstate your loan or if you can work a second job to increase your cash, do so. If you are not making your monthly mortgage payment now, save a portion of the payment amount to pay to your servicer at a later time.
- ✓ **Prioritize your spending.** Review your finances to determine where you can cut your spending. Look for optional expenses--cable TV, cell phones, and memberships.
- ✓ **Avoid foreclosure rescue scams.** Anyone who guarantees to get you a loan modification if you pay a fee is violating Idaho law. Never pay someone to "save" your home from foreclosure and never quitclaim your home to a stranger who promises to make your mortgage payment. Help is available for free! Call HOPE hotline at (888) 995-4673.

PART  
EIGHT

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*Glossary of Terms*

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**Adjustable rate mortgage (ARM).** A mortgage loan in which the interest rate can be adjusted at specified intervals. For example, with a 2/28 ARM loan, the interest rate is fixed at a relatively low or “teaser” rate for two years and then resets to a higher interest rate at the beginning of the third year.

**Amortization.** The gradual repayment of a mortgage loan through installment payments. An “amortization schedule” shows the amount of each payment applied to the principal and the amount applied to the interest.

**Annual percentage rate (APR).** The interest rate on a loan.

**Appraisal.** A written estimate of the property’s market value at a certain point in time. Idaho licenses three different types of appraisers.

**Arrearage.** The amount of money that is unpaid and overdue on a loan.

**Assumption.** A third party takes over the payments of a homeowner’s mortgage loan. The homeowner usually quitclaims the home to the third party, thereby transferring ownership of the property to the third party. Many mortgage contracts specifically prohibit assumptions without the lender’s consent.

**Balloon payment.** A payment that is larger than the normal payment amount and usually is paid at the end of the mortgage payment term in order to pay off the loan. Federal and state laws prohibit certain loans from requiring a balloon payment.

**Beneficiary.** The person named in a trust deed as the person for whose benefit a trust deed is given, or his successor in interest.

**Capitalization.** Adding unpaid interest to the mortgage loan principal, which increases the principal amount of the loan and its total cost.

**Closed-end loan.** A loan with a fixed term or end date.

**Collateral.** The property a borrower pledges to secure a loan. A creditor usually can take and sell the collateral if the borrower fails to repay the loan.

**Conforming fixed rate loan.** A conventional loan that complies with the guidelines established by Fannie Mae and Freddie Mac and has a fixed interest rate throughout the life of the loan.

**Convertible ARM.** An adjustable rate mortgage loan that can be converted into a fixed-rate mortgage during a certain time period.

**Cure a default.** If a borrower fails to make the required payments on a loan, the borrower is in default. The process by which the borrower catches up on the missed payments is referred to as curing the default or reinstatement.

**Debt-to-income ratio.** The maximum percentage amount of a borrower’s gross monthly income that can be used for a monthly house payment plus all other debts.

**Deed.** A legal document by which title to property is transferred.

**Deed-in-lieu of foreclosure.** The lender accepts the deed to the borrower’s home so that the borrower and lender can avoid foreclosure proceedings.

**Default.** When a borrower breaches the terms of his loan.

**Deficiency judgment.** A personal judgment against the borrower for the amount that remains due on the mortgage loan after the home is sold at the foreclosure sale. In other words, if the mortgage lender is unable to sell the home for at least the remaining balance of the loan, the lender can force the borrower to pay the difference between the loan balance and the selling price.

**Deferred payments.** Loan payments that are postponed as part of the loan modification or workout process to avoid foreclosure.

**Delinquency.** Failure to make a loan payment when it is due. A loan usually is considered delinquent when it is 30 or more days past due.

**Due-on-demand clause.** A term in a loan agreement that allows the creditor to terminate the loan before the original end date and require the borrower to repay the entire outstanding balance.

**Due-on-sale clause.** A term in a loan agreement that requires the loan to be paid in full if the property is sold or transferred.

**Earnest money.** Money that the buyer pays to the seller when an offer to purchase is made. The money is held in the real estate broker's trust account until closing. It then is credited to the buyer's funds on the HUD-1 settlement statement.

**Equity.** The amount of cash a homeowner would keep if the owner sold his or her home and paid off all of the liens. For example, if the owner's home is worth \$200,000, but the owner owes the lender \$100,000 on the first mortgage loan and \$25,000 on a home equity loan, the owner has only \$75,000 in equity ( $\$200,000 - \$100,000 - \$25,000 = \$75,000$ ).

**Equity stripping.** Mortgage refinance terms that maximize the lender's profit by increasing the borrower's loan balance and decreasing the borrower's equity in the property. The most common equity stripping loan term is charging excessive fees that are financed as part of the new loan.

**Escrow account.** A special account where a portion of the borrower's monthly payments are held and then used to pay home-related obligations like property taxes, homeowner association dues and insurance.

**Escrow review.** A periodic review of an escrow account to make sure it contains sufficient funds to pay the taxes and insurance on a home when they are due.

**Eviction.** A legal process that terminates a tenant's right to occupy a home.

**Forbearance.** An agreement between the borrower and the lender allowing the borrower to stop making the required loan payments for a certain amount of time.

**Foreclosure.** A legal process that results in the forced sale of a home because the borrower failed to make the required loan payments.

**Good faith estimate.** A written approximation of the costs and fees expected to be incurred in obtaining a loan.

**Grace period.** The time between the date on which a payment is due and the date on which a late fee is charged.

**Hardship letter.** A letter that the borrower writes to the loan servicer explaining what caused the borrower to fall behind in making the monthly loan payments. The borrower must have a legitimate reason, such as a job loss, a death in the family, an illness or disability or another acceptable reason. The hardship letter is one step in the workout process.

**Hazard insurance.** Insurance required by mortgage contracts to pay for the loss of or damage to the property.

**Home equity loan.** Any mortgage loan that is used for a purpose other than to purchase a home.

**Investment property.** Property that is not a primary residence and that is intended to generate money, appreciate value or obtain certain tax benefits.

**Lender placed insurance.** Insurance that a lender places on a property to protect its interest in the collateral that secures the loan.

**Lis pendens.** A legal notice that warns the public that a piece of property is subject to a lawsuit and that any interest in the property that is obtained while the lawsuit is pending is subject to the lawsuit's outcome.

**Loan modification.** An adjustment or compromise of an existing residential mortgage loan. (Excludes refinancing transactions.)

**Loan modification activities.** Engaging in or offering to engage in effecting loan modifications in Idaho.

**Loan modification fee.** Any item of value including, but not limited to, goods or services, charged or collected in connection with loan modification activities.

**Loan-to-value ratio (LTV).** A percentage comparison between the mortgage amount and the actual value (or selling price) of the property. For example, if a home has a market value of \$100,000 and a \$70,000 loan, the loan-to-value ratio is 70%.

**Mortgage.** An agreement in which a property owner grants a creditor the right to satisfy a debt by selling the property in the event of a default.

**Mortgage broker.** An individual or a company that arranges financing for a home loan.

**Mortgage loan originator.** A person who, while acting on behalf of a mortgage broker or lender, solicits or receives residential mortgage loan applications, or offers or negotiates terms of residential mortgage loans. Idaho law requires that mortgage loan originators be licensed by the Idaho Department of Finance.

**Negative amortization.** Occurs when a borrower's payments do not cover the amount of interest accruing on a loan.

**Open-ended loan.** Commonly known as "revolving credit." Payments on the loan replenish credit available to the consumer. Credit cards are an example of open-ended loans.

**Origination fee.** A fee paid to a lender for processing a loan application.

**Principal.** The original amount the consumer borrowed. It does not include interest or fees on the loan.

**Principal balance.** The amount still owed on the loan, not including interest and fees.

**Prepayment penalty.** A fee that may be charged by a lender if the borrower pays the loan off early.

**Private mortgage insurance (PMI).** Insurance, provided by private insurers, that protects lenders against loss if a borrower defaults on the loan.

**Quitclaim deed.** A legal document that releases a homeowner from any interest in his or her home and transfers the home "as is" to another.

**Rate lock.** While a home loan application is pending, a rate lock secures the interest rate at a specific number for a specified amount of time. Some lenders require a fee from the borrower to "lock in" a rate.

**Reamortization.** A recalculation of a loan payment by a lender with loan terms that are different from the original loan terms. For example, a lender may modify a borrower's 10-year loan after the borrower has paid for five years in order to lower the borrower's payments.

**Redemption.** The legal right of homeowners to buy back their foreclosed properties by paying the balance owed on their delinquent mortgages, as well as any interest and fees.

**Refinance.** The process of paying off a loan with a new loan.

**Reverse mortgage.** A refinancing option available to homeowners with substantial equity in their homes. Money is drawn based on the property's value without an immediate repayment obligation because the lender expects repayment by sale of the property in the future.

**Securitization.** The process by which loans are pooled together and the interests in the pool are sold to investors.

**Servicer.** A business, often a bank or mortgage company, that accepts and records mortgage payments from borrowers, negotiates workout plans and supervises the foreclosure process.

**Short sale.** A sale in which the lender allows the homeowner to sell his or her home for less than the amount owed on the mortgage loan. The lender accepts the sale proceeds as full payment of the mortgage debt.

**Subprime loans.** Types of loans that are designed to provide credit to borrowers with no credit history or past credit problems. Subprime loans have more expensive terms, such as higher interest rates and fees, than conventional loans.

**Title.** The documented evidence that a person or an organization owns a piece of real property.

**Trust deed.** A deed conveying real property to a trustee in trust to secure performance of an obligation of the grantor to the beneficiary.

**Trustee.** A person to whom legal title to real property is conveyed by a trust deed or by his successor in interest.

**Underwriting.** The process of applying lending standards to the qualifications of a particular loan applicant.

**Valuation.** The process of estimating the value of a piece of property, normally done through an appraisal.

**Variable rate mortgage.** A mortgage loan where the interest rate changes over time and can affect the amount of the borrower's monthly payments.

**Workout.** A term used to describe the informal process for restructuring a loan in order to avoid foreclosure.

**Yield spread premium (YSP).** A payment a mortgage broker receives from a mortgage lender when the mortgage broker sells a borrower a mortgage carrying an interest rate that is higher than the lowest rate for which a borrower actually qualifies. One use of a yield spread premium is to reduce the mortgage's upfront costs. The larger the yield spread, the more a mortgage broker earns, which can tempt a mortgage broker to steer borrowers to higher interest loans.



# CONSUMER PROTECTION MANUALS

Buying a Home	Landlord and Tenant Guidelines
Charitable Giving	A Parents' Guide to Social Networking
Credit and Debt	Pyramids, Gift Schemes & Network Marketing
Foreclosure Prevention: A Workbook	Residential Construction
Guidelines For Motor Vehicle Advertising in Idaho	Rules of Consumer Protection
Idaho Consumer Protection Manual	Rules of Telephone Solicitations
Idaho Lemon Law	Senior Citizens Manual
Identity Theft	Service on an Idaho Nonprofit Board of Directors
Internet Lingo Dictionary	Telephone Solicitations
Internet Safety	Young Adult Handbook

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The Consumer Protection Division enforces Idaho's consumer protection laws, provides information to the public on consumer issues, and offers an informal mediation process for individual consumer complaints.

If you have a consumer question, please call  
(208)334-2424 or in-state toll-free  
(800) 432-3545. TDD access and Language Line  
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