

## Alternatives to Foreclosure

- **Repayment Plan:** The lender may give a fixed amount of time to repay the amount behind, plus any late fees, by adding a portion to the regular monthly payment. This is a good option if you've only missed a few payments.
- **Forbearance:** The lender may agree to suspend payments for a period of time. At the end of this time, resume regular monthly payments, and be required to either make one lump sum payment or additional partial payments. This may be a good option if there is a temporary reduction in income.
- **Loan Modification:** The lender may agree to reduce the interest rate, extend the term of the loan, or add missed payments to the loan balance.
- **Sale of Home:** Depending on the strength of the housing market, selling may provide funds needed to pay the mortgage debt in full. In a "short sale," the lender allows the sale and agrees to forgive any shortfall between the sale price and the mortgage balance. Still may face a tax liability on the amount of debt forgiven.

(cont. on back panel)

- **Deed in Lieu of Foreclosure:** A voluntary transfer of title to the lender in exchange for cancellation of the remainder of the debt, but will lose any equity in the home and may have to pay taxes on the debt forgiven. A sale or a deed in lieu of foreclosure may be a better alternative than a foreclosure adversely affecting credit.

Source: Michigan Attorney General,  
[www.michigan.gov/ag](http://www.michigan.gov/ag)



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## Facing Foreclosure?

Suggestions for those  
who are concerned  
about losing their home

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## Realities Within the Foreclosure Market

- **BEWARE:** Predatory lending practices have also bred predatory secondary lending practices
- **ALWAYS:** Recommend the borrower communicate NOW with their mortgage lender
- **ALWAYS:** Refer the homeowner to a HUD approved Housing Counseling Agency (listed at [www.HUD.gov](http://www.HUD.gov))
- Homeowners should **ALWAYS** verify whether or not their home is in actual foreclosure before looking at alternate options

### Important Points

- Stay in contact with the mortgage company.
- Seek assistance from a HUD approved counseling agency as soon as possible. Go to [www.HUD.gov](http://www.HUD.gov) for more information.

## The Foreclosure Process

### First Month Missed Payment

The first month missed payment will likely result in a letter or phone call from the mortgage lender regarding delinquent status.

### Second Month Missed Payment

Attend to inquires from the mortgage company to discuss reasons for the delinquency, be frank and open since regular communication is important.

### Third Month Missed Payment

Correspondence informing of delinquent amount with 30 days to bring the mortgage current. This is called a Demand Letter or Notice to Accelerate. If the amount specified isn't paid by the deadline the mortgage company may begin foreclosure proceedings. They are unlikely to accept less than the total due with out prior arrangements. There is still time to work out a payment arrangement with the mortgage company.

### Fourth Month Missed payment

Thirty days have now passed since a Demand Letter was received or four months have passed. Without payment in full or payment

arrangement the case will be handed over to the company's attorneys for initiating action. The borrower will incur ALL legal fees from this point forward.

### Sheriff Sale

In Michigan, an attorney for the lender will schedule a Sheriff Sale. This is the actual date of foreclosure. The homeowner is notified of this date by mail and a notice will be taped to the front door. This is NOT a move-out date! The Sheriff Sale will be scheduled about six weeks after the attorney receives the file. Homeowners have up until this date of sale to workout arrangements with the mortgage company or to pay the total amount owed (aka reinstatement amount).

### Redemption Period

This time occurs after the sale. Michigan law requires this period to be no less than 30 days and no more than one year. A majority of redemption periods last six months provided the home is occupied.