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# **The How To Prevent Foreclosure Guide**

## ***A Hands-On Guide to Saving Your House***

*By Leroy Chan*



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*(You may say "Nobody will ever know...")*

*I would answer "Many people refer to the manifestation of karma as 'luck'...*

*Couldn't you use some good 'luck' about now?")*

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# **Section One**

## **Getting Started**

## **Chapter 1 Introduction**

Welcome and congratulations on your purchase of *Stop Your Foreclosure!* This is a no-bull, cut to the chase manual that tells you exactly what you need to know, spells out your options, and helps you take action to cure your current financial situation.

Let's face it – being in foreclosure is a difficult and stressful experience. I want you to know that I really do understand how you're feeling right now. I know exactly what it feels like to be in debt up your eyeballs, trying to balance bills, stressing about keeping your family in a home. In 2002, my wife and I were both working for a fast growing company that was supposed to go public and make all the employees rich. We had nice salaries, company cars, and stock options - but it all came crumbling down around us. Throughout 2003 and 2004 we nearly lost our house to foreclosure on several occasions. At the same time, we had started a real estate investing company. One of the ways we looked for houses to buy is to target local foreclosure. Imagine the irony of going to the courthouse every month to get the list of foreclosures, and hoping our name wouldn't be among them. We were mailing letters to homeowners in foreclosure offering to buy their house; meanwhile we were hovering just out of foreclosure ourselves!

Those days are behind us now, and the most important thing you need to know is this: you WILL get through this too. Better days are ahead. This guide will help you understand your options and choose the best method for YOU. I personally have used some of the techniques to save our home from foreclosure (twice), and these many, many other people just like you have used them to save their homes, too. You see, there is a "dirty little secret" of the mortgage lending business that your bank or mortgage company does NOT want you to know. I'll reveal that secret in Chapter 6, and once you know it...you'll be in control of the negotiations.

Let me state this very clearly: this manual is not intended to substitute for legal advice. I'm not an attorney, and before you take any action, you should consult with one. If he or she charges you \$150 for an hour of consultation it may be the best \$150 you ever spent. (Many good, reputable attorneys have a free initial consultation - take advantage of it!) This manual is based on my personal experiences and is intended to help share some of the information I've learned about

the foreclosure process. Foreclosure is a serious situation and you should seek competent legal help.

That being said, I presume you would like to get through this manual as soon as possible and then begin taking action to remedy your situation. So let's get to it.

## **Chapter 2 Take Action!**

Before we go further, you must commit to this process and promise yourself that you will take action now! All the how-to guides and self-help books in the world won't change a single thing in your life if you don't take action on the information contained in them. This one is no different. Don't read this manual, if you're going to ignore this information and end up with a Sheriff on your doorstep in a few weeks or months telling you to pack your stuff and get out. That will be embarrassing to you, your family, friends, and neighbors. It doesn't have to be that way.

It is VERY IMPORTANT that you take charge and address your foreclosure situation immediately. Your lender operates on specific time schedules, and you must understand that this situation WILL move forward unless YOU do something to stop it. They will not delay without reason to do so – you must be the one to give them a good reason.

Before you go any further in this process, you need to spend a few minutes seriously considering what the best course of action is at this point. In other words, do you REALLY need to keep this house? If you are a parent or caretaker who is responsible for keeping a roof over the head of someone who can't provide one for themselves, then the answer is probably yes. (But even then, do you need the house you're in now or could you get by with a less expensive one?) On the other hand, if you have no dependents, would you be better getting out from under this house, moving into an apartment or perhaps living with friends or relatives temporarily while you get back on your feet?

We tend to get very emotionally attached to our homes, so it is important that you take the emotion out of this decision and try to use logic so you will know you are making the best long-term financial decision. Pretend for a moment that you are somebody else, and a good friend of yours comes to you seeking your advice. They are in foreclosure, bills are piling up, whatever your situation is. If it were somebody else who you cared about facing these challenges, what advice would you give them? Again, don't make an emotional decision, make a logical decision.

Houses are THINGS and you can always get more THINGS. Is this house really worth the constant stress you've been under lately? Is that stress affecting the truly important things in life – your family and health? Only you can make that

decision, but you need to decide NOW what your course of action is, and then move on to the next step – which is to take massive, focused action.

The tendency of many people in a new, uncomfortable, or unpleasant situation is to freeze. The “deer in the headlights” analogy is accurate here. The deer could save itself by taking immediate action, but instead it freezes with fear as the car grows closer and closer.

YOU need to take action now to work this out with your lender. At the very least you can move out on YOUR terms rather than on THEIR terms. There are many options available to you, and they are spelled out in the following chapters. Some of them may make you uncomfortable or require you to pick up the phone and have a conversation that you may find unpleasant. If you find yourself procrastinating, simply take a minute to visualize the outcome you want. Close your eyes and see an image of you, a few days from now, with the problem solved. Think about how you’ll feel knowing that you were able to take control of this situation and stop the foreclosure on your home. Pat yourself on the back. Now, back in the present -- TAKE ACTION to make that vision a reality. You can do it!

*The path to success is to make massive, determined action.*  
-- Anthony Robbins

*Action is the real measure of intelligence.*  
-- Napoleon Hill

## **Chapter 3**

### **What is Foreclosure?**

Many people who are in Foreclosure don't understand exactly what the process is. Even if you do think you understand it, this chapter may teach you something new. (Note: Please understand this is a very general discussion and laws vary by state. The purpose of this chapter is to give you an understanding of what is happening to you in this process, not to teach you every legal detail of the foreclosure process.)

You may not have realized what you were signing in that big stack of papers when you bought your house, but there were two main documents – a *promissory note* and a security instrument (either a *mortgage* or a *deed of trust*). The promissory note says you promise to pay for the house, and spells out the terms such as sale price, interest rate, payment amount, when payments are due, etc. The security instrument says you agree that if you don't make your payments, they can sell your house to satisfy the debt.

Generally speaking, there are two types of foreclosure, *judicial* and *non-judicial*. It is much easier to foreclose in a non-judicial state, because as the term implies, no judge need get involved. In a judicial state, the lender must file papers, wait for a hearing to be set, and then wait days or weeks for the hearing to be scheduled. In a non-judicial state the foreclosure proceeds on a well-defined timetable, which is often much shorter in duration than a judicial foreclosure. If you are in a non-judicial state, you need to act quickly!

#### **Judicial Foreclosure**

In judicial foreclosure states, the security instrument is usually a mortgage, which is an agreement between you and the lender. If they foreclose, you both have to appear before a judge. The judge will order the house sold at the *Sheriff's sale* unless you convince him or her that you have a good reason for not making your payments, which is highly unlikely.

Generally speaking, foreclosure is slower and more difficult for the lender in judicial states, because to a certain degree they are at the mercy of the court system and scheduling. However, do not assume anything regarding how long the process will take – verify this with your local county clerk or other public official, or better yet, a local attorney.

### **Non-Judicial Foreclosure**

In non-judicial foreclosure states, the security instrument is usually a deed of trust, which is an agreement between three parties – the trustor (or borrower, that’s you), the trustee (a third party the bank chooses to look after the lender’s interests, this is usually an attorney), and the beneficiary (the lender). Foreclosure is much easier in non-judicial states due to the fact that no court hearing is required. The trustee handles the entire process of the foreclosure including the actual sale. In reality, you will often see a “substitute trustee” handling the case on the local level if the actual trustee is geographically distant from the courthouse where the sale is being held. The actual trustee simply hires another, local law firm to handle the case for them.

### **Redemption**

In a handful of states, the homeowner can redeem the property even AFTER the foreclosure sale within a specified number of days, known as the *redemption period*. To do so, specific legal procedures have to be followed, and you must pay all back payments, interest (usually 10% and up), penalties, legal fees, redemption fees, and for any improvements made to the home since the sale. In some states, parties other than the homeowners have the opportunity to redeem the property once the homeowner’s opportunity has expired. These may include persons who hold or have obtained junior liens such as mechanic’s liens, judgments, second or third mortgages, etc. Redemption periods are more likely to exist in judicial foreclosure states. See Appendix One to determine if your state offers a redemption period.

### **Deficiency Judgements**

If the foreclosure sale fails to generate sufficient funds to pay off the loan balance, then the lender may sue for a *deficiency* within a period of time after the foreclosure sale. A judge may find you still owe more money to the lender, and enter a judgment for that amount. The lender will then file the judgment as public record in your county. Your ability to buy or sell other real estate will be impaired until the judgment is satisfied.

## **Sheriff's Sale**

In all cases there is some point at the end of the procedure that we will refer to as the Sheriff's sale. Whether it is simply the final stage of a well-defined process (in a non-judicial state), a court hearing where the judge orders the sale (in a judicial state), or some other tipping point, at some point there is a day when you lose ownership of the house and will be essentially evicted. Our goal in this book is to never get to that day.

Appendix One contains a table listing the foreclosure laws by state and links to websites that spell out the process in detail on a state-by-state basis. Be sure you understand how the foreclosure process works in your state, and verify it with your local county clerk's office to be sure the law hasn't changed.

## **Chapter 4**

### **How to STOP the Foreclosure!**

Before we go any further, you have a very important decision to make. Foreclosure is a very serious situation that is no doubt affecting your sanity and stress level today, and can affect your credit for years to come. People get into foreclosure for many reasons, but they all fall into one of two categories.

1. **A Temporary Setback** – such as a health of financial crisis that will soon pass. Your income will soon be restored to previous levels and you will soon be able to make your payments again. You just need a little help getting through the crisis.
2. **A Life Change** – such as job loss, extended unemployment, permanent health problems, divorce or other family problems, changes in the market etc., that have resulted in you no longer being able to realistically afford your home.

Please, take some time and seriously and realistically consider which one of these scenarios describes your situation. This is a important decision and you must be realistic. If your situation is a life change, would you be better selling this house and finding more affordable arrangements until you get back on your feet? If so, sell the house! If you know (not hope, know) your financial situation will soon be back to normal, then using one of the techniques in this manual to keep your house is probably your best bet.

If the foreclosure process reaches the date of the sale in a non-judicial state, or past the date of the court hearing at which the judge orders the sale in a judicial state, the foreclosure will appear on your credit report. Once the foreclosure appears, it will affect your credit for the next seven years. Obviously, we want to avoid that from happening, and now is the time to act.

In some states you have more time than others. Examine the documents you've received from the lender or their attorneys, or get a trusted friend or relative to help you if you are having a hard time understanding them. If you don't understand the timeline, be sure to ask as many questions as needed when you call them to negotiate – which we will be doing in Chapter 6.

### **What Lies Ahead?**

Let's start with a preview of the rest of the book. Generally, each section is set up with the most desirable option to the least desirable outcome.

In Chapter 5, we'll cover the numerous scams that are out there. Sadly, many

disreputable people focus on people who are down on their luck. You probably have seen advertisements or received mailings for many programs that seem too good to be true. In this chapter you'll find out which ones to avoid like the plague!

In Section Two, we discuss ways to avoid the foreclosure and KEEP your home. These methods are listed in order of preference – we will start with discussing negotiations with your lender and conclude by discussing bankruptcy, which may not be nearly as bad as you think it is!

In Chapter 6, you will learn HOW to negotiate with your lender. If you're not speaking with the right person and department, you're wasting your time, so I'll tell you how to bypass all the non-decision makers and get you directly to the person who can help you. In many cases there are programs and options that the lender will NOT offer you, unless you ask. I'll go into detail on these different options that may be available to you, including:

- Reinstatement / Paying the Delinquency
- Repayment Agreements
- Forbearance Agreements
- Payment Assistance Programs
- Re-amortization / Loan Modifications
- Refunding

To wrap the chapter up, I'll give you the name of several companies that will represent you and negotiate with your lender on your behalf – that's right, if you can't or don't want to do the negotiations with your lender, these companies will do it for you!

In Chapter 7, we'll discuss Re-financing your home and avoiding the foreclosure. You may even be able to get a better loan with a lower payment than what you have now! I'll show you how to contact the lenders that are chomping at the bit to compete over your business.

In Chapter 8, I'll reveal several other sources of money from private sources that can help you stop the foreclosure and get back on your feet. Some of these are right under your nose!

In Chapter 9, you will learn how to use your retirement plan to stop your foreclosure, without paying a cent of income tax or penalties! You may also be surprised to learn that you can borrow from your retirement, even if you are currently out of a job and cannot access your former employer's plan.

In Chapter 10, I'll spill the beans on the "B" word - Bankruptcy. We'll discuss the different types of bankruptcy, how it works, and then I'll tell you how to USE the bankruptcy process to not only keep your house but IMPROVE your credit. (You read

that correctly – you can IMPROVE your credit by filing Bankruptcy, if you do it right!)

In Chapter 11 I'll discuss Seller Lease Back arrangements, whereby you sell your house to an investor and they lease it back to you, often with an option to repurchase it from them at a later date. We'll talk about the pros and cons of such a deal.

Section Three discusses how to stop the foreclosure by selling your home. You may not want to sell your home, but if you are going to lose the house to foreclosure, then selling is a better option. A sale will keep the foreclosure off your credit record and perhaps allow you to recover some of the equity you have in your house, if any.

In Chapter 12, I'll discuss selling with the help of a good real estate agent. In some cases this is the best option for you, but in others it might not be possible for you to work with an agent. I'll explain why, how to deal with an agent, and what to expect when working with them.

In Chapter 13, I write about selling your home yourself, how to get your house ready for a sale, how to show it and attract buyers, and what all may be necessary to get the deal closed quickly.

In Chapter 14, I'll reveal how you can sell your house in just a few days to a real estate investor. The terms will likely not be as good as a private sale, but if you are ready to get it over with, or you're out of time and the foreclosure is looming, and investor is your best friend. We'll discuss the importance of working with an established, professional investor, and I'll explain the different programs they will likely offer you and what they mean to you.

If you are unable to sell your house and foreclosure is imminent, a “Deed in Lieu” may be a good option. We’ll discuss these in Chapter 15.

Section Four begins with Chapter 16 and a discussion of what happens if you do nothing and the foreclosure goes through. I’ll reveal what the process is for you to move out, how long you’ll have, and why this is a terrible idea.

Chapter 17 will leave you with some positive thoughts to move forward.

**We hope you enjoyed reading the free sample chapters of the "How To Prevent Foreclosure Guide." To learn how to stop your own foreclosure, [click here to order](#).**

## Resources

### [How To Prevent Foreclosure Guide](#)

Save your home without declaring bankruptcy and running your credit... Discover the techniques and strategies for stopping your foreclosure here.

### [The Credit Secrets Bible](#)

Shows you the secrets to raise your credit score up to 249 points in 90 days... and get approved for the car, home, business loans, and credit cards you deserve!

### [Mortgage Cycling Revealed](#)

Patent pending mortgage reduction program quickly builds a minimum of \$40,000 worth of home equity.

### [FederalGrantSource.com](#)

Free Government Money, Business Grants and Cash Grants Directory.