

## Resident Tool Kit

The following information was assembled for municipalities that wish to provide their residents with information on foreclosure.

There are two types of foreclosure, mortgage foreclosure and tax reversion. A mortgage foreclosure starts with missed mortgage payments, and the lender is the foreclosing agent. The tax reversion process occurs when real property taxes are not paid, and the county is the foreclosing governmental unit. In a limited number of counties, the state is the foreclosing governmental unit.

### The most important things to tell residents regarding mortgage foreclosure are:

- Call your lender as soon as you realize you have a problem.
- When you call your lender's 1-800 phone number, you will reach the collections department. Ask for the **loss mitigation department** (or whatever your lender names this department). Do not talk to the collections department. You may need to be assertive.
- Banks are more willing to work with you if you call them within the first 30 days after a payment is due.
- Banks do not want to end up owning your home.

The U.S. Department of Housing and Urban Development offers suggestions to homeowners to avoid foreclosure by listing alternatives that a lender may offer:

#### Special forbearance:

Your lender may be able to arrange a repayment plan based on your financial situation and may even provide for a temporary reduction or suspension of payments.

#### Mortgage modification

You may be able to refinance the debt or extend the term of the loan. This may help you catch up by reducing the monthly payments to a more affordable level. You may qualify if you have recovered from a financial problem and can afford the new payment amount.

#### Partial claim

Your lender may be able to work with you to obtain a one-time payment from the FHA-Insurance fund to bring your mortgage current. This strategy is used on FHA loans or those with PMI insurance only.

You may qualify if:

1. your loan is at least 4 months delinquent but no more than 12 months delinquent;
2. you are able to begin making full mortgage payments.

When your lender files a partial claim, the U.S. Department of Housing and Urban Development will pay your lender the amount necessary to bring your mortgage current. You must execute a promissory note, and a lien will be placed on your property until the promissory note is paid in full.

#### Pre-foreclosure sale (or "short sale")

A "short sale" will allow you to avoid foreclosure by selling the home for less than what is owed on the mortgage.

#### Deed-in-lieu of foreclosure

As a last resort, you may be able to voluntarily give back your property to the lender. This won't save your house, but it is not as damaging to your credit rating as a foreclosure. This must be done before the Sheriff's Sale.

*Source: U.S. Department of Housing and Urban Development—[www.hud.gov](http://www.hud.gov)*

In August 2007, President Bush responded to the national mortgage foreclosure crisis with a plan to make it easier to refinance costly mortgages and to encourage financial institutions to reduce foreclosures. The plan includes legislation proposed by Michigan Senator Debbie Stabenow that would reduce the income tax burden on homeowners who negotiate debt-forgiveness deals with their lenders.

## Foreclosure Timelines

There are **two** distinct types of foreclosures, mortgage foreclosure and tax reversion (property tax foreclosure). Each has a typical timeline, as outlined here:

### Mortgage Foreclosure

**1st missed payment:** Mortgage company/lender is likely to phone or mail notice of delinquent status.

**2nd missed payment:** Mortgage company/lender may continue contact; late charges accrue.

**3rd missed payment:** Mortgage company/lender may send “demand letter” stating the delinquent amount and due date. Lender refers borrower to its attorney if there is no payment or response.

**4th missed payment:** Mortgage company’s attorney may schedule a sale with the county sheriff (typically six weeks after receiving paperwork). Mortgage company/lender notifies borrower of the sale date by mail, and with a notice taped on the door.

**Publication:** Notice of scheduled sheriff’s auction published four consecutive weeks in a local newspaper.

**Sheriff’s Sale:** If borrower is still delinquent and no payment arrangement has been made, the home is sold at public auction. If no bids are received, it becomes the property of the lender.

**Redemption Period:** Starts from the date of the Sheriff’s Sale. State law requires that this period is not less than 30 days and no more than one year. Most mortgages allow the homeowner six months to redeem property, paying the amount owed plus interest and fees.

**Eviction:** If the borrower does not redeem, lender can start eviction proceedings.

*Source: Washtenaw County Treasurer’s Office*

### Tax Reversion (Property Tax Foreclosure)

Property tax foreclosure, or tax reversion, is the process of disposing of property on which taxes have not been paid. The process now takes approximately two years from the date the taxes are returned as delinquent (sent from the city/village/township treasurer to the county treasurer). The process was expedited in 2001 for economic development purposes, to make it simpler to take a tax reverted property and put it to use.

The process starts when the local unit treasurer (city/village/township) mails a tax statement to the taxpayer.

**July 1 and December 1:** Taxes due and payable to local unit treasurer.

**March 1:** Unpaid taxes from the preceding year are sent from the local unit treasurer to the county treasurer (known as “return of delinquent taxes”).

**June 1, September 1, February 1:** County treasurer sends a statutory notice to taxpayer.

**March 1 (one year after taxes returned delinquent to county treasurer):** The property is now in “forfeiture,” which is the first step of the foreclosure process.

**June 15:** County treasurer petitions the court for foreclosure, listing all property forfeited and not redeemed, to be foreclosed for the total of the forfeited unpaid delinquent taxes, interest, penalties, and fees.

**February:** After the property has been in forfeiture for one year, it may be foreclosed under circuit court judicial order.

**March 31 (two years after taxes returned delinquent to county treasurer):** Last day to redeem foreclosed property in uncontested matter.

**July–November:** Foreclosed property is auctioned.

## Tips for Avoiding Foreclosure

- Don't ignore the problem. The further behind you become, the harder it will be to reinstate your loan and the more likely that you will lose your house.
- Contact your lender as soon as you realize you have a problem. Lenders do not want your house. They have options to help borrowers through difficult financial times.
- Open and respond to all mail from your lender. The first notices you receive will offer information about foreclosure prevention. Later mail may include important notice of pending legal action. Failure to open mail will not be an excuse in foreclosure court.
- Know your mortgage rights. Find your loan documents and read them so you know what your lender may do if you can't make your payments.
- Understand foreclosure prevention options. Valuable information can be found at [www.fha.gov/foreclosure/index.cfm](http://www.fha.gov/foreclosure/index.cfm).
- Contact a HUD-approved housing counselor. The U.S. Department of Housing and Urban Development funds free or low-cost counselors nationwide, who can help you understand the law and represent you in negotiations with your lender if needed. For a list of Michigan counselors, go to [www.hud.gov](http://www.hud.gov) or call (800) 569-4287.
- Prioritize spending. After healthcare, keeping your house should be your first priority. Review your finances and see where you can cut spending in order to make your mortgage payment.
- Use assets to pay down mortgage debt. Sell assets such as a second car or jewelry for cash to help reinstate your mortgage. This demonstrates to your lender that you are willing to make sacrifices to keep your home.
- Avoid foreclosure prevention companies. Don't pay a fee to a for-profit company when you can receive services for free from your lender or a HUD approved housing counselor.
- Look out for foreclosure recovery scams.

If a firm claims they can stop your foreclosure immediately if you sign a document appointing them to represent you, beware--you may be signing over the title of your property.

*Source: U.S. Department of Housing & Urban Development  
[www.hud.gov/foreclosure/index.cfm](http://www.hud.gov/foreclosure/index.cfm)*



### Online Resources/Forms

#### HUD's How to Avoid Foreclosure

[www.hud.gov/foreclosure/index.cfm](http://www.hud.gov/foreclosure/index.cfm)

#### HUD's Predatory Lending

[www.hud.gov/offices/ftheo/lending/predatory.cfm](http://www.hud.gov/offices/ftheo/lending/predatory.cfm)

#### Freddie Mac on Avoiding Foreclosure

[www.freddiemac.com/corporate/buyown/english/owning/avoid\\_foreclosure.html](http://www.freddiemac.com/corporate/buyown/english/owning/avoid_foreclosure.html)

#### Federal Housing Administration—US Department of Housing and Urban Development

[www.fha.gov/foreclosure/](http://www.fha.gov/foreclosure/)

#### Neighbor Work's Foreclosure Resources for Homeowners

[www.nw.org/network/neighborworksprogs/foreclosuresolutions/resources.asp#consumer](http://www.nw.org/network/neighborworksprogs/foreclosuresolutions/resources.asp#consumer)

#### Hope for Homeowners

[www.995hope.org/](http://www.995hope.org/)

#### Home Lending and Foreclosure Rescue Scams (Michigan Attorney General web site)

[www.michigan.gov/ag/0,1607,7-164--134533--http://www.mplp.org/,00.html](http://www.michigan.gov/ag/0,1607,7-164--134533--http://www.mplp.org/,00.html)

#### Americans for Fairness in Lending—"File a Complaint"

[www.affil.org/get\\_active/complaint.php](http://www.affil.org/get_active/complaint.php)

#### Federal Citizen Information Center—Consumer Action Website

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

#### Michigan Poverty Law Program

[www.mplp.org/](http://www.mplp.org/)

#### Legal Services of South Central Michigan

[www.lsscm.org/](http://www.lsscm.org/)

#### GreenPath Debt Solutions—non-profit consumer credit counselors (800-630-7410)

[www.greenpath.com/](http://www.greenpath.com/)

#### Lighthouse of Oakland County provides foreclosure intervention counseling, as well as educational programs

[www.lighthouseoakland.org/overview.php](http://www.lighthouseoakland.org/overview.php)

#### Washtenaw County Treasurer's Office

[www.ewashtenaw.org/government/treasurer/MFP](http://www.ewashtenaw.org/government/treasurer/MFP)

#### Washtenaw County MSU Extension—Foreclosure Prevention

[www.ewashtenaw.org/government/departments/extension/ex\\_extcomm.html/CommDevelopment/Foreclosure%20Prevention](http://www.ewashtenaw.org/government/departments/extension/ex_extcomm.html/CommDevelopment/Foreclosure%20Prevention)

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