

## Post Foreclosure Counseling Session

### ✓ **Develop Action Plan** (*Appendix A*)

- Full Budget analysis
  - Income and expense detail, provide complete write up
  - Determine housing goals and housing needs
- Provide appropriate referrals to community resources
  - DHS to apply for services
  - Local housing commission to apply for affordable housing
  - HPRP – local agency for intake **with** eviction notice
  - Local job training programs
  - Local Legal Aid office
- Map out next housing opportunities
  - Explore opportunities to live with family or friends
  - 55 years +, Housing Bureau for Seniors
  - MSHDA Housing Locator (*Appendix B*)
  - HUD Affordable Apartment Search (*Appendix C*)
  - Local housing opportunities
    - Direct referral to commercial properties in county

### ✓ **Credit Report Review/Consumer Counseling**

- [www.annualcreditreport.com](http://www.annualcreditreport.com)
- FTC handouts (*Appendix D*)
- Tenants and Landlords: A Practical Guide (available on internet)  
<http://www.legislature.mi.gov/documents/Publications/tenantlandlord.pdf>
- MSUE Post Foreclosure: When letting go is the best option (*Appendix E*)

## Developing a Home Budget

Financial security for everyone is based on a balanced household spending plan.

Date

Client name

Address

City state zip

Thank you for spending time with me today discussing your financial situation. The packet of information you are holding contains an analysis of your finances and the housing crisis as well the action plan that we discussed.

Sincerely,



Kathy Grant, MSW, CCCC  
Certified Housing Counselor  
Mortgage Foreclosure Intervention Program  
Michigan State University Extension  
705 N. Zeeb Road  
P O Box 8645  
Ann Arbor, Michigan 48107-8645  
Phone: 734-997-1678 Fax: 734-222-3990  
email: grantk@ewashtenaw.org

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# Developing a Home Budget

Financial security for everyone is based on a balanced household spending plan.

Client name \_\_\_\_\_

Date \_\_\_\_\_

Step 1: List all income and expenses. Use net take home pay AFTER taxes.

Review check book register, credit card statements and cash receipts to be sure all expenses for the household are being considered. Fill in the chart below using a PENCIL!

MONTHLY INCOME	GMI	NMI
Primary	\$0.00	\$0.00
Secondary	\$0.00	\$0.00
Part time		
Child support		
Rent received		
Social security benefit		
Pension		
Unemployment income		
Food stamps		
<b>Total Monthly Income</b>	\$0.00	\$0.00

FLEXIBLE HOUSEHOLD EXPENSES		
	Reduced	Actual
Groceries		0
Household/paper products		0
Dining out/Lunch		0
Entertainment		0
Spending money		0
Gasoline		0
Car insurance		0
Vehicle tags/license		0
Car maintenance/Oil/Tires		0
Health Insurance		0
Dentist/Orthodontics		0
Prescriptions		0
Doctor Copays		0
Christmas/Holiday		0
Birthdays		0
School supplies/tuition		0
Church/charity		0
Child support payments		0
Child care		0
Pet care		0
Savings		0
Personal care/grooming		0
Clothing		0
Drying cleaning/laundromat		0
Miscellaneous		0
<b>Total Household Expenses</b>		0

HOUSING EXPENSE	Ideal	Actual
Ideal rent is 30% of net income	\$0	0
Rental requirements:		
# of bedrooms:		
Pets:		
Car port:		
Ammenities:		
<b>Total Housing Expense</b>	\$0	0

UTILITIES	CURRENT	PAST DUE
GAS/electric	0	
Electric		
Water	0	
Trash/disposal		
Phone, internet, cable	0	
Cell phones	0	
Internet		
Cable		
<b>Total Utility Expense</b>	0	0

SECURED DEBTS	BALANCE	PAYMENT
Auto loan		0
Auto loan		
Recreational vehicle		0
Student loan		
Student loan		0
IRS/State Taxes		
<b>Total Secured Debts</b>	0	0

UNSECURED DEBTS	BALANCE	PAYMENT
Total credit card Debt		0
Total loan debt		0
<b>Total Unsecured payments</b>	0	0

ASSETS	
Checking	
Savings	
403B	
Car 1	
Car 2	
Other assets	
<b>Total Assets</b>	0

# Developing a Home Budget

Financial security for everyone is based on a balanced household spending plan.

Client name \_\_\_\_\_ Date \_\_\_\_\_

Step 2: Analyzing the numbers. Take the total from the income box on page one and insert it in the CASHFLOW SUMMARY box below. Do this for all expense categories. Subtract all of the expense categories from the total income category. The result is your disposable income each month and should be between 5 and 10% of your total monthly income.



Total Monthly Income	0
Total Monthly Housing Expense	0
Total Monthly Utility Expense	0
Total Monthly Secured Debt Payments	0
Total Monthly Household Expenses	0
Total Monthly Unsecured Payments	0
TOTAL DISPOSABLE INCOME	0

A sudden illness, job loss, over spending or an unanticipated increase in expenses can throw your budget off and create a negative cash flow. No matter what circumstances led to a negative budget, a careful review of your income and spending is critical to your financial success.

Even if there is positive cash flow each month, a review of spending can help put money back into your budget and increase your savings! Consider these budget conscious suggestions!

### Increasing Income

1. Is a part time job possible?
2. Can you ask for a pay increase?
3. Ask a tax professional to review your current payroll deductions to be sure you are maximizing your take home pay each week.
4. Are you expecting a big tax refund? Can you pay debts with the return?

### Decrease Expenses

1. Can you cut back on groceries and dining out?
2. Review your monthly service statements for the home and cell phones, the internet and cable. Can something be eliminated or a service reduced?
3. Can you swap babysitting services with a neighbor or family member to save on child care costs?
4. Do you have a "daily money drain"? To find out take the 7-Day Money Challenge listed below.

### Things to remember about a budget

1. Your budget reflects the values of the household. Review where your money is being spent to be sure it accurately reflects your value system.
2. A budget should be considered FLUID and should be managed with a PENCIL! As circumstances change your budget should be flexible enough to change with it.
3. Budgeting puts you in control of your money rather than your money being in control of you!

### 7-Day Money Challenge (from bankrate.com)

Find the "daily money drain" that could be causing you to overspend! Make a 7-Day commitment to a cash only mind set and get on track with daily spending.

**STEP 1:** Estimate how much cash you need to cover a week's worth of gasoline, groceries and incidentals.

**STEP 2:** Withdraw only the amount of cash from the bank for the week needed to cover the items in step 1.

**STEP 3:** Track your daily spending by writing down every purchase and saving every receipt

**STEP 4:** On day 7 analyze your spending. If you got through the week with the cash, CONGRATULATIONS! If not, review the cash receipts and see where you could have trimmed costs. This is about developing a mind set that can lead to more money in your savings account and long-term financial plans that stay on track! Good luck!



HUD.GOV US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[http://portal.hud.gov/portal/page/portal/HUD/topics/rental\\_assistance](http://portal.hud.gov/portal/page/portal/HUD/topics/rental_assistance)

HUD> Topic Areas> Rental Assistance

## Rental Assistance

Learn more about renting and HUD rental assistance programs.

### Need Help?

- ▶ **Privately owned subsidized housing** – HUD helps apartment owners offer reduced rents to low-income tenants. **Search for an apartment** and apply directly at the management office.
- ▶ **Public Housing** – affordable apartments for low-income families, the elderly and persons with disabilities. To apply, contact a **public housing agency**.
- ▶ **Housing Choice Voucher Program (Section 8)** – find your own place and use the voucher to pay for all or part of the rent. To apply, contact a **public housing agency**.

### Local Renting Information

- ▶ **Rental help in your state** – find affordable rentals and special needs housing, get help with your utility bills, and more

(see Washtenaw County search results below)

### Need Advice?

- ▶ Contact a **housing counseling agency** or call toll-free (800) 569-4287.

### Your Rights and Responsibilities

- ▶ Fair housing
- ▶ Tenant rights, laws and protections in your state
- ▶ Rights of tenants displaced from government-funded projects
- ▶ Security deposits

GOOGLE: HUD Affordable Apartment Search

# Affordable Apartment Search

## Michigan

### Results

The following properties meet your search criteria:

City: YPSILANTI

State: MICHIGAN

Found 9 entries, displaying records 1 - 9 of 9.

 [New search](#)

Contact	Property	Type	Number of bedrooms				
			1	2	3	4	5+
Independent Management Services Phone: 734-485-8040 <b>fcarswell@AOL.COM</b>	ARBOR MANOR APARTMENTS 693 ARBOR DRIVE YPSILANTI, MI 48197-5150 Phone: 734-485-8040	Family	x	x	x		
WINGATE MANAGEMENT CORPORATION Phone: 734-482-5511	CLARK EAST TOWER 1550 EAST CLARK ROAD YPSILANTI, MI 48198-3185 Phone: (734) 482-5511	Elderly	x	x			
Housing Management Resources, Inc. Phone: (734) 482-3410 <b>rpierce@hmrproperties.com</b>	DANBURY PARK MANOR 9412 MacArthur Blvd. YPSILANTI, MI 48197-3345	Family	x	x	x		
Independent Management Services Phone: 734-485-8040 <b>fcarswell@AOL.COM</b>	FORREST KNOLL APARTMENTS 693 ARBOR DRIVE YPSILANTI, MI 48197-5150 Phone: 734-485-8040	Family	x	x	x		
WINGATE MANAGEMENT CORPORATION Phone: 734-434-1720	MAPLEWOOD I 1450 Chestnut Drive YPSILANTI, MI 48197-1204 Phone: 734-434-1720	Family	x	x	x		
WINGATE MANAGEMENT CORPORATION Phone: 734-434-1720	MAPLEWOOD II 1450 CHESTNUT DR YPSILANTI, MI 48197-1204 Phone: 734-434-1720	Family	x	x			
	PARKVIEW APARTMENTS 596 S HAMILTON ST YPSILANTI, MI 48197-5434 Phone: 734 485-3749	Family	x	x	x		
Radney Management & Investments, Inc. Phone: 734-483-4000	SYCAMORE MEADOWS APARTMENTS 1273 STAMFORD CT YPSILANTI, MI 48198-3255	Family	x	x	x		
Forest City Residential Management, Inc. Phone: (734) 482-5500 <b>PatChurgovich@forestcity.net</b>	TOWNE CENTRE PLACE 401 W MICHIGAN AVE YPSILANTI, MI 48197-5364 Phone: 734-482-5500	Elderly	x	x			

 [New search](#)

# FTC Facts

## For Consumers

focuson  
CREDIT 

FEDERAL TRADE COMMISSION  
FOR THE CONSUMER

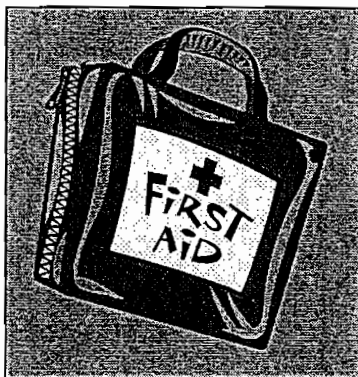
www.ftc.gov ■ 1-877-ftc-help

December 2005

## Credit Repair: Self-Help May Be Best

You see the advertisements in newspapers, on TV, and on the Internet. You hear them on the radio. You get fliers in the mail. You may even get calls from telemarketers offering credit repair services. They all make the same claims:

- “Credit problems? No problem!”
- “We can erase your bad credit — 100% guaranteed.”
- “Create a new credit identity — legally.”
- “We can remove bankruptcies, judgments, liens, and bad loans from your credit file forever!”



Do yourself a favor and save some money, too. Don't believe these statements. Only time, a conscious effort, and a personal debt repayment plan will improve your credit report.

This brochure explains how you can improve your creditworthiness and gives legitimate resources for low or no-cost help.

### THE SCAM

Everyday, companies nationwide appeal to consumers with poor credit histories. They promise, for a fee, to clean up your credit report so you can

get a car loan, a home mortgage, insurance, or even a job. The truth is, they can't deliver. After you

pay them hundreds or thousands of dollars in fees, these companies do nothing to improve your credit report; most simply vanish with your money.

### THE WARNING SIGNS

If you decide to respond to a credit repair offer, look for these tell-tale signs of a scam:

- companies that want you to pay for credit repair services before they provide any services.
- companies that do not tell you your legal rights and what you can do for yourself for free.
- companies that recommend that you not contact a credit reporting company directly.
- companies that suggest that you try to invent a “new” credit identity — and then, a new credit report — by applying for an Employer Identification Number to use instead of your Social Security number.
- companies that advise you to dispute all information in your credit report or take any action that seems illegal, like creating a new

letter may look something like the one on page 6. Send your letter by certified mail, “return receipt requested,” so you can document what the consumer reporting company received. Keep copies of your dispute letter and enclosures.

Consumer reporting companies must investigate the items in question — usually within 30 days — unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the consumer reporting company, it must investigate, review the relevant information, and report the results back to the consumer reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide consumer reporting companies so they can correct the information in your file.

When the investigation is complete, the consumer reporting company must give you the results in writing and a free copy of your report if the dispute results in a change. If an item is changed or deleted, the consumer reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The consumer reporting company also must send you written notice that includes the name, address, and phone number of the information provider.

If you request, the consumer reporting company must send notices of any correction to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone

who received a copy during the past two years for employment purposes.

If an investigation doesn’t resolve your dispute with the consumer reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the consumer reporting company to provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay a fee for this service.

## STEP TWO

Tell the creditor or other information provider, in writing, that you dispute an item. Be sure to include copies (NOT originals) of documents that support your position. Many providers specify an address for disputes. If the provider reports the item to a consumer reporting company, it must include a notice of your dispute. And if you are correct — that is, if the information is found to be inaccurate — the information provider may not report it again.

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*A consumer reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years.*

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For more information, see *How to Dispute Credit Report Errors* at [ftc.gov/credit](http://ftc.gov/credit).

## REPORTING ACCURATE NEGATIVE INFORMATION

When negative information in your report is accurate, only the passage of time can assure its removal. A consumer reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. Information about an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. There is no time limit on reporting: information

of mounting bills, consider contacting a credit counseling organization. Many credit counseling organizations are nonprofit and work with you to solve your financial problems. But not all are reputable. For example, just because an organization says it's "nonprofit," there's no guarantee that its services are free, affordable, or even legitimate. In fact, some credit counseling organizations charge high fees, or hide their fees by pressuring consumers to make "voluntary" contributions that only cause more debt.

Most credit counselors offer services through local offices, the Internet, or on the telephone. If possible, find an organization that offers in-person counseling. Many universities, military bases, credit unions, housing authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs. Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals.

Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors discuss your entire financial situation with you, and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

For more information, see *Knee Deep in Debt* and *Fiscal Fitness: Choosing a Credit Counselor* at [ftc.gov/credit](http://ftc.gov/credit).

## DO-IT-YOURSELF CHECK-UP

Even if you don't have a poor credit history, some financial advisors and consumer advocates suggest you review your credit report periodically

- because the information it contains affects whether you can get a loan or insurance — and how much you will have to pay for it.
- to make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.

- to help guard against identity theft. That's when someone uses your personal information — like your name, your Social Security number, or your credit card number — to commit fraud. Identity thieves may use your information to open a new credit card account in your name. Then, when they don't pay the bills, the delinquent account is reported on your credit report. Inaccurate information like that could affect your ability to get credit, insurance, or even a job.

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*Reputable credit counseling organizations can advise you on managing your money and debts...*

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The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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## SAMPLE DISPUTE LETTER

Date  
Your Name  
Your Address  
Your City, State, Zip Code

Complaint Department  
Name of Company  
Address  
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are encircled on the attached copy of the report I received.

This item (identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.) is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position. Please investigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,  
Your name

Enclosures: (List what you are enclosing)

*Federal Trade Commission  
Bureau of Consumer Protection  
Division of Consumer and Business Education*

MICHIGAN STATE  
UNIVERSITY  
EXTENSION

# Housing Counseling 101

Community Education Series

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## Post Foreclosure: When letting go is the best option



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## Section V: LET FORECLOSURE HAPPEN

Letting foreclosure happen should be a decision about what is possible in your situation and what is best for you and your family. Do this if you have explored all options and agree that this is the only or best option for you and your family. If you let foreclosure happen simply because you do not know what to do or are afraid of making contact with your lender, **YOU NEED TO FACE YOUR SITUATION AND GET HELP**. There are many options available to you, and letting foreclosure happen is a last resort.

If you cannot keep the house and have not had success selling it or negotiating with the lender for a deed in lieu of foreclosure, your decision is about when to leave: either immediately or near the end of the redemption period. For most people, the redemption period is six months from the date of the Sheriff's sale.

A. Staying in your home until the redemption period ends.

Go back to your budget. Without the house payment, look at your income minus expenses. What money do you have to work with for your next living situation?

Ask yourself these questions:

1. Will I be better off moving quickly because the cost of rent, utilities, and renter's insurance will be less than the monthly upkeep of the house I must leave?
2. By moving early in the redemption period, am I facing reality and the need to start over?
3. Will I be better off staying because I can save money for the first month's rent, security deposit, and moving expenses?
4. Will staying give me more time to look for new housing and to sell items?
5. Will staying in the house prevent me from taking the steps to face the reality of losing my home?

## Section VI: LIFE AFTER FORECLOSURE

A financial crisis is a very stressful time, but you are not your house. You can start over and have a good life. Have hope! Things to remember moving forward:

1. It is best to spend less than 30% of your monthly gross income on rent.
2. Do not rent a storage unit. Recovering from a crisis takes time and finances will be tight. Many people end up losing their personal possessions they store due to non-payment on the storage unit. Sell your possessions or store at a friend or relative's home for free. Concentrate on the essentials!
3. Take a money management class. USE A BUDGET! Spend less than you earn.
4. Get renter's insurance and car insurance. Search for affordable health and dental insurance. Insurance protects you from going backwards.
5. Limit junk mail so you aren't overwhelmed by credit card and other loan offers. The maximum amount of debt you should have (not counting a mortgage) is 11% of your income. Do not go overboard! The Fair Credit Reporting Act provides that all consumers can opt out of pre-approved offers. To stop unwanted solicitation call the National Opt Out line at 1-888-567-8688. This one call provides your request to three of the major credit bureaus and will remove your name and contact information from all pre-approved credit offers. To remove yourself from marketing lists you can call the National Do Not Call List at 1-888-382-1222. The call must be made from the phone that will be excluded on the list.
6. A lender will consider you for a mortgage application three to five years after a foreclosure if you have steady employment, modest debt and a good payment history during the time between the foreclosure and the new mortgage application. You could qualify for first time homebuyer programs after three years of not owning a home.
7. Make an appointment with a housing counselor to discuss next steps after a foreclosure.

Making a decision to allow the foreclosure to proceed is one that should not be taken lightly. It is critical to understand where you are in the foreclosure timeline and if you have recovered from your financial crisis.

**CIRCLE WHERE YOU ARE IN THE FORECLOSURE TIMELINE**

1. If your mortgage is due on the first you are delinquent on the second.
2. The first notice of delinquency is mailed on the 16<sup>th</sup> of the month. You are charged a late fee.
3. If you do not pay by the 30<sup>th</sup>, the loan is in default; you are sent a second notice.
4. When a loan is 60 days past due, your lender speeds up the loan and warns you that foreclosure is the next step.
5. After 90 days past due, foreclosure begins. In Michigan, the most common foreclosure is by advertisement.
6. The attorney for your lender advertises the property for sale in a newspaper four weeks in a row. The sheriff's sale is generally held on the 5<sup>th</sup> week.
7. A sheriff's sale is held on the published date. A deputy conducts the auction and the highest bidder wins the property (usually the lender). If the sale is adjourned (delayed), a notice is posted at the sale location and in the newspaper.
8. After the sale, the highest bidder gets a "sheriff's deed." It lists the last date the homeowner can redeem (take back) the property. This is usually six months to one year from the sheriff's sale date.
9. During the redemption period, you have three options, a. You can raise the necessary money to get the property back by getting a new mortgage, b. You can sell the property, or c. You can live in it for free until the end date of the redemption period.
  - a. In order to get the property back, you must pay off the mortgage, interest and late fees, court costs, attorney fees, title and appraisal fees, taxes and insurance.
  - b. In order to sell the property, you must sell the property at a price that will allow you to pay everything listed above, or, in the case of a Short Sale, get permission from your lender to sell the property for less than you owe.
  - c. In order to live in the home until the end of the redemption period (usually six months), you must pay the utilities and maintain the property as your principal residence until the end date—at which point you must leave the property.

# OPTIONS IN FORECLOSURE

## *Section VII: Options after the Sheriff's Sale*

The Sheriff's sale is held weekly on the county court steps and is open to the public providing an opportunity to the community to purchase your home for the highest bid. Most homeowners picture hundreds of hungry bidders looking for a good deal on a house. This is rarely the case. In fact, the majority of the time the mortgage is purchased by the original lender and rarely to an independent buyer. At the time of the auction sale a sheriff's deed is issued and your redemption period begins.

**It is your right as a homeowner to live in the home without paying rent or mortgage payments for the FULL redemption period.** In the state of Michigan homeowners are protected by a 6 month right of redemption and in some cases up to a year. This is a period of time to gather resources and "redeem" ownership of the property. It is important to maintain the utilities and property as if you owned it. Shovel the snow and cut the grass to clearly establish that you still live in the home. If the holder of the sheriff's deed can establish in court that the home has been abandoned they can ask the court to SHORTEN the redemption period to as little as 30 days. If you receive a letter regarding issues of abandonment call the court immediately.

**It is your right as a homeowner to stay in the home until you are evicted by court order.** Even on the outside chance that your home is purchased by an independent buyer it is your right to live in the home for the full 6 months right of redemption. Do not let anyone pressure you into moving out. Contact an attorney if you are feeling harassed or pressured to move. At the end of your redemption period you will be served with eviction papers. The final eviction order will be served by the county sheriff's office. If you choose to challenge the eviction you can go to court and plead your case before a judge.

*Caution:* It is important to note that while it is your right to wait until an eviction is served before you vacate the premises, being evicted is a matter of public record and will be recorded on your credit report. A foreclosure on your credit report will be challenging; an eviction on your credit report will make it nearly impossible to rent housing moving forward! We suggest transitioning from the foreclosed property gracefully leaving all of the fixtures and structures sound and in place. The better the condition your property is when you leave it, the more likely it will be that the lender can sell it for a good price, thereby reducing the amount that you might owe to the lender after the home closes. Think your decision all the way through.

**It is your right as a homeowner to know what the redemption price is.** At one time, the amount required to redeem the property was always more than what the homeowner owed on the mortgage when it first went into default 4-6 months before the auction. Legal fees, interest, late fees, and court costs are added to the balance of the mortgage. In recent days, the redemption price has been the same amount that the lender purchased the property for during the action. While this is confusing, one thing is for sure: throughout the redemption period per diem (daily) interest can be tacked onto the mortgage increasing the redemption amount by the end of the 6 month right of redemption period. The following Michigan law outlines how the records are kept:

Effective March 30, 2005 pursuant to HB 929 and HB 931 of 2004:

HB 929 of 2004, Section (3). The Register of Deeds **shall not determine** the amount necessary for redemption. The purchaser (at auction) shall attach an affidavit with the deed to be recorded under this section that states the exact amount required to redeem the property, including any daily per diem amounts, and the date by which the property must be redeemed shall be stated on the certificate of auctioneer. The purchaser may include in the affidavit the name of a designee responsible on behalf of the purchaser to assist the person redeeming the property in computing the exact amount required to redeem the property. The designee may charge a fee as stated in the affidavit and may be authorized by the purchaser to receive redemption funds. The purchaser shall accept the amount computed by the designee.

To determine who is acting on behalf of the holder of the sheriff's deed call your county Registrar of Deeds office for a copy of the record.

**It is your right as a homeowner** to refinance your home with another lender. The challenge is that your credit score and credit history take a hit during the foreclosure process and qualifying for a mortgage can be very challenging. If you have a family member who is willing to finance the mortgage on your behalf you might be able to work out a short payoff (less than the redemption price) to redeem the property.

**It is your right as a homeowner** to try and sell the home during the redemption period. If you can sell it for more than the redemption price owed, you keep the equity! Be sure to interview the realtor before you list the property to be sure they have experience working with foreclosed properties.

## Additional Information about Sheriff Sales

*Taken from the Washtenaw County Treasurer's website.*

### Sheriff Sale (also called Mortgage Sale)

1. A **Sheriff Sale** occurs after 4 consecutive weeks of newspaper publication ("insertions") and posting of a notice on the property.
2. Sheriff Sales are scheduled for every Thursday, at 10:00, in the Washtenaw County Courthouse in downtown Ann Arbor. You are not required to attend a Sheriff Sale. Sheriff Sales for individual properties are sometimes adjourned for a week at a time. The homeowner is not given additional notice of an adjournment; it is only posted at the Courthouse.
3. Most properties are purchased by the bank that holds the loan (a "credit bid") for the amount of the outstanding loan balance plus various fees and interest. Sometimes another person or company will outbid the bank.
4. The purchaser receives a **Sheriff's Deed** (Sheriff's Deed on Mortgage Sale) but does not yet own the property.

5. The purchaser records the Sheriff's Deed with the County Register of Deeds. Once the sale occurs, the redemption period begins.

#### Your Rights After Sheriff Sale

1. Even though an auction has been held and a Sheriff's Deed issued, you have not yet lost your property.
2. Most foreclosures give you a **6-month redemption period** which usually begins on the date of the Sheriff's Deed (if your property is large or you have a lot of equity in your home, your redemption period may be longer). If you know you won't be able to redeem, you can use this time to find new housing. You do not have to pay anything to your lender; save your money for moving expenses and/or a rental deposit. Seniors can contact the Housing Bureau for Seniors (734) 998-9339 for assistance in finding rental housing; others can call SOS for help (734) 484-4300
3. Don't feel pressured by the lender or its attorney or property management company to move out during the redemption period unless you are ready to go. If you do move early, your property can be declared "abandoned" and the redemption period can be shortened. If you get a **notice of abandonment** and you have not abandoned your property, be sure to respond quickly and in writing that you have not abandoned.
4. You can get your property back if you can "redeem" it by paying the full amount to the holder of the Sheriff's Deed, often your original lender or its attorney. The amount due may change from the amount noted on the Sheriff's Deed; so ask the lender's attorney or the owner of the Sheriff's Deed for the correct amount. If you are able to redeem the Sheriff's Deed, make sure that your redemption is recorded so your ownership remains clear in the public record.
5. You can also try to sell your home during the redemption period, especially if you have a lot of equity ("equity" means the difference between the value of your home and the remaining amount of the loan). Again, work with the lender's attorney or the owner of the Sheriff's Deed so that you know for certain the amount needed to pay off the debt. You may have to pay a broker's commission and there may be other costs.
6. At the end of your redemption period, if you have not already moved out, you will be served with **eviction** papers. A court hearing will be scheduled, usually within 10 to 20 days. You will then have an additional 10 days after the hearing date to move and remove your possessions (lenders' attorneys will often give you more time if you ask). If you don't, a court officer will go to the house to remove you. Your lender or its attorney or property management company may imply that you must move out immediately but *the only legal eviction is one that is court-ordered by a judge.*
7. Once your redemption period ends, you no longer own your home. There are **two important financial issues** that you should be aware of. One, it is rare but possible that your lender will sue you for any deficiency. "Deficiency" means the difference between the amount of the Sheriff's Deed and the amount your former home is sold for (plus additional costs). Being sued for a deficiency is somewhat more common with second mortgages or home equity loans. If this happens to you, you should contact an attorney to respond to the lawsuit. Two, the IRS requires your lender to record a 1099c which treats the deficiency as income to you. You would then owe taxes on the deficiency. You can protest this with the IRS—contact an attorney, certified public accountant, or qualified tax preparer to assist you.
8. Scam artists target people who are facing financial difficulties, including foreclosure. You should be very suspicious of anyone who contacts you offering to "help". One common scam is someone who offers to help save your house if you pay a fee. Another scam is an offer to buy your house and allow you to stay on as "renters". The most recent scam is the use of a Reverse Mortgage with the elderly leaving them with the debt and signing the deed over to the scammer.

## MORTGAGE FORGIVENESS DEBT RELIEF ACT OF 2007

On December 20, 2007, President Bush signed into law the "Mortgage Forgiveness Debt Relief Act of 2007". This Act, among other things, relieves the taxpayer from including cancelled debt arising out of home foreclosure as income.

To qualify, the home must be the taxpayer's "Principle Residence", or the non-business location where the tax payer and his or her family reside. This act applies to principle residence debt that is cancelled between JANUARY 1, 2007 AND JANUARY 1, 2010. In the case of cancelled debt that is only partially for a mortgage on a principle residence, only that portion of the cancelled debt that applied to the mortgage of the principal residence can be excluded from the adjusted gross income. In other words, only acquisition debt or debt incurred to improve the home is protected under this legislation. If the borrower took a cash-out refinance to pay off credit cards or to purchase a car or take a vacation etc, that portion of the debt is not protected and the borrower will have to pay taxes against it.

The borrower will receive a form 1099-C from the lender. We suggest taxpayers contact a competent tax attorney to discuss how the Mortgage Forgiveness Debt Relief Act of 2007 impacts their tax liability. The law is complex and has a number of conditions and exemptions and only a qualified tax attorney can provide you with counsel regarding your options. This act does not take away the right of lenders to seek the deficiency for the debt resulting from a foreclosure or a short sale. Seek the advice of an attorney to discuss the implications of a debt incurred through foreclosure.

## OTHER EXCEPTIONS TO THE CANCELLATION OF DEBT TAX REPORTED ON FORM 1099-C.

Cancellation of debt income reported on a 1099-C is not always taxable. The following are five additional exceptions to the general rule that cancellation of debt income is taxable:

1. Bankruptcy: Debt cancelled or forgiven through bankruptcy is not considered taxable income
2. Insolvency: If you are insolvent when the debt is cancelled or forgiven, some or all of the cancelled debt may not be taxable to you. Generally, a taxpayer is insolvent when his total debts exceed the fair market value of his total assets. It is often difficult to determine whether or not a taxpayer is insolvent. If you think this applies to your situation consult a professional before filing your income tax return.

3. **Farm debts:** If you incurred the debt directly in operation of a farm, you secure income from farming, and you secured the loan from an institution or agency regularly engaged in lending, you may be eligible for an exception.
4. **Non-recourse loans:** forgiveness or cancellation of a non-recourse loan does not result in cancellation of debt income, but may have other tax consequences.
5. **Student loans:** If a taxpayer's student loans are cancelled under an agreement with the government lender, then the taxpayer need not include such cancelled debt in his or her taxable income.

It is highly recommended that taxpayers consult a qualified tax professional to discuss these matters in further detail to determine the best course of action.

## Consumer Alert: Scams

### **AVOID FORECLOSURE SCAMS: MAJOR DON'TS FOR HOMEOWNERS IN FINANCIAL DISTRESS**

1. **Do not panic!** Get information on the foreclosure process in your state; find out how much time you have to resolve your problems short of losing your home. Make sure you understand all the deadlines for responding to court documents, documents from lenders, and other important papers. Be sure that you know the point at which you can lose the legal right to own your home.
2. **Ask a lawyer to review any contact you are asked to sign.** Make sure this is an attorney that you have chosen, without any help from the person who wants you to sign the contact. If the other party will not give you an advance copy of the contact, or discourages you from consulting your own attorney, it is a sign that he or she has something to hide.
3. **Never sign a contract under pressure.** Take your time to review the paperwork thoroughly, preferably with a lawyer who is representing your interest.
4. **Do not sign away ownership of your property (often referred to as a "quit claim deed") to any one without advice from your lawyer.** Be suspicious of offers to take over ownership of your home as part of a deal that will allow you to lease it and then buy it back after two or three years ; experience shows that the buy-back is often extremely expensive or otherwise out of reach, so in reality you either never get your home back or, if you do, you have paid an outrageous amount to recover it.
5. **Do not pay your mortgage payments to someone other than your lender even if he or she promises to pass the payments on to the mortgage company.**

6. **If you find you cannot pay your mortgage do not ignore warning letters from your mortgage lender.** Call your lender, housing counselor or lawyer for help.
7. **Beware of any home sale contract where you are not formally released from liability for your mortgage.** Surprisingly, some people lose their home but still wind up owing on the mortgage! Make sure you know what rights you are giving up in any contract and that you agree to give them up.
8. **Never make a verbal agreement.** Get all promises in writing and get copies of the agreement.
9. **Do not sign anything containing blank lines or spaces.** Information can be added later without your permission.
10. **Do not fall for promises like these,** often used to lure homeowners into deals that will cost them a lot more than they will “save”:
  - a. “We will save your credit”
  - b. “We will pay your first two months rent or payments in your new place”
  - c. “You will get several thousand dollars in cash back that you can use any way you want”
  - d. “If you sign the house over to us the foreclosure will be recorded against us, not you”
  - e. “We will buy your house ‘as is’”
  - f. “We guarantee we will find you a buy in seven or fourteen days”
  - g. “We will help you file bankruptcy to stop this foreclosure”
  - h. “It may cost you thousands more if your property is sold at public auction”
  - i. “We will give you \$40 in Free Gas”
11. **If you don’t speak English, use your own translator.** Do not depend on the “rescue” firm’s translator.

*Taken from Foreclosure Prevention Counseling: Preserving the American Dream, National Consumer Law Center 2007*

## Referrals

### Department of Housing and Urban Development (HUD)

Housing Counseling Line (800) 569-4287

### Michigan State Housing Development Authority (MSHDA)

Central Office Address: 735 E. Michigan Ave, P.O. Box 30044, Lansing, Michigan  
48909

Telephone: (517) 373-8370

### Michigan Department of Attorney General

#### Lansing Office

G. Mennen Williams Building, 7th Floor  
525 W. Ottawa St.

P.O. Box 30212

Lansing, MI 48909

Main Number (517) 373-1110

Consumer Protection (517) 373-1140

Toll Free (877) 765-8388

Report all suspected incidents of consumer fraud/ scams.

### Office of Finance and Insurance Regulation (OFIR)

Department of Labor and Economic Growth  
Lansing, Michigan

If you think there were misrepresentations, fraud, or other violations of law in making the mortgage loan, contact OFIR to file a complaint at: 1-877-999-6442 or [www.michigan.gov/ofir](http://www.michigan.gov/ofir)(select consumer services, how to file a complaint).

Michigan State Bar Association Lawyer Referral Service -  
(800) 968-0738

The State Bar of Michigan Lawyer Referral and Information Service (LRIS) is designed to assist anyone who wants to hire an attorney and can afford to pay for legal services.

If you have a legal problem and cannot afford to hire an attorney, please contact your local legal aid office. For your convenience, the following is a link to the legal assistance programs and services found on the State Bar of Michigan's website: [View Legal Aid Programs and Services](#).

How the Lawyer Referral Service Works

Dial (800) 968-0738 between the hours of 9:00 a.m. and 5:00 p.m., Monday through Friday, speak with a lawyer referral associate. Remember, lawyer referral associates are not attorneys, and, therefore, cannot give legal advice.

You will be asked to provide your name and address, the general nature of your concern, and the county in which you need assistance. A lawyer referral associate will give you the name and telephone number of one attorney (only 1 referral per telephone call) who is a LRIS panel member. Referrals are made to panel members on an impartial rotation basis.

When you contact the attorney, please state that you received a referral from the State Bar of Michigan. The cost of your initial 30-minute consultation with a LRIS panel member will be no more than \$20.00. Any and all fees beyond the initial 30-minute consultation (including, but not limited to, fee agreements for representation) must be negotiated with the attorney.

Taken from Michigan State Bar Association website  
November 2008