

Mortgage Foreclosure: Homeowners FAQs

1. What is foreclosure?

Foreclosure is the legal process that banks and mortgage companies use to force the sale of property to repay a debt—usually the mortgage on a home. In Minnesota, the foreclosure process usually begins after the 3rd missed payment.

2. What should I do to avoid foreclosure?

Don't ignore letters from your lender. First, talk to your lender. Your lender may be able to help you avoid missing mortgage payments or catch up on those you've missed. Also talk with the "loss mitigation" department—this is the department that can talk to you about workout options. Always be sure to get the individual's name, phone number and the date and time of your call.

3. Can I refinance if I'm in foreclosure?

Maybe. If you are behind on mortgage payments it may be difficult to find a new mortgage. Be careful, refinancing when you are behind on your payments may be expensive because the late payments will show up on your credit. Make sure you can afford to make the new monthly payment.

4. Where can I go for help?

In Minnesota, foreclosure counseling is available from a partnership of organizations:

- Saint Paul residents should call: Saint Paul PED — 651.266.6626
- Suburban Ramsey residents should call: LSS Financial Counseling 1.800.777.7419

5. Can I sell my home and avoid foreclosure?

You can put your home up for sale at any time while you are still the owner. If you sell the home for more than the existing mortgage, you can simply pay off the mortgage, fees and related costs, move out and go on with your life.

If you receive an offer and wish to sell your home for less than what you owe, you should talk to your lender about a "short sale". This is where your lender agrees to accept less than the total owed in exchange for releasing the mortgage. Lending institutions may allow you to sell your home for less because it can be expensive for them to own and sell the home themselves. Working with a real estate agent that is familiar with negotiating short sales is advised.

6. What happens if I just walk away from my home?

You can just walk away; however you may face huge consequences including tax penalties, legal judgments and even outstanding debt if you don't "forfeit" your home legally.

7. I've received Notice of Foreclosure--What happens when the bank forecloses?

You are probably four months late in making payments and have already received a Notice of Intent to Foreclose. Attorneys hired by the bank will publish a notice of foreclosure in the newspaper and schedule the date of Sheriff's sale. Occupants are notified 4 weeks before the sale. Once the sale occurs, the occupants may remain for 6 months. During this redemption period, the property owner must pay off the entire mortgage and all fees in order to keep it.

8. I'm a renter and got the Notice of Sheriff Sale addressed to "Occupant" What do I do?

First, contact the landlord/management company. Let them know that you received the notice. You must continue to pay your rent to the landlord and, if you entered into a bona fide lease, it's possible that you could continue to occupy the property for the term of the lease. Contact Homeline (612) 728-5770 for answers to your specific questions.

9. What about bankruptcy?

Declaring bankruptcy in a foreclosure situation can be bad for you and your credit rating and may prevent you from owning another home for a number of years. If you can't keep up the payments on your home, seek financial counseling right away. They can help you explore all of your options. Find a reputable organization that can help you explore all of your options. Bankruptcy may seem like an easy way out, but there are a lot of costs. See #4 to find the foreclosure counselor in your area.

10. How do I avoid getting scammed?

There are always people who will want to take advantage of you and your situation. Anything that sounds too good to be true probably is! Take some very basic precautions before you make any decisions:

- Don't sign anything that confuses you.
- Get all "promises" in writing
- Check with your lender, mortgage company or attorney before entering into any deal.
- Do not pay anyone anything until the service has been performed to your satisfaction; be sure the fees requested are not excessive.

For answers to your specific questions, call the approved Foreclosure Prevention Counseling Agency for your county. In suburban Ramsey County call 1.800.777.7419.