

Surviving a Financial Crisis: A Homeowner's Guide to FORECLOSURE

A simple, by-the-numbers explanation

- ◆ **The Top 5 Traps of Foreclosures** – How to identify and avoid them so that you can move forward successfully
- ◆ **The 3 Most Common Myths** about Foreclosure Professionals – What you thought you knew and what you SHOULD know about Attorneys, Realtors, and Mortgage Lenders
- ◆ **The 5-Step Foreclosure Self-Assessment** – Questions you must ask yourself BEFORE you move forward
- ◆ **One of the Biggest Benefits** of Stopping Foreclosure – How to actually IMPROVE your credit
- ◆ **The 1 Most Important Reason** You Want To Stop Foreclosure – And how you can ultimately profit From doing just that
- ◆ **4 Steps You Can Take Today** to stop Foreclosure and secure a better tomorrow

Disclaimer

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FORECLOSURE!

It's a harsh word that most people avoid thinking about it...until they have to.

If you are several months behind in your mortgage, without money for professional help, and at the end of your rope... foreclosure may be the **ONLY** thing you can think about. It preys on your mind and leaves you feeling lost and vulnerable to the come-ons of the unscrupulous 'professionals' who say that they are experts in foreclosures, but aren't.

Stop!

You may be in a difficult situation, but it is not hopeless. Foreclosure is *not* your only choice.

My name is [Brad Martinez](#), and I've got good news for you. You *do* have alternatives. You just can't see them right now. But by the time you finish this short guide, your vision will have cleared and options for your future...*good options*...will be right before your eyes.

You're Not Alone

Do you sometimes feel like you're the only person who is having financial trouble and in danger of foreclosure? You're far from alone! In the United States, foreclosure filings have increased consistently over the past few years, with more new foreclosures reported in every quarter, pushing the foreclosure market to record levels.

Where You Are and Where You've Been

So you're not alone. But if you're like the many thousands of people facing foreclosure, you're scared and confused. You're overwhelmed by the legal mumbo-jumbo of foreclosure litigation. Your head is spinning from confusing information and shady advertising claims.

You don't know who or what to trust. You've undoubtedly been pinned to the mat by **Realtors and attorneys**, warning you about the dire consequences you'll face if you don't use their services. They *say* they they're eager to help you. But what many of them are most eager to do is put a hand in your pocket and pull out the high-priced commissions and hourly fees they charge before they give you any help at all.

Don't they realize that if you had that kind of money, you'd be making your monthly mortgage payments???

Or maybe you've worked with **mortgage brokers**. They promise the world – or world-class loans and then they don't deliver... while they wasted your precious time. (After all, it's not *their* fault that you have bad credit and can't get approval.)

And we don't want to forget about the toughest nut to crack of all – the stubborn **holder of your mortgage** who is unwilling to budge an inch when it comes to working out a more affordable payment plan.

After all you've probably been through, I'm not surprised that you've given up hope for a 'good' solution and may feel **resigned to accepting foreclosure** and the *years* of damage it will do to your credit rating.

Once again: **STOP!** Don't fall into despair. Things are not as bad as they seem. I know you've been in a downward spiral, but I can show you a way to reverse that direction.

Where You're Going

You may not realize it, but as soon as you ordered this "Foreclosure Survival Guide," you stopped that downward spiral. In fact, you took a **huge step UP** towards avoiding foreclosure. Rather than letting fear or ignorance turn you into a victim, you've made a conscious decision to take control of your situation and turn things around for the better.

So let me offer my congratulations! You've made a wonderful decision and committed to an important goal. It would be my pleasure to help you achieve it with the Foreclosure Survival Guide.

This Survival Guide is exactly what the name says it is: a simple, no-nonsense approach to foreclosures. There's **no technical terminology** to master and you won't find page after page of confusing graphs and charts. What you will find is a by-the-numbers approach to learning **the basics (and beyond) of foreclosures**:

- **The Top 5 Traps of Foreclosures** – How To Identify and Avoid Them So That You Can Move Forward Successfully

- **The 3 Most Common Myths About Foreclosure Professionals** – What You Thought You Knew and What You SHOULD Know About Attorneys, Realtors, And Mortgage Lenders
- **The 5-Step Foreclosure Self-Assessment** – Questions You Must Ask Yourself BEFORE Your Move Forward
- **The 7 Common Mistakes That Cost You Money** – How To Avoid Paying Too Much To Attorneys, Realtors, Mortgage Brokers And Lenders
- **The #1 Reason You MUST Stop Foreclosure** – And How You Can Ultimately Profit From Doing Just That

Plus...

- **The #1 Benefit Of Stopping Foreclosure** – How To Actually IMPROVE Your Credit
- **4 Steps You Can Take Today** – To Secure A Better Tomorrow

A Helping Hand When You Need It

This Survival Guide was created to help you and other homeowners become better informed about the details of the foreclosure process. I believe that knowledge is power...and I hope that this guide will give you the power to avoid foreclosure entirely.

Once you know the facts, you'll be able to make a well-reasoned and thoughtful decision and then take action with the confidence that you're doing what's best for you.

Let's get started.

The Top 5 Traps of Foreclosures How to Identify and Avoid the Steel Jaws That Keep Your Ensnared in Debt

Steel Jaws #1 – The Delayed Payments Trap – Forbearance

Forbearance is a payment plan that a debtor enters into with a lender when they are unable to make timely payments, often due to illness or another temporary situation. Forbearance is *not* a good answer for debtors in foreclosure, however, although it certainly sounds terrific when the lender describes it.

In forbearance, the lender will allow you to **delay payments** for a short period. That sounds good, right? HOWEVER...it is agreed that after missing payments for a few months, you will **bring the account current by making larger payments.**

That's not good at all.

The ugly truth about forbearance is that it is unlikely to work. Why? It's because more than **85% of debtors do not make the second payment** in forbearance. When the 'grace period' ends, they may be able to scrap together the first payment, but then they're right back where they started. They default.

And that's not really a surprise, is it? If you can't make your current payments now, you certainly won't be able to make **inflated payments** when the forbearance period ends, unless there's a major shift in your financial status.

I hope you'll finish reading The Survival Guide before opting for a delayed payment play. If you *do* decide on forbearance, be sure you know precisely how much you can **comfortably and consistently** commit to with regard to your payments. Otherwise, you're literally wasting your time and your money.

Steel Jaws #2: The Middle Man Trap – Slow Mortgage Brokers

When you turn to a mortgage broker to help you prevent foreclosure, keep in mind that you're dealing with a middle man (or woman) who is **completely powerless** to do anything except make inquiries on your behalf. They have no idea whether they'll fail or succeed, so they juggle lots of deals and play the numbers game. It's important to keep in mind that brokers are *not* the decision makers in a mortgage transaction. The bank or lender has approval power. The mortgage broker is just a 'matchmaker' who put you and the lender together. Of course they *want* to get you a mortgage because that's where they make their money.

And what happens if they fail to find a loan option for you and your house goes into foreclosure? It's no biggie to the brokers. *They* don't lose anything.

But YOU do! And what you lose is your house.

Steel Jaws #3: The Sand Trap – Acting Like An Ostrich

As I wrote previously, most people prefer not to think about foreclosure. Unfortunately, with foreclosures on the rise, no one can afford to act like an ostrich with its head in the sand.

What makes matters worse is that the reasons debtors may find themselves behind in their payments are often extremely stressful themselves. Traumatic experiences such as divorce, medical problems, the loss of a job, or a tragic event can impact a person's financial *and* emotional wellbeing. So does an unexpected spike in adjustable rate mortgages or the failure of a broker or financial advisor to provide relief.

When they're financially challenged and emotionally stressed, debtors often fall into a state of depression and apathy. They're so overwhelmed by their circumstances that they escape into **a state of denial** and waste precious time doing nothing.

When it comes to the threat of foreclosure, **procrastination is a prescription for disaster**. Doing nothing changes nothing. And the more time that passes, the deeper into debt you'll continue to sink.

BUT...if you realize that options are available to you and take action to stop the foreclosure, **you really can turn things around**.

Steel Jaws #4: The Expert Trap – Foreclosure By Realtor

Few people who are facing foreclosure have ever had any experience in real estate except the purchase of the house they're about to lose. So, it's only natural that they think, "I need an expert's help. I'm going to go list my house with a realtor so it will sell faster."

There's a flaw in this logic. Although realtors are experts in selling houses, **they do not receive formal training that prepares them to market and sell a house quickly**. In fact, many realtors are accustomed to taking months to close a deal.

If foreclosure is imminent, **you can't afford to wait** that long! There's another reason that listing your home with a realtor is a trap.

As soon as you sign a listing agreement with a realtor, you are committed to paying your realtor a commission – usually thousands of dollars, based on a percentage of the value of your home. And you're **obligated to pay the**

commission even if you find a Buyer yourself. On top of that, if your financing is highly leveraged, it's possible that you'll end up with an **out-of-pocket expense** to pay the realtor.

Beware! Putting yourself in the hands of the 'experts' could actually prevent you from stopping foreclosure. If you sign an **exclusive agreement** with a realtor, you're powerless to do anything except wait and hope your house is sold quickly.

Steel Jaws #5: The Chapter 13 Trap – No-Choice Forbearance

Another 'expert' you might consider is an attorney who can help you file for bankruptcy. Be careful! Bankruptcy is not a long-term answer. At best, it's a temporary solution. The 'black mark' of bankruptcy is public record and will affect your credit for up to seven years.

What's more, **more than two-thirds of clients who file Chapter 13 bankruptcy end up losing their homes to foreclosure.** Attorneys are well aware of this grim statistic, and yet will happily charge you thousands of dollars while leading you down a path to foreclosure.

When you file Chapter 13, you do receive protection from creditors...but only for a short time. The Federal Courts step in and create a payment plan to satisfy owed monies including attorney's fees, court fees, and late fees, as well as any mortgage payments that are in arrears.

You will have no say in the numbers that are negotiated. The Court decides everything. And if you miss a payment, you lose your house. This makes it imperative to plan your budget in advance so you can be certain you can meet the monthly expense.

So why pay an attorney thousands of dollars for bankruptcy help if the end result is the same as doing nothing?

(Chin up! There's a better way that you'll learn about in a moment).

The 3 Most Common Myths About Lenders

What You Thought You Knew & What You SHOULD Know

Myth #1: A “Deed In Lieu” Is Good For You

To save themselves time, effort, and money, banks and lenders ask homeowners for a **deed in lieu**. They position this as a ‘good’ alternative and promise that you will not have a foreclosure on your credit history. Don’t be tricked! A deed in lieu is nothing more than a **voluntary foreclosure**. The difference is that the lender does not have to go through the expense of a formal foreclosure proceeding.

If you are unable to make your mortgage payments and can't find a buyer for the house, most lenders will accept ownership of the property in place of the money that is still owed.

How is this reflected on your credit record...? It’s true that if you choose a deed in lieu, the ‘black mark’ of foreclosure will not appear against you. However, your credit report and personal credit record *will* reflect your ‘deed in lieu.’ Anyone in a position to access your data knows that this is a voluntary foreclosure.

A deed in lieu is the same as giving up and saying “Take my home, please.”

Myth #2: You Can Depend Upon the Kindness of Strangers

Soaring health costs and the financial burden of raising a family in the 21st Century drives many families to the brink of foreclosure. Unfortunately, many people believe that their **extenuating circumstances** will be taken into account and that a lender won’t foreclose because the homeowner is sick, has a disability, is caring for an elderly grandparent, etc.

The hard truth is that **your lender is not a person**. Your banker and your mortgage broker are people, but the companies they represent are not. A bank or mortgage company is a business and businesses have a bottom line. The only thing that matters to a business is making a profit. To do that, **they need to collect debts, regardless of the situation of the debtors.**

Banks and mortgage companies have an automatic protocol they follow when a homeowner fails to make mortgage payments. And when a house goes to foreclosure, in many states, that protocol means the sheriff will show

up at your house and order you and your family to **vacate the property immediately.**

Myth #3: You Have Nowhere Else To Turn

Without knowledge or experience in real estate to guide them, many homeowners think that their only option is to **work with their lender** to stop foreclosure. The problem is that navigating through the world of complicated lending institutions staffed by personnel who are overwhelmed, is not easy. Valuable time is lost as well.

The **truth behind the myth** is:

Foreclosure problems can be overcome

All it takes is an experienced **Real Estate Investor** who has established strategic alliances and good relationship with banks and mortgage lenders, and is willing to negotiate with them on your behalf. Unlike a lender, an Investor can **bring money to the table**. A good Investor, experienced in the foreclosure market, will be willing to **take risks on your behalf** and pay money to **buy additional time** during the negotiation process with lenders.

The 5-Step Foreclosure Self-Assessment – Questions You Must Ask Yourself BEFORE Your Move Forward

In the previous pages, we've tried to separate fact from fiction and debunk some of the myths that are out there about the foreclosure process.

Hopefully, you no longer have any misconceptions or misgivings. Just to be sure, however, we've developed this easy 5-step questionnaire for you to use to determine what option is best for you in your unique circumstance.

This is important! Take time to **think about the questions** and pay careful attention to how you answer:

- If I file Chapter 13 Bankruptcy, will temporary relief from my monthly mortgage payments mean that I will be able to stop foreclosure forever...or will I be unable to keep up with my payments when they resume and end up in foreclosure again?
- If I choose forbearance or a lender payment plan that gives me temporary relief from payments I can't afford now...will I be able to afford the inflated

monthly payments that I'll have to make in the future or will I end up in foreclosure again?

- If I'm unable to meet my monthly expenses now, can I commit to a payment plan...or should I just give up my house to a lender with a deed in lieu and accept the bad mark on my credit history?
- If I do something now, will I have more options available to me...or should I wait until the sheriff is at my doorstep with an Order to Vacate and hope that he/she will show me mercy?
- If I consult with an experienced Real Estate Investor, will I be able to get out of this situation without ruining my credit...or is my only option to spend thousands of dollars for attorney fees, Realtor commissions and still run the possibility of losing my house?

The #1 Benefit Of Stopping Foreclosure How You Can IMPROVE Your Credit

Along with losing their homes, people facing foreclosure also worry about damaging their credit ratings after foreclosure. They are concerned, that a 'foreclosure' mark against them will affect their future credit.

The good news is that even if you are on the brink of foreclosure or even in the process of foreclosure, **you can save your credit rating!**

In most states, the formal 'state of foreclosure' begins at a court hearing when the presiding Judge decides the case in favor of the plaintiff, in this case the lender. The exception to this common practice is found in Texas, Georgia, Alabama, Tennessee, Virginia, and Missouri. In these states, foreclosure is **not marked on your credit record until after the trustee sale by the lender.**

So until the judge makes his/her decision, your property is not yet in foreclosure. Instead, you are in what is known as **pre-foreclosure**, and while you may be in the *process* of foreclosure, it has not yet been recorded on your permanent credit record yet. Instead, in the pre-foreclosure stage, your credit record reflects only that you are **late on your mortgage payments:**

90 days past due - 1 times

60 days past due - 3 times

30 days past due - 5 times

Obviously, a credit report with lots of ‘past due’ marks is not a very good thing. But a list of past-dues is infinitely better than one big, black **FORECLOSURE** mark. And that’s precisely why it’s so important that you **take steps now to stop foreclosure**.

The best way to protect your credit rating is to find an experienced CFPS who has the experience and contacts to **negotiate favorable terms** with lenders, attorneys, and the courts. The person you select should also have a proven track record of **selling houses quickly** before a pre-foreclosure property goes into full foreclosure.

Re-Financing

With the right investor to help you, you’ll be able to achieve what so many people in pre-foreclosure desire: **the ability to refinance**.

In order to refinance, however, you must already have a substantial amount of **equity** in the house. To calculate the equity, you subtract the amount of money you owe from the total appraised value of your home. For example:

\$225,000.00 (Appraised home value)
\$125,000.00 (Amount owed on mortgage)
\$100,000.00 (equity)

In this example, there is a 55% loan-to-value (LTV) relationship. The LTV number is meaningful because some lenders will give you **a mortgage loan based solely on the LTV**. They do not take your credit rating into account or any other factor.

While this may sound good on the surface, a little scratching reveals some hidden truths. These lenders fund ‘risky’ loans because they generally charge a whopping **3% to 7% of the loan amount in upfront fees**, and **10% to 14% in annual interest!**

Additionally, payments on loans based on LTV alone have a tendency to increase significantly. Homeowners are likely to face loan payments that are 1½ to 2 times the amount that they are currently making...or *not* making, to be more precise.

Some people suggest that you should try to **refinance with a conventional lender** in order to achieve a more affordable monthly payment. That’s good in theory, but if you are already in the foreclosure process, conventional

lenders **consider you a bad risk** due to your credit record and defaulted payments on the house.

To be honest, the whole of idea of refinancing with a traditional lender is like trying to obtain a second credit card so you can pay off the balance on your first card. The companies that are willing to give you card #2 are going to charge enrollment fees and finance charges because of your poor credit rating with card #1.

Sounds hopeless? It's not!

If you act quickly, you can work with a reputable Real Estate Investor who is experienced in foreclosures to minimize the damage to your credit history. Your proactive approach means that when a future lender looks at your credit, they will see a credit report with 'late payments' noted, but no foreclosure.

Furthermore, since those late payments were posted, your Investor will have helped you sell your house and get rid of the debt you could not afford. So what a future lender will see is that after a financial 'hiccup,' you got back on track and brought your payments up to date. This makes you an excellent risk. In fact, **lenders may consider you a more favorable credit risk** than someone with a 700 FICO score.

It sounds crazy, but it's not. Someone with a high credit score may never have had any financial problems...and therefore has no track record for solving them. Lenders realize that financial situations happen to good people. So they look at Mr. or Ms. 700 FICO Score and ask, "What will happen to if they ever have financial problems? Will they default or the loan or work to fix the problem?"

When you've stood on the brink of foreclosure and not gone over the edge, your record of speaks for itself. It shows that you've triumphed over adversity and that you're someone who can be trusted to meet his/her obligations.

So... the fact that you are face-to-face with foreclosure does not mean that you are doomed to a lifetime of credit unworthiness. Not at all! While nothing will erase your troubled financial past...that was then, and this is now. If you take action, you'll quickly see that **late payments and pre-foreclosure in your past need not rob you of your future.**

The #1 Reason You Want To Stop Foreclosure

Let me ask you something. What matters more to you? Would you rather be in control of your life, making decisions that you know are in your best interest...or are you content to allow others to control you and your family's fate?

Only you know what will work for you. Your foreclosure situation is completely unique, just like you.

Some people choose to forestall foreclosure through forbearance, for example, but if you go that route, the outcome could mean thousands of dollars paid in vain...and your house being re-possessed because you couldn't keep up your payments.

And there's always the 'mythic' solution...the one where you look for a way to stop the foreclosure and get a brand new start in a brand new home. All it takes is someone who has the skills to help you move out of the house that is in foreclosure and move into a better situation. It's a permanent solution, not a quick fix.

I have to be honest with you, if you're looking for a 'magic pill' that will make foreclosure simply vanish or if you're content to put a band-aid on your situation and pretend that you've solved your problem, I really don't think I can help you.

But if you would like to **wake up from the nightmare** of losing your home and end the threat of foreclosure forever...if you want to **keep your finances personal** and not a matter of public record...and if you would like to **find a solution that won't cost you more** in fees and commissions than you can afford...

Then I'd like to get to know you and help you realize your goals! And I invite you to **TAKE ACTION** using the 4-step plan that follows.

3 Steps You Can Take Today To Secure A Better Tomorrow

It's said that every journey, no matter how long, starts with a single step. I'm going to change that slightly. When it comes to foreclosure, the journey to a brighter financial future starts with **three steps**:

STEP #1: MAKE A LIST OF QUESTIONS...AND THEN GET THE ANSWERS!

The only way to discover the best solution *for you* is to ask specific questions of mortgage brokers, attorneys, realtors, or the lenders who are interested in taking your money. Don't be intimidated by the 'experts' you're consulting. Remember **they work for you!**

(A list of questions follows at the end of this guide.)

STEP #2: MAKE A DECISION...AND FOLLOW THROUGH ON IT!

How are you going to deal with foreclosure? Are you going to take control of your situation yourself? Do you want a temporary band-aid that you can slap on yourself... or are you ready to work with a CFPS who can permanently solve your foreclosure problem and put it behind you forever.

Once you decide what to do, you need to act quickly in order to prevent additional damage to your credit rating and getting in 'too deep' to ever be able to dig out.

The sooner you act, the sooner you can reverse the downward spiral and change your credit record from bad to better.

STEP # 3: MAKE A TIMETABLE...AND TAKE THE FIRST STEP NOW!

After you've 'done your homework' and feel you've come to an informed, decision, you're halfway there. Don't let inertia set in. Don't procrastinate. **ACT NOW** before your window of opportunity closes.

The purpose of each of these three steps...as well as everything in the SURVIVAL Guide...is to empower and motivate you to change your life NOW. There's absolutely no reason to live in fear.

All it takes is a proactive mindset and an experienced Investor who can show you how to be proactive, solve your problem, and move towards a better future.

If you've got what it takes (and I think you do), I invite you to call us now and let's get started together.

Sincerely,

Brad Martinez
253-444-4077

Top 5 Questions for a Mortgage Broker

1. Do you guarantee in writing that you will close my loan before my case goes before a judge in court?
2. What interest rate will you charge?
3. How many points do you charge?
4. What will my monthly payments be compared to what they are now? Higher? Lower? The same?
5. What will the total of all closing costs come to?

Top 5 Questions for an Attorney:

1. If I file for Chapter 13 bankruptcy, will it stop foreclosure or just stall it?
2. What are your fees for filing bankruptcy papers and handling my case?
3. What will my monthly payments be compared to what they are now? Higher? Lower? The same?
4. What happens if I default on my payments because I can't make them?
5. Can't I file a bankruptcy myself at the courthouse and save thousands of dollars?

Top 5 Questions for a Realtor:

1. Do you guarantee in writing that you sell my house before my case goes before a judge in court?
2. Do I have to pay your commission if I find someone on my own who wants to buy the house?
3. How much do I owe you if you don't sell the house and I lose it to foreclosure due to a judge's ruling?
4. If the sale price doesn't cover my indebtedness *and* your commissions, do I have to reach into my own pocket to pay you?
5. How long will your listing contract tie up the house and entitle you to a commission?

Top 5 Questions for the Foreclosing Lender:

1. Can you work out a payment plan (forbearance) with me and will you put everything in writing *before* I agree to it?
2. If I agree to these terms, will you agree in writing to stop the foreclosure?
3. What will my monthly payments be, compared to what they are now? Higher? Lower? The same?
4. If I'm late on this payment plan, do you start where you left off with the foreclosure?
5. Since forbearance means a big increase in monthly payments, can you tell me how many people end up back in foreclosure because they cannot afford the monthly payment?

Glossary of Terms

Bankruptcy

A legal recourse that allows a person or business to clear any debt obligations by reorganizing the payment amount and payment schedule of those debt obligations. A bankruptcy stalls the foreclosure process, not allowing a foreclosing lender to proceed with the foreclosure until the bankruptcy proceedings are completed or the court in charge of the bankruptcy allows the lender to continue with the foreclosure.

Foreclosure

A process that allows a lender to recover the amount owed on a defaulted loan by selling or taking ownership (repossession) of the property securing the loan.

Notice of Default (NOD)

A publicly recorded notice that a property owner has missed scheduled loan payments for a loan secured by a property. Some states require lenders to record a notice of default to begin the foreclosure process.

Notice of Sale (NTS or NFS):

A document announcing the public sale of a property to recover a debt owed by the owner of the property.

Lien

A legal claim on a property by a lender or other entity that is owed money by the owner of the property. The entity that files the legal claim is called the lien holder.

Deed of Trust

A legal document that dictates the terms of a loan used to buy a property and transfers the ownership of the property to a third party called a trustee until the loan has been paid in full. The trustee can sell the property to recover the loan balance for the lender if the borrower violates the terms of the loan

Mortgage

A document that dictates the terms of a loan used to buy a property and gives the lender some claim to the property (either ownership or a lien) until the loan has been paid in full. The lender can take steps to have the property sold to recover the remaining loan balance if the purchaser violates the terms of the loan

Reinstatement

The stoppage of foreclosure proceedings and return to the original terms of a loan that occurs when a borrower pays off the amount in default on the loan to bring the loan payments current. The borrower's chance to reinstate ends before the public foreclosure sale in most states.