



COMMUNITY  
PARTNERS for  
**AFFORDABLE  
HOUSING**

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## Foreclosure Resolution Options

### General Options

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|-------------------------------------|---|
| 1) Loan Workouts (aka Retention):   | Keep your home (your situation is curable)            |
| 2) Home Disposition/Relinquishment: | Transition out of the home (situation is not curable) |
| 3) Intentional Foreclosure:         | Stay rent-free until eviction                         |

### Resolution Options Vary by Investor

Every loan is different. The options available to you will depend on:

- What your servicer and investor are willing to do
- Your financial circumstances (you must prove adequate income to sustain a payment)
- Property value and condition
- When you purchased (more options are available for those that purchased before 1-1-2009)
- Reason for delinquency (more options if due to hardship versus debt)

### Loan Workout Options to Keep Your Home

Homeowners that want and are able to keep their home typically seek a permanent loan modification as a long-term solution and/or a forbearance agreement to provide immediate relief. Less common options are also listed.

- **Loan Modification**: The lender attempts to create an affordable and sustainable mortgage payment that is no greater than 31% of your gross income by extending the loan term, reducing the interest rate, adding arrearages and fees to your loan balance, and/or forgiving part of the principal balance.
- **Forbearance**: An agreement to reduce or suspend payments for a fixed period of time. This provides you with immediate (albeit temporary) relief to gain your financial footing and pursue a permanent solution.
- **Refinance**: Lowers payments by reducing the interest rate. Only for homeowners that are current on their loan with 0-1 missed payments in the last year.
- **Reverse Mortgage**: Allows homeowners age 62+ with a lot of equity to cash in on their home equity.
- **Repayment Plan**: Adds arrearages onto existing payments. Suitable for those whose hardship experience has passed and can now afford a higher payment.
- **Bankruptcy**: An alternative for those whose delinquency is due to excessive debt rather than an unaffordable mortgage payment. May allow you to keep your home and apply for a loan modification at a later date. Seek legal counsel experienced in both bankruptcy and foreclosure.

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## Home Disposition Options to Gracefully Transition Out of the Home

When keeping the home isn't possible, ease the transition by thoughtfully and intentionally making the right choice for your household.

- **Short Sale:** Lender accepts less than the balance due and incurs the cost of the sale. The amount accepted will depend on what other homes in the area are valued at, and all lien holders must be negotiated with. It can be a lengthy and cumbersome process. Seek a Realtor experienced in selling foreclosures in your neighborhood.
- **Deed-in-Lieu:** Lender repossesses the property and relieves the homeowner of the debt. This is less cumbersome than a short sale. Often more viable if there are no subordinate lien holders and the property is in good condition.
- **Eligibility:** Lenders typically consider you for a short sale or deed-in-lieu only if you: Are experiencing a long-term hardship; Were turned down for a loan modification; Are behind on and unable to make mortgage payments; Are unable to sell home after listing for 90 days, and; Owe more than the home is worth.
- **Benefits:** These options can provide significant benefits including: Cash incentive to relocate; Possible forgiveness of tax ramifications; Pay off subordinate lien holders, and; Less damage to your credit rating.

## Intentional Foreclosure

Staying in your home “rent-free” until foreclosure and eviction can be an intentional choice. If so, use this time wisely to save and prepare for the future. Recognize the ramifications: you may owe taxes, your credit will be severely damaged, and your foreclosure and any property deterioration will negatively impact your neighborhood.

## Pursuing a Resolution

Talking with your lender can be intimidating, but help is available. You are more likely to have better success by engaging a housing counselor, mediator or attorney than trying to handle your case on your own.

- **Counseling & Mediation:** Lake County's 19<sup>th</sup> Judicial Circuit Court has partnered with the Community Partners for Affordable Housing (CPAH), a nonprofit HUD-certified housing agency, to offer FREE counseling and mediation. These services will help you prepare your loan workout request and facilitate productive discussion with your lender. Call 847/263-7478 or visit [www.cpahousing.org](http://www.cpahousing.org)
- **Hire an Attorney:** Contact the Lake County Bar Association at 847/244-3413 for a referral. Income-eligible households may qualify for free legal aid at Prairie State Legal Services; call 847/662-6925.
- **Legal Self Help:** Free help is available at the Center for Self-Representation at 18 N. County Street, Waukegan IL 60085.
- **Beware Scammers:** No one can promise you a resolution. A request for upfront fees is illegal. Scammers most often target elderly, minority and low-income households. Remember, if it sounds too good to be true....it probably is.

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

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