

WHAT IS A FLAP?

The **Foreclosure Legal Assistance Project (FLAP)** is a service provided by Legal Services of Northern Virginia (LSNV) to eligible, low and moderate income Northern Virginia homeowners facing foreclosure and in need of legal assistance.

TIPS FOR AVOIDING FORECLOSURE

- Do not ignore the problem.
- Contact your lender as soon as you realize that you have a problem.
- Know your mortgage rights and options.
- Contact a HUD-approved housing counselor (www.hud.gov).
- Prioritize your spending and budget.
- Avoid foreclosure prevention companies and foreclosure recovery scams.
- Be aware of warning signs of being at risk for foreclosure such as maxing out credit cards, being unable to pay all of your bills, receiving garnishments and other collection issues.

HOW CAN I KEEP MY HOME?

What are my workout options if I cannot make my payments?

If you have a government backed loan (FHA or VA) or a government insured loan (Fannie Mae or Freddie Mac), you may have additional options. The following options can be explored when a homeowner is financially unable to make their payments:

Forbearance: When a homeowner's income is temporarily reduced, a forbearance plan allows their mortgage payments to be temporarily reduced or suspended. After that temporary period, the homeowner resumes paying their mortgage payments plus some agreed upon extra amount to pay the accumulated arrears or will automatically be reviewed for a modification.

Modification: A loan modification is a written agreement that permanently changes one or more

of the terms of the loan. The most common modification is to add the arrearage to the loan and to increase the time period in which to pay back the loan, thereby decreasing the monthly payment. Some other options include: Reducing the interest rate, converting an adjustable rate to a fixed-rate, and reducing the principal balance of the loan.

Reinstatement: This option is best for a temporary payment problem and allows for a homeowner to promise to pay a lump sum to bring the late payments, late fees, and penalties current by a certain date.

Repayment Plan: Allows a homeowner to pay back portions of their overdue amount with their future monthly payments

Refinance: This option involves taking out a new loan with the existing lender or with a different lender, switching to a fixed rate or lowering monthly payments and may help avoid future arrearages.

Reverse Equity Mortgage: An option for senior citizens who have a significant amount of equity built up in the home in which case the lender makes monthly payments to the homeowner in order to buy the equity in the home while the homeowner continues to live in the home for their lifetime.

WHAT IS THE "MAKING HOME AFFORDABLE" PROGRAM?

Making Home Affordable (MHA) is the Obama Administration's initiative that helps struggling homeowners get mortgage relief through a variety of programs that aid in mortgage modifications, interest rate reductions, refinancing, deferred payment or transitioning out of your home while avoiding foreclosure. Explore the available programs and learn more so you can understand your options, the easier it will be when you speak to a housing expert or your mortgage

servicer. Below is a non-exhaustive explanation of some of MHA's programs.

Home Affordable Modification Program (HAMP)

If you are employed but struggling to make your mortgage payments, you may be eligible for HAMP. HAMP can lower your monthly mortgage payment to 31 percent of your verified monthly gross (pre-tax) income. You may be eligible for HAMP if you meet all of the following criteria:

- You occupy the house as your primary residence.
- You obtained your mortgage on or before January 1, 2009.
- You have a mortgage payment that is more than 31 percent of your monthly gross income.
- You owe up to \$729,750 on your first mortgage.
- You have a financial hardship and are either delinquent or at risk of default.

Program ends December 31, 2015.

Second Lien Modification Program (2MP)

If your first mortgage was permanently modified under HAMP and you have a second mortgage on the same property, you may be eligible for a modification or principal reduction on your second mortgage as well through 2MP. Participating mortgage servicers can evaluate you for a second lien modification. You may be eligible for 2MP if you meet the following criteria:

- You have not missed three consecutive monthly payments on your HAMP modification.

Program ends December 31, 2015.

Home Affordable Foreclosure Alternatives Program (HAFA)

HAFA is designed for those who can't afford their mortgage and want to transition to more affordable housing. HAFA provides two options for transitioning: a short sale, where one sells their house for an amount that falls "short" of the amount still due, or a Deed-in-Lieu of foreclosure, where the homeowner transfers title back to the mortgage company. Unlike conventional short sales, a HAFA short sale: completely releases you from your mortgage debt after selling the property so that any deficiency will be forgiven, has a less negative effect on your credit score, and provides \$3,000 in relocation assistance. You may be eligible for HAFA if you meet all of the following criteria:

- You live in the home or have lived there within the last 12 months.
- You have a documented financial hardship.
- You have not purchased a new house within the last 12 months.
- Your first mortgage is less than \$729,750.
- You obtained your mortgage on or before January 1, 2009.

Home Affordable Unemployment Program (UP)

If you are unemployed, UP may reduce your mortgage payments to 31 percent of your income or suspend them altogether for 12 months or more. You may be eligible for UP if you meet all of the following criteria:

- You are unemployed and eligible for unemployment benefits.
- You occupy the house as your primary residence.
- You obtained your mortgage on or before January 1, 2009.
- You owe up to \$729,750 on your home.

Program ends December 31, 2015.

HOME AFFORDABLE REFINANCE PROGRAM (HARP)

If you're not behind on your mortgage payments but have been unable to get traditional refinancing because the value of your home has declined, you may be eligible to refinance through HARP. You may be eligible for HARP if you meet all of the following criteria:

- The mortgage is owned or guaranteed by Freddie Mac or Fannie Mae.
- The mortgage must have been sold to Freddie Mac or Fannie Mae on or before May 31, 2009.
- The current loan-to-value ratio must be greater than 80%.
- You are current on the mortgage at the time of the refinance with a good payment history in the past 12 months.

Program ends December 31, 2015.

WHAT IS CASH FOR KEYS?

If your house is sold in a foreclosure sale, you may be able to negotiate "cash for keys" (CFK) agreement. The mortgage company or the purchaser after the foreclosure sale may offer you money in exchange for moving out sooner than the end of the eviction process. Typically, \$500-\$4000 is offered to move in a CFK offer. If you receive an offer, get the offer in writing and if you decide you are interested, try to negotiate the move out date or the amount. You may also want to consult an attorney before you sign any documents.



FORECLOSURE: KNOW YOUR RIGHTS



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