

# Defeat Debt

Credit Advisors Foundation

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## Facing Foreclosure

Nationwide, home foreclosures are increasing at, what many economists and financial experts suggest is, an alarming rate.

Depending on who you ask, reports list between 14 percent to 33 percent more homes in foreclosure in April 2006 compared to April 2005. Especially disturbing, the increase includes all income levels and all home/property values.

One out of every sixty-nine homes in Indianapolis is in foreclosure, giving that city the dubious honor of first place in the foreclosure trend. Atlanta, Dallas, Memphis and Denver round out the top five slots at one in seventy, one in ninety-nine, one in a hundred-and-one, and one in a hundred-and-five, respectively.

Why?



*The number one rule:  
Do not avoid your mortgage company.*

There are many reasons that homeowners may find themselves in trouble. Poor health, job loss or drops in income, unanticipated increase in expenses like winter heating fuel, gasoline, education or sudden costs such as roof or furnace repairs are some commonly mentioned reasons for financial problems.

Experts in the industry suggest a big part of the problem is the result of the popular variable rate loans and rising interest rates, overvalued homes, increased household expenses, and stagnating wages.

Unlike the more traditional 15 or 30-year fixed rate mortgage, with a variable or adjustable rate mortgage (ARM) when interest rates dropped, extremely low mortgage interest rates were offered. Now with interest rates on the rise, the interest rate on the ARM loan 're-sets' and as a result the monthly mortgage payment climbs higher. As ARMs account for approximately a quarter of all outstanding mortgages, and many of these loans are due to re-set within the next couple of years some homeowners may be surprised to find their

monthly house payment will increase—potentially growing to double what they currently pay.

With housing sales slowing, the once quick sale to make money or get-out-from-under may not occur in time to help those in trouble.

If your mortgage payment starts rising and you are in a debt management plan with Credit Advisors contact us immediately.

Michaela Harper, CAF Program Director recommends vigilance, "Maintaining a successful DMP can be difficult in the best circumstances and requires special attention if you have an ARM. I would recommend you keep in close contact with our certified credit counselors so that you can stay on top of any changes that may need to be made to your current action plan."

Harper also counsels homeowners to make every effort to pay the mortgage and contact CA for further assistance.

"My experience is that most people want to meet all of their obligations but in a budgetary crises situation

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# Facing Foreclosure

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it is important to make sure your priorities are clear," Harper said. "It's tempting to 'do something even if it's wrong'. For example, people will realize they don't have enough to pay a full mortgage payment so they'll pay down credit card balances to feel they are taking some sort of action. Keeping priorities straight means whenever possible focus on maintaining your homeownership status."

The number one rule, according to Harper, during financial difficulties is: Do not avoid the mortgage company.

"If you're having difficulty, they have a vested interest in helping you resolve the situation. The mortgage company does not want to own your house," reassures Harper.

"They want to earn the interest from your payments. The sooner you contact them the sooner you can find out what programs they have available to help you and a quick resolution will save your relationship with the mortgage company and your rating with the credit bureau."

More intense negotiations may need

to be completed by a certified credit counselor.

Selling or refinancing your house may have been easier in the last few years due to the swiftly moving housing market but these are still options worth considering if you are in an especially difficult situation. Other options may include special forbearance, partial claim, or deed-in-lieu of foreclosure – be sure to ask your lender about these options.

Finally, beware of scams. Yes, there are people out there who would attempt to take advantage of you during this difficult time. The old rule still applies: if it sounds too good to be true, it usually is.

The U.S. Department of Housing and Urban Development adds these important points:

1. Don't lose your home and damage your credit history if you can help it
2. Call or write to your mortgage



Focus on maintaining your homeownership status.

lender immediately

3. Stay in your home to make sure you qualify for assistance

4. Arrange an appointment with a housing counselor

5. Cooperate with the counselor or lender trying to help you

6. Explore every alternative to losing your home

7. Beware of scams

8. Do not sign anything you don't understand

9. Make sure you get all 'promises' in writing

10. Beware of any loan assumption (or signing over the deed to someone else) where you are not formally released from liability for your mortgage debt. Act now. Delaying can't help. If you do nothing, YOU WILL LOSE YOUR HOME and your good credit.

## Staying Safe from Predatory Lending

There are many, many mortgage lenders and brokers available for you to choose from when looking to purchase, refinance, or make improvements on your home. Most have high ethical standards and your best interests at heart; however, there are some whose business practices are predatory and can cause you a world of financial heartache if you get tangled up with them.

At times, predatory lending may be hard to spot. Don't assume you know simply because the company is small or large, local or nationwide or just because you've known the individual you are doing business with for a long time. An honest lender, broker or real estate agent will not be offended if you let them know you are checking up on them – in fact, they will most likely encourage you to do so. Once again, like so many times with financial transactions, knowledge is your best

weapon.

The U.S. Department of Housing and Urban Development (HUD) offers the following insights to assist you with better understanding of the issues:

What is Predatory Lending?

In communities across America, people are losing their homes because of predatory lenders, appraisers, mortgage brokers and home improvement contractors who:

- Sell properties for much more than they are worth using false appraisals.
- Encourage borrowers to lie about their income, expenses, or cash available for down payments in order to get a loan.
- Knowingly lend more money than a borrower can afford to repay.
- Charge high interest rates to

borrowers based on their race or national origin and not on their credit history.

- Charge fees for unnecessary or nonexistent products and services.
- Pressure borrowers to accept higher-risk loans such as balloon loans, interest only payments, and steep pre-payment penalties.
- Target vulnerable borrowers to cash-out refinances offers when they know borrowers are in need of cash due to medical, unemployment or debt problems.
- "Strip" equity from homes by convincing homeowners to refinance again and again with no benefit to the borrower.

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# Word Search

Try your hand at searching for the words listed below, taken from the articles, Facing Foreclosure and Staying Safe from Predatory Lending, in this month's Defeat Debt .

- APPRAISER     HOME
- BORROWER     INCREASE
- BUY             LENDER
- COMPARE       LOAN
- CONSUMER      MORTGAGE
- COUNSELOR    PAYMENT
- CREDIT         SELL
- FORECLOSE    TROUBLE

## Predatory Lending

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### What Tactics Do Predators Use?

- A lender tells you that they are your only chance of getting a loan or owning a home, or you'll only get a good deal for home improvements with them. Take your time, shop around and compare prices. Shop for a lender and compare costs. Be suspicious if anyone tries to steer you to just one lender or the cost of home improvement goes up if you don't accept the contractor's financing.
- The house you are buying costs a lot more than other homes in the neighborhood, but isn't any bigger or better.
- You are asked to sign a sales contract or loan documents that are blank or that contain information which is not true, or cost or terms at closing are not what you agreed to.
- You are told that the Federal Housing Administration insurance protects you against property defects or loan fraud - it does not.
- You are told that refinancing can

I N C R E A S E C F  
 A P P R A I S E R O  
 R A B O R R O W E R  
 E Y L E N D E R H E  
 M M O R T G A G E C  
 U E B U Y P J B N L  
 S N H O M E S S A O  
 N T R O U B L E O S  
 O K C R E D I T L E  
 C O U N S E L O R L

solve all your credit or money problems.

### 8 Tips On Being A Smart Consumer

- Before you buy a home, attend a homeownership education course offered by a HUD approved, non-profit counseling agency, like CAF.
- Interview several real estate professionals (agents). Ask for and check references before you select one to help you buy or sell a home.
- Get information about the prices of other homes in the neighborhood. Don't be fooled into paying too much.
- Hire a properly qualified and licensed home inspector to carefully inspect the property before you are obligated to buy. Decide in writing if you or the seller is going to pay for the repairs. If you will pay for the repairs, make sure you can afford to do so.
- Do NOT let anyone persuade you to make false statements on your loan application, such as overstating your income, the source of your down payment, failing to disclose the amount of your debts, or even how long you have been employed. When you apply for a mortgage loan, all information you submit must be accurate and complete.

Lying on a mortgage application is fraud and may result in criminal penalties.

- Do NOT let anyone convince you to borrow more money than you know you can afford to repay. Get behind on your payments and you risk losing your house and all of the money you put into your property.
- Never sign a blank document or a document containing blanks. If information is inserted by someone later, you may still be bound to the terms of the contract. Insert "N/A" (i.e., not applicable) or cross out any blanks.
- Read everything carefully and ask questions. Do not sign anything that you don't understand. Before signing, have your contract and loan agreement reviewed by an attorney skilled in real estate law, consult with a trusted real estate professional or ask for help from a housing counselor with a HUD-approved agency. If you cannot afford an attorney, take your documents to the HUD-approved housing counseling agency near you to find out if they will review the documents or can refer you to an attorney who will help you for free or at low cost.

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### Get out of debt with no regret!



## The Kitchen on a Dime

### Frosty Marbled Yogurt Dessert

It's quick, it's easy, and low-fat, yet this dessert is cool and classy enough for a summer dinner party. We think it will become a family favorite.

#### *Ingredients:*

- 1 cup chocolate wafer cookie crumbs
- 3 tablespoons chocolate ice-cream topping
- 1 quart strawberry cheesecake non-fat frozen yogurt, slightly softened
- 1 quart mixed-berry nonfat frozen yogurt, slightly softened
- 2 cups cut-up fruit

#### *Directions:*

Spray bottom and side of springform pan, 9x3 inches, with non-stick cooking spray.

Mix chocolate wafer crumbs and ice-cream topping. Press firmly against bottom of springform pan.

Scoop frozen yogurts onto crust, alternating colors. Spread yogurts slightly to smooth.

Cover and freeze about 3 hours or until firm.

Run knife dipped in hot water along side of dessert to loosen; remove sides of pan from dessert.

Serve topped with the cut-up fruit.



*Frosty Marbled Yogurt Dessert is a cool end to a great summer meal.*

Makes 12 servings at 85 cents a serving.