A HOMEOWNER'S GUIDE TO FORECLOSURE IN CALIFORNIA

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A Homeowner's Guide to Foreclosure in California focuses on homeowners in financial distress who live in their homes. This guide applies to owner occupants and some landlords who do not own more than three residential properties whose tenant is unable to pay rent due to a reduction in income resulting from the novel coronavirus. The provisions that protect landlords expire on January 1, 2023.

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Introduction

This booklet is a guide of the *events* and *steps* which occur in the foreclosure process and contains useful information about the foreclosure process for homeowners in financial distress who struggle to pay their monthly mortgage loan payments (principal and interest, property taxes, homeowner's insurance premiums, and, if applicable, mortgage insurance premiums). Regardless of whether these items are lumped together into one monthly payment or paid separately, the result is the same. Homeowners are obligated to make these payments, and many face challenges in doing so.

Many homeowners find themselves continuing to face tough financial times due to stagnant incomes and weakness in the job market, the rising costs of living, increasing interest rates occurring in adjustable or variable rate mortgages, and rising medical expenses.

For example:

- Your monthly mortgage payments may have increased because of an upward adjustment in the interest rate. Adjustable or Variable Rate Mortgages can and do adjust automatically, as described in your original loan documents and disclosures.
- You may be unable to meet your monthly mortgage loan payments because of unforeseen circumstances such as losing your job, reduction of income, becoming ill, or needing time to care for an ill or injured loved one.
- You may be going through dissolution of union or marriage and your partner wants to "walk away" from your home and your monthly mortgage loan payments.
- Your monthly mortgage loan payments and income may be unchanged, but the value of your home may decrease to the point where your mortgage loan balance is greater than the value of your home, or your equity is insufficient to allow for refinancing of your home.

Regardless of your particular situation, if you are unable or unwilling to meet your monthly mortgage loan payments, you face the probability of foreclosure and eventual eviction.

When you purchased or refinanced your home, you borrowed money from a lender. With rare exception, the lender is entitled to repayment according to the financial terms described in your mortgage loan documents. If you miss your mortgage loan payments, your lender can cause your home to be sold to pay off your mortgage loan. This procedure is called foreclosure. While going through foreclosure is an overwhelming experience, the last thing you should do is nothing.

It can be an overwhelming experience for homeowners who do not know how to handle the lender's action to foreclose on their home. The emotional and traumatic issue of facing the loss of their home may leave some homeowners feeling as if they have no options. Many simply give up and do nothing and allow the process to run its course. However, doing nothing is the worst thing a distressed homeowner can do. Proactive steps can improve the situation in many circumstances.

This booklet was prepared to help you understand the foreclosure process and the potential alternatives or options to foreclosure so you can actively participate in finding the best possible solution for your mortgage loan situation. The best option is to take action by accepting responsibility, taking control over the factors you can affect, and acting decisively.

Definitions of Some Terms Commonly Used

Adjustable Rate Mortgage (ARM): A loan that provides for changes in interest rates at defined intervals based on increases or decreases in a specified published index. ARMs are the most commonly used loan product when the interest rate is not fixed (Fixed Rate Mortgage) during the term of the loan.

Assignee: A person (lender) who purchased the interests of the lender identified in the promissory note and deed of trust (the mortgage loan documents) and who becomes the holder of the promissory note. Recording the assignment from the lender to the assignee is typically required. The recorder of the county where the property described in the deed of trust is located will record the assignment.

Cash for Keys: Money received from the lender or its servicing agent to assist the former homeowner or tenant in moving from the home following the request of the lender in exchange for the agreement of the former homeowner or tenant to vacate after the foreclosure sale.

Civil suit for waste: An action brought in court by a lender against the homeowner for loss or damage to the home, whether caused or suffered by the homeowner (in which case the damage is referred to as "waste") or damages that may arise from the alleged fraud of the homeowner.

Credit Bid: The ability of the lender to direct the trustee to bid at the foreclosure sale up to the total debt (the full balance due and payable) owed to the lender without advancing further money.

Debt Counseling Service: A properly certified or licensed independent consultant who assists homeowners to assess their financial situation without bias or emotional attachment.

Deed: A document (instrument) by which ownership of and title to a home is transferred from one person to another.

Deed-in-lieu of foreclosure: A document (instrument) executed by the homeowner conveying title to a lender in lieu of the lender proceeding with foreclosure on the home (the security property).

Deed of Trust: A deed conveying title to real property to a trustee as security until the grantor/trustor (borrower) repays the loan. This document identifies the homeowner as the trustor, the lender as the beneficiary, and a third person as the trustee authorized by the homeowner and the lender to perform defined activities/powers.

Equity: The estimated amount by which the then fair market value of your home (property) exceeds the total amount owing on account of mortgage loans and other liens recorded against the title of the home.

Equity Purchaser: An investor purchasing owner-occupied residential property to rent or re-sell when a home (property) is subject to an active Notice of Default (NOD).

Eviction: A court supervised procedure to remove persons and any others who are in possession of a home.

FHA: Federal Housing Administration.

FNMA: Federal National Mortgage Association (also known as Fannie Mae).

FHLMC: Federal Home Loan Mortgage Corporation (also known as Freddie Mac).

Fixed Rate Mortgage (FRM): A mortgage loan with interest fixed at a prescribed rate (e.g., 6%) for the duration of the loan.

Foreclosure Consultant: A person who, for compensation, offers to perform services to assist a homeowner of owner-occupied residential properties subject to an active NOD to (among others) stop or postpone the foreclosure sale, obtain a delay or forbearance from the lender, assist the homeowner when reinstating or curing delinquencies, help the homeowner to avoid damage to their credit rating, or assist the homeowner in obtaining any remaining surplus funds or net proceeds from a foreclosure sale in excess of the amounts owed in accordance with the terms of the mortgage loan. It is illegal to operate as a mortgage foreclosure consultant in California unless the foreclosure consultant has obtained a Certificate of Registration as a Mortgage Foreclosure Consultant from the Department of Justice.

Judicial Foreclosure: A foreclosure sale conducted under the supervision of a court.

Lender: The person that extends credit (loans money) to the borrower identified as the lender in the promissory note and as the beneficiary in the deed of trust (the mortgage loan). For the purposes of this booklet, the term lender includes the assignee of the lender. Lender is also sometimes referred to as mortgagee and borrower as mortgagor.

Loan Modification: Restructuring or amending the terms of a mortgage loan by an agreement among the lender, its servicing agent, and the homeowner.

Money Judgment: A court declaring the amount of money owed to the creditor and obligating the debtor to repay that amount (a judgment award of the court).

Non-Judicial Foreclosure: A non-judicial foreclosure is a privately conducted but publicly held sale of the property described in the deed of trust (mortgage loan) by the named trustee (or by a substituted trustee). A judicial foreclosure occurs under court supervision (a state action). A non-judicial foreclosure is a procedure followed by the trustee, as described in California law, which provides the lender with a

remedy for collecting the amounts owed by a defaulting homeowner in accordance with the terms of the mortgage loan (including the costs of foreclosure). A non-judicial foreclosure arises from a procedural law, the terms of which the homeowner and lender have contractually agreed to follow and is not a state action. The term "foreclosure" as used in this booklet means either a judicial or non-judicial foreclosure, depending on the context.

Notice of Default (NOD): A document known as the NOD prepared by the trustee at the direction of the lender or its servicing agent that, upon recording with the office of the county recorder in which the property is located, begins the initial three-month reinstatement or cure period during which no Notice of Sale may be recorded.

Notice of Sale (NOS): Following the expiration of the initial three-month reinstatement or cure period, the trustee - at the direction of the lender or its servicing agent - prepares the NOS, which is posted on the security property and recorded with the county recorder where the property is located. The NOS, when posted and recorded, begins a minimum 20-day period before the date of the sale can be scheduled at a specific time in an identified public place within the county or the judicial district in which the sale is to take place.

Promissory Note: A written agreement obligating the homeowner to repay the amounts loaned by the lender/investor (the holder of the promissory note). It is also the evidence of the amount of loan (debt) owed by the homeowner to the lender/investor.

Purchase Money Loan: A mortgage on a dwelling for not more than four families given to a lender to secure repayment of a loan that was used to pay all or part of the purchase price of the home, occupied entirely or in part by the purchaser. A non-purchase money loan is a mortgage loan obtained to refinance or to add additional loans to the home and not for the purchase of the home.

Real Estate Owned (REO): A property owned by a lender acquired through a foreclosure sale.

Redemption Period: The period of time beginning five days before and continuing to the date of the scheduled foreclosure sale, or the postponed date of the sale, during which time the homeowner is entitled to stop the foreclosure by paying in full the balance owing to the lender in accordance with the terms of the mortgage loan.

Reinstatement or Cure Period: The time provided to the homeowner to pay the delinquent sums owing to the lender as well as any curable non-monetary defaults to stop the foreclosure sale (to cure the defaults and reinstate the mortgage loan). The reinstatement or cure period begins with the recording of the NOD and continues for a minimum of three months prior to and includes the time following the recording of the NOS up to five days before the date of the scheduled foreclosure sale or the properly postponed date of the sale. Upon reinstatement or cure, the lender is to record a notice rescinding the NOD.

Servicing Agent: The lender or its authorized and licensed agent (unless exempt from licensure) retaining loan servicing (the right and obligation to continue to collect the mortgage loan payments). The lender, either the original or assignee of the lender (the holder of the promissory note), following the sale of the mortgage loan. For the purposes of this booklet, the phrase lender or its servicing agent includes the assignee of the lender and the authorized representative or agent servicing the loan.

Short Sale: A sale of a home where the purchase price is less than the total amount of the balances due and owing on mortgage loans and other liens recorded against the title of the home (the security property).

Trustee: A person initially named or substituted in the place of the person identified in the deed of trust. The trustee is the person authorized by the lender and the homeowner to proceed with the privately-held but publicly-conducted non-judicial foreclosure sale (in the event of the failure to timely make the mortgage loan payments or to otherwise comply with the terms of the mortgage loan).

Underbid: When the amount demanded at the foreclosure sale by the trustee pursuant to the instruction of the lender or its servicing agent is less than the total debt (the full balance due and payable) owed by the homeowner to the lender or an assignee of the lender.

Upside Down: When the value of the home is less than the full balances due and payable to the lenders pursuant to the mortgage loans or liens recorded against the home (the security property).

Waste: An intentional or unintentional act of a borrower of a mortgage loan that results in physical damage or injury to the property described in the deed of trust. A homeowner may be liable for any waste of the property created or suffered during the period of ownership.

NOTES: In this booklet, the terms "borrower" and "homeowner" are interchangeable and the terms "property," "security property," or "home" are also interchangeable. In addition, the phrases "promissory note" and "deed of trust" also mean the "mortgage loan."

Facing Foreclosure

Should you face the possibility of foreclosure, you are not alone. Foreclosure is not a personal attack on you or your home. Thousands of financially distressed homeowners face similar circumstances. Processing a high number of homeowner defaults (including foreclosures) has been overwhelming to lenders and their servicing agents. When homeowners are unable or unwilling to repay their mortgage loans, lenders take action to limit their losses and to recover the balance owed.

Typically, the most effective way to avoid losses is to keep the homeowner in the home. As a result, lenders and their servicing agents may be willing to help struggling homeowners avoid foreclosure by addressing their mortgage loan delinquencies. The federal government and the State of California each have rules and regulations which can be helpful to homeowners in addressing mortgage loan issues including modification of the loan terms or cooperating in achieving a short sale.

It is important to have a general understanding of the foreclosure procedure so that you are informed and are able to identify your rights and options. With this information, you can take a proactive role in finding the best possible solution for your mortgage loan situation.

The Foreclosure Procedure

Event 1: Missing a Single Payment

The foreclosure procedure may begin once you are 120 days delinquent on mortgage payments (a delinquency) of a consumer loan. This time can be used to explore loss mitigation options. It is recommended the homeowners work with an experienced attorney for advice and a real estate licensee for negotiations during this time to ensure the option they agree to benefit their current situation.

When borrowers miss even one monthly mortgage payment, they should start talking to their lender or its servicing agent – before a large amount is outstanding and owing on the mortgage loan. When the lender becomes aware of the homeowner's financial situation, it may try to offer a solution or assist the homeowner in some way. Lenders and their servicing agents are often more understanding with a homeowner who is upfront and deals with the issue than one who has defaulted and fails to communicate with the lender or servicing agent. This is because it is often more beneficial for the lender to assist homeowners or help them to sell the security property than have a repossessed property the lender has to sell itself.

In some instances, homeowners (who failed to make monthly mortgage loan payments or who anticipate the inability to make such payments) have a very hard time contacting their lender or its servicing agent. The California Homeowner Bill of Rights (HBOR) is a set of laws that provide protections to homeowners who are facing foreclosure. It became law on January 1, 2013, with many sections renewed and modified as of January 1, 2019 and August 31, 2020.

The HBOR applies to homeowners who occupy a one to four dwelling unit home or a landlord who owns no more than three residential real properties, or one or more landlords who together own no more than three residential real properties and their tenant is unable to pay rent due to a reduction in income resulting from the novel coronavirus. If the HBOR applies, the lender is required to exercise due diligence to contact the homeowner(s) before commencing foreclosure. The advance contact is to provide the homeowner with information regarding the alternatives or options that may be available to avoid foreclosure, including referring the homeowner to independent counseling services (who are often HUD approved).

Event 2: Notice of Default (NOD)

If you and your lender or its servicing agent cannot agree on alternative mortgage loan terms to avoid foreclosure (a modification or restructuring), your lender or your servicing agent can direct the trustee to record a NOD against your home *provided you have been contacted a minimum of 30 days in advance of the recording in the manner referred to in Event 1.* If a complete loss mitigation application is submitted before the lender or its servicing agent has made the first filing to initiate foreclosure, the foreclosure process is automatically stayed unless: (1) the lender or its servicing agent informs the borrower that she is not eligible for any loss mitigation option; (2) appeals to the former have been exhausted; (3) the borrower has rejected every loss mitigation offer provided by the lender or its servicing agent; or (4) the borrower is unable to comply with the terms of the agreed-upon loss mitigation option (collectively, the "Loss Mitigation Stay Process").The NOD may be recorded if you have not submitted a complete application for a first loan modification offered by or through the lender or its servicing agent, or if you have submitted a complete loan application and a final written decision denying your eligibility for a modification has been issued. The recording of the NOD officially begins the foreclosure procedure. You will receive a copy of the NOD by certified postage prepaid mail.

Whether a lender can issue a NOD is dependent upon a "power of sale" clause included within the terms of your mortgage loan. California mortgages and deeds of trust generally include power of sale clauses which contractually authorize lenders or their servicing agents to cause the foreclosure of defaulted loans and to sell the security properties to recover the balances owing on the mortgage loans and otherwise seek to limit their losses (if any).

"Power of sale" clauses granting authority to the named or substituted trustee to foreclose the security property upon the instruction of the lender are governed by California's procedural law arising from the contract between lenders and homeowners (the mortgage or deed of trust). Lenders generally do not require court supervision and approval for non-judicial foreclosure sales and, therefore, are able to proceed quickly with state-mandated timelines (included within the procedural law) to complete the foreclosure process.

In the event a mortgage or a deed of trust does not include a "power of sale" clause, a lender will sue the defaulting homeowner to obtain a court-ordered judicial foreclosure. In the past, California lenders rarely pursued judicial foreclosures except in connection with non-purchase money loans funded by financial depository institutions or lenders licensed under a lending law (institutional lenders), or by private investors/lenders (whose loan documents typically are not as detailed and comprehensive as those prepared by institutional lenders).

The suit to judicially foreclose may include a claim for a "deficiency judgment" under which the homeowner may be subject to a claim for the shortage of money (if any) between the security property's fair market value and the balance of the loan. Deficiency judgments are not permitted when the mortgage loan on your home meets the definition of a purchase money loan (e.g., a loan made by the lender at the time you purchased and agreed to occupy your home) and also are not permitted when a non-judicial foreclosure occurs of your mortgage loan.

Deficiency judgments are not permitted (except for the amount of new principal advanced) even when the loan was made for the purpose of refinancing the purchase money loan taken out at the time you acquired your home. Judicial foreclosures take longer and cost more money than non-judicial foreclosures. Since the availability of deficiency judgments have been restructured under current law, the decision by the lender or its servicing agent to pursue a non-judicial or judicial foreclosure will, in the future, be carefully considered.

California is a "one-action" rule state wherein the lender must carefully choose which single action it will take against the defaulting homeowner. Should the lender conclude a non-judicial foreclosure out of court under the authority of the "power of sale" clause, the lender has elected the non-judicial foreclosure procedure as its remedy to foreclose the homeowner's interest in the security property.

Should the non-judicial foreclosure sale result in an amount to be paid to the lender less than the money owed on the loan, the lender is prohibited from suing the homeowner for a deficiency judgment on the mortgage, but may still be able to file an action in court for fraud or to make a claim against a guarantor. While the non-judicial foreclosure sale does not constitute a form of action limiting other available judicial remedies under the "one form of action" rule, bidding on the property at the time of the non-judicial foreclosure sale waives most claims against the homeowner (excepting fraud which may be subject to dollar limits or claims for waste), or claims against third parties.

To protect itself from such a shortfall, a lender will often credit bid the outstanding balance it is owed with the hope a third party will outbid the lender and, as a result, the lender can "walk away" with full payment in cash of the debt represented by the mortgage loan. When the lender is the successful bidder (in the absence of a third-party bidder), the security property becomes known as a lender-held REO (Real Estate Owned), which it then hopes to sell on the open real estate market.

This booklet does not address the entire range of complexity relating to judicial foreclosures because they are infrequent. When facing a judicial foreclosure, you should consult with an attorney familiar with foreclosures of mortgage loans.

After your lender or its servicing agent directs the trustee to record the NOD, an initial minimum three-month period is required to provide you with the opportunity to cure the default and reinstate your mortgage loan by bringing current your delinquent payments. Should your lender be a financial depository institution or a lender licensed under a lending law, you are to be offered the option of continuing to negotiate with your lender or its servicing agent a modification or restructuring of your mortgage loan. It may be possible to arrange with your lender or its servicing agent for a delay in making the delinquent payments (forbearance).

Should you neither cure the default and reinstate your mortgage loan nor commence negotiations with the lender or its servicing agent, you will know the time is running within 10 business days of the recording of the NOD. The trustee must timely mail to you a copy of the NOD within the required 10 days, and you will be informed of the date when the filing or recording of the NOD occurred. You will also be sent a follow up copy of the NOD again within 30 days. The IRS will also receive the NOS at least 25 days before any sale can be set by the trustee.

Event 3: End of the Initial Three-Month Reinstatement or Cure Period

When the initial three-month reinstatement or cure period ends, your lender or its servicing agent can move forward and direct the trustee to schedule the foreclosure sale of your home. By now, it is important to consider the possibility of relocating in anticipation of your lender or its servicing agent requiring you to move from your home after the foreclosure sale and the eviction process is completed. Some lenders

may offer you the opportunity to remain in your home following the foreclosure sale on a mutually acceptable basis. For example, the lender or its servicing agent may ask you to stay in the home for the payment of market rent.

Event 4: Delay of Notice of Sale

Prior to the lender or servicing agent preparing and recording a notice of sale (NOS), the three month reinstatement or cure period following the recording of the NOD must have been completed. Under state law, the lender or servicing agent is required to accomplish certain predicates pursuant to the HBOR.

Federal law requires additional predicate steps to be accomplished including completing a loss mitigation process. Should the homeowner prepare and deliver a loss mitigation application after the NOD has been recorded, the recording of a NOS and the scheduling of a foreclosure sale may be delayed. For example, the loss mitigation example must be completed 37 servicing days or more before the foreclosure sale.

Event 5: Notice of Sale (NOS)

Upon completion of Events 1-4 above, your lender or its servicing agent can direct the trustee to prepare a NOS to notice and schedule a foreclosure sale. The trustee will record the NOS at least 21 days prior to the scheduled sale, post your home with a copy of the NOS, and publish the NOS in an authorized newspaper of general circulation in the jurisdiction where the foreclosure sale is to occur. The NOS usually is published about 20 days prior to the scheduled date for the sale of your home and runs for three consecutive weeks. The NOS is also sent to you as the homeowner and all other entitled persons.

It is possible the NOD was recorded against your home prior to the effective date of the California law establishing the requirement to delay the recording of the NOD until 30 days after contact is made with you or after satisfying due diligence requirements to make contact with you (demonstrate a good faith effort).

These required contacts or good faith efforts to make contact put many homeowners in direct communication with their lender or its servicing agent early in or during the foreclosure procedure. Time and energy that was once wasted tracking down your lender or its servicing agent (or the appropriate member of their staffs) can now be invested in negotiating monthly mortgage loan payments that you can afford and that are acceptable to your lender (modifying or restructuring your mortgage loan). You should continue to negotiate with your mortgage lender or its servicing agent up until the scheduled date of the foreclosure sale or the date of the postponed sale. You should not prematurely move out of your home, particularly when you are continuing to negotiate with your lender or its servicing agent.

You have a right of reinstatement or to cure which is valid until five days prior to the scheduled sale or the date of the postponed sale. On the fifth day prior to the sale, your right to reinstate the debt and cure the default expires. Thereafter, you are entitled to redeem the debt by paying in full the balance due and owing to the lender as described in the NOS. Should you not redeem prior to the date and time of the noticed or postponed foreclosure sale, your home can be sold to the highest bidder.

Event 6: Foreclosure Sale

When your home sells at the foreclosure sale, the lender or its servicing agent may elect to accept the sale proceeds as payment in full whether the amount received from the third-party bidder represents the full balance due and owing to the lender. Should there be no third-party bidder and the lender elects to open the bid at an amount equal to the full balance due and owing, this is known as a "full credit" bid which will discharge in full your debt to the lender. Should your lender or its servicing agent elect to "underbid" (direct the trustee to open the bidding in an amount that represents a specified partial payment of the debt owing under your defaulted mortgage loan), the successful bidder may be able to purchase your home for less than the full balance due and owing to your lender at the time of the foreclosure sale.

Lenders or their servicing agents may elect to "underbid" if they believe waste, physical damage or injury to the property described in the deed of trust, occurred due to the borrower's bad faith. In these situations, a "civil suit for waste" may be filed against you.

It is worth noting again that when a lender forecloses based on a default on the mortgage loan used to buy your home (a purchase money loan), the lender may not obtain a deficiency judgment against you if proceeds from the non-judicial foreclosure sale are insufficient to cover the full balance due and owing to the lender. In some circumstances, a lender may obtain a deficiency judgment against you on non-purchase money loans secured by your home, such as an equity line of credit, or a mortgage loan obtained to refinance your purchase money loan to the extent additional loan funds are advanced to you.

For more information on your rights and the lender's ability to collect money from you (whether in the form of a deficiency judgment or a civil suit for waste) when your home sells at a foreclosure sale for less than what is owed to the lender, contact an attorney familiar with California and applicable federal foreclosure law.

The homeowner also has a right of redemption (to redeem the full balance due and owing to the lender) prior to the date and time of the noticed or postponed non-judicial foreclosure sale. In a judicial foreclosure sale, the right of redemption can only be exercised by a defaulting homeowner after the home is sold through a court ordered and supervised sale. No redemption rights are available to the homeowner after the security property is foreclosed at a non-judicial foreclosure sale.

In a judicial foreclosure sale, the right of redemption essentially means to repurchase your home from the buyer by paying in full the price paid (not the defaulted loan amount). To redeem your home, you must pay the new owner the amount paid for your home at the judicial foreclosure sale plus interest until payment in full is tendered.

When no deficiency exists to pay off the loan at the judicial foreclosure sale, your redemption right will extend for a period of three months. If, however, a deficiency judgment was awarded by the court and recorded as a lien naming you as the judgment debtor, your redemption right as the former homeowner will extend up to a one year period following the judicial foreclosure sale.

Assuming the lender foreclosed in a judicial action in court, then within this one year period you will be given the opportunity to pay the deficiency judgment awarded to the lender and to redeem your home from the new owner by paying the purchase price plus interest as previously described. During the redemption period (whether extended for three months or one year), the new owner who purchased your home at the judicial foreclosure sale does not enjoy full ownership rights and may have the purchase at the judicial foreclosure sale set aside in favor of your redemption rights as the former homeowner.

Now that you have a better understanding of foreclosure procedures, it is time to consider what foreclosure costs you and your lender or its servicing agent may incur. Most of the time, homeowners make their monthly mortgage loan payments as scheduled. For various reasons, it may become impossible to timely make your mortgage loan payments. As a result, the homeowner, the lender, and the community where your home is located each lose out in a variety of ways.

What do Homeowners Lose through Foreclosure?

Example: Kent and Ellie Myers were barely able to make the monthly payments of their ARM, particularly with the unexpected increase in the payment amount after adjustment of the interest rate. The Myers knew their mortgage loan was an ARM, but expected that interest rates would remain low. Kent then suffered an injury at work, lowering the family's income. Following the injury, the Myers could not fully cover their general family and Kent's medical expenses, as well as their mortgage loan payments.

After missing a mortgage loan payment, they received a telephone call from their lender or its servicing agent. Kent and Ellie could not negotiate a modification or restructuring of their mortgage loan. The trustee recorded a NOD against the title to their home a month following contact with Kent and Ellie by their lender or its servicing agent.

What do Kent and Ellie Stand to Lose?

The most visible impact of foreclosure is the loss of Kent's and Ellie's home and any equity in the home. Following the foreclosure sale, the Myers will likely be required to move out of their home (an eviction) and find a new place to live.

Foreclosures Carry Significant Financial Impact for Homeowners

The significant impacts for homeowners include the loss of Down Payment, Mortgage Loan Payments, and of the Equity in the home.

Through foreclosure, homeowners lose the down payment made at the time of purchase and the mortgage loan payments they made during the ownership of their home. Homeowners also lose the amount of any appreciation in market value that may have occurred since they purchased their home.

Prior mortgage loan payments, property taxes, insurance premiums, and monies spent on home maintenance are not entirely lost. Some of these payments were deductible on income tax returns, and the payments represent consideration for the occupancy of the home (even though the collective payments are often in excess of the market rent for your home for the same period).

When homeowners lose their home, future growth and equity will also be lost as home values typically increase over time.

The Myers' Credit Rating

The Myers' credit reports will reflect the foreclosure sale. Foreclosures will lower credit scores, damaging the Myers' credit rating. Many lenders will not extend credit to homeowners within five, or as long as seven years following a foreclosure sale. For example, FHA will generally not insure a new mortgage loan for three years following a foreclosure sale reported as part of the homeowner's credit record. A "foreclosed on" homeowner may not be able to obtain another mortgage loan for several years.

The Myers' Community

Moving to a new home often means moving away from friends and neighbors and from familiar places (e.g., schools, public libraries, parks, grocery stores, coffee shops, banks). Commuting distances may increase after the move. In addition, a number of foreclosed and vacant homes in a neighborhood of a community typically diminishes the appearance of the neighborhood, may cause property values to decline and reduces local property tax revenues.

The Myers' Peace of Mind

The drastic changes following a foreclosure sale can result in a physical, emotional, and psychological toll on homeowners and their families. Clearly, homeowners have a huge incentive to avoid foreclosure.

What do Lenders Stand to Lose through Foreclosure?

Time Delay and the Costs Incurred by the Lender

The foreclosure procedure takes several months to complete. During that time, the lender is affected in various ways:

- The lender may not receive interest income on its investment (the mortgage loan).
- The lender may not receive payments of the principal due that could have been reinvested elsewhere.
- Because the lender must comply with applicable city and county ordinances that impose appearance and condition standards on vacant properties (e.g., keeping the yard free of trash and weeds, securing and maintaining the home), the lender could be subject to fines for failure to comply.

- Regardless of local ordinances, a lender typically incurs a variety of expenses (e.g., insurance, essential repairs, maintenance, property taxes, and management fees).

- The lender may face atypical financial and management problems often associated with owning vacant homes (e.g., trespassing, theft, vandalism).

- Because the lender may be subject to the corporate business problem of owning too many REOs, including substantial increases in their capital reserve requirements (as imposed by government regulators), the lender's ability to make new mortgage loans may be limited.

- If the REO is placed in the rental market to provide some income, renting of the property will not alter the increased capital reserve requirements, and additional capital is typically necessary to make the home suitable for rental occupancy (e.g., cleaned, repaired, managed).

- If the REO is placed on the market for sale, real estate brokers will generally be hired and paid compensation (adding to the amount of the selling costs increasing the lender's loss).

- The lender may lose money when a foreclosed home is sold at exceptionally low prices (often much less than the amounts represented by the homeowner's unpaid mortgage loan, the costs of foreclosure, and the costs of selling the property).

The final sales price will determine the ultimate total loss absorbed by the lender because of the foreclosure and the subsequent sale of the REO. Lenders clearly do not want to lose money or be in the business of owning and managing vacant homes and typically have just as much of an incentive as homeowners to avoid foreclosure.

Possible Alternatives or Options to Foreclosure

Since homeowners and lenders or their servicing agents have substantial incentives to avoid foreclosure, it is important they work together to develop alternative solutions.

Homeowners may pursue a number of possible alternatives to foreclosure and should take the initiative to do so. Because not all alternatives or options are appropriate for every homeowner, you need to decide which solution might be best for your particular circumstances. There are several possible alternatives or options.

A. Modify or restructure the terms and payment schedule of your existing mortgage loan.
B. Refinance and pay off your loan through a new loan with better terms.
C. Sell your home and access the available equity.
D. Pursue a short sale.
E. Rent out your home.
F. Share the cost with a boarder.
G. Offer a deed-in-lieu to your lender or its servicing agent.

Visit www.hud.gov or call 1-800-569-4287 for information about free, HUD-approved housing counseling services.

Modify or Restructure the Terms and Payment Schedule of Your Existing Mortgage Loan

For most homeowners, modifying or restructuring their current mortgage loan is a better alternative to foreclosure. At the homeowner's request, the lender or its servicing agent may agree to modify the original mortgage loan and adjust its terms in many ways.

To effectively modify or restructure your monthly mortgage loan payments that are within your budget, negotiations with your lender or its servicing agent will be necessary. Your negotiating strength is that the lender will typically lose less money by working with you to modify or restructure your mortgage loan than will be lost by foreclosing on your home.

Steps to modify or restructure your current home loan include:

Contact Your Lender or its Servicing Agent.

Homeowners have had a difficult time contacting their lender or its servicing agent. Mortgage loans are often pooled together and sold to assignees that designate servicing agents to collect mortgage loan payments (some of which are located out of California). These servicing agents are often not the lenders or the assignees of the lenders, but may represent the only means of contacting a person authorized to act for your lender.

By calling the number of the servicing agent listed on your monthly mortgage loan statement, you should be able to make contact with the person assigned by the lender or its servicing agent to negotiate with you on the lender's behalf.

Regardless of when you obtained your mortgage loan, your lender or its servicing agent is required to contact you in person or by telephone (or show that a good faith effort has been made to do so). This contact is to occur at least 30 days before your lender or its servicing agent directs the trustee to record a NOD. However, you do not need to wait. You should contact your lender or its servicing agent even before you miss a single monthly mortgage loan payment.

The lender or its servicing agent is obligated to contact you to explore alternatives or options to avoid foreclosure (or must list the good faith efforts made to contact you) prior to recording the Notice of Default (NOD). A statement in the form of a declaration is to be included with the NOD that either contact was made with you or describing the good faith efforts to make contact with you.

Some homeowners prefer to take the initiative to begin negotiations with the lender or its servicing agent. The earlier you contact your lender or its servicing agent, the stronger your negotiating position will likely be.

Whether you contact the lender or its servicing agent, or they contact you, the purpose of this initial contact is to set up a telephone discussion or meeting where both parties can assess your financial condition with the goal of finding a monthly mortgage loan payment which you can afford and your lender or its servicing agent can accept.

When you contact your lender or its servicing agent, make sure to have the following information available:

- Your name;
- Address;
- Telephone number;
- Email address;
- Name and address of the servicing agent where you mail your monthly mortgage loan payment;
- The mortgage loan number;
- Your current income;
- A list of monthly expenses;
- Reason for the mortgage loan payment delinquency(ies);
- Whether you are in bankruptcy proceedings, you will need to know your case number and attorney to inform the lender or its servicing agent of these facts and with whom their future communication should occur; and
- Whether your home is currently owner-occupied.

Prepare Your Proposed Solution

To negotiate a modified or restructured mortgage loan arrangement, you will need to provide your lender or its servicing agent with enough financial information to verify the monthly mortgage loan payment you can reasonably afford. Your proposed solution needs to include a financial statement reflecting all sources of household income and your overall economic situation. Based on your income, your lender or its servicing agent will apply general guidelines to determine what you can afford.

Make sure to include documentation (a paycheck stub or bank statements showing electronic deposits) to verify your income.

Your Lender or its Servicing Agent Will Want to Support Their Decision to Modify

Most lenders and servicing agents understand if you cannot make your monthly mortgage loan payments, you likely will not make the modified payments. This gives your lender or its servicing agent an incentive to work with you to find a monthly mortgage loan payment which makes sense for both you and the lender. At the same time, the lender and its servicing agents want to avoid situations where homeowners take advantage of them. Finally, in some instances a loan modification is not possible. For example, a lender is not likely to agree to a loan modification if your income is not sufficient to support the modified loan terms. It is unfortunate, but in some cases foreclosure may be the only option.

Understand What Your Lender or its Servicing Agent Can Reasonably Offer

Lenders and their servicing agents generally have the knowledge and skill to create different mortgage loan solutions. Homeowners should ask questions and get understandable answers regarding the proposed modified or restructured mortgage loan terms. Counseling services are also a resource of mortgage loan information available to homeowners.

Lenders and their servicing agents can modify mortgage loan payments in several different ways. For example, your lender or its servicing agent may be able to:

- Extend the term (length in years) of your mortgage loan which can slightly lower the monthly mortgage loan payment;
- Reduce the interest rate of your mortgage loan or convert the adjustable rate into a fixed rate;
- Reduce the principal amount of your mortgage loan;
- Change your monthly mortgage loan payment, lowering it now and increasing it later when your economic status (income) expects to improve;
- Adjust your mortgage loan to a lower principal amount at a reasonable interest rate with lower monthly mortgage loan payments; or
- Modify or restructure the mortgage in any combination of the above to achieve the desired mortgage loan payments and mortgage loan terms.

A prepared homeowner might persuade a lender or its servicing agent to adjust the mortgage loan payments. The costs of foreclosure in a depressed market could produce a greater loss to the lender than modifying or restructuring the mortgage loan.

You should consult your attorney, CPA, or a professional tax advisor to determine whether a reduction in the principal loan amount owing on your mortgage loan remains exempt from being reported as taxable income. See, IRS Publication 525 and IRS Form 982 for more information.

The State of California has modified its tax code to coincide with the federal tax law; thus, debt forgiveness may or may not result in a taxable event under California law depending on the date of the foreclosure. You should contact the California Franchise Tax Board (www.ftb.ca.gov), an attorney, CPA, or a professional tax advisor for more information.

Refinance: Pay Off Your Loan with a New Loan on Better Terms

Depending on market interest rates, operative lending practices, your credit rating, and the current market value of and equity you have in your home, you may be able to obtain an entirely new mortgage loan on your home with which to pay off your existing delinquent mortgage loan. It is recommended that efforts to refinance occur prior to your existing lender recording a NOD.

Refinance Quick Tips

To explore the possibilities of refinancing, you can use the services of a licensed real estate broker acting as a mortgage broker familiar with current lending practices who is authorized by a FHA approved mortgagee (to whom the mortgage broker delivers loans for funding).

The FHA approved mortgagee (which will likely also be an approved seller/servicer by Fannie Mae and Freddie Mac) will be familiar with FHA insured loans or loans meeting the standards for sale to Fannie Mae and Freddie Mac. You may also directly contact lenders that are FHA approved mortgagees or Fannie Mae and Freddie Mac approved sellers/servicers.

Pursue a Short Sale

Through a short sale, the homeowner typically hires a real estate broker to find a buyer to purchase the home for its current market value, even if that value is less than the homeowner's unpaid mortgage loan balance (the full amount due and payable to the lender). The homeowner asks the lender to accept the final sales price amount as full payment of the mortgage loan because the price to be paid by the buyer is consistent with the current market value of the home and, therefore, more than the lender would likely receive if the home were sold in foreclosure.

By accepting a short sale, the lender or its servicing agent saves all of the costs of foreclosure and avoids the risk of receiving a lower offer through the foreclosure sale or of the property decreasing in market value prior to the foreclosure sale. Additionally, the California legislature has eliminated in most cases the lender's ability to obtain a money judgment for claims for deficiency following a short sale of an owner- occupied home.

Short Sale - Quick Tips

- Because it takes time for a real estate broker to find an appropriate buyer, you should proceed to negotiate the terms of a short sale with your lender or its servicing agent before the lender records the NOD. However, some lenders or their servicing agents will decline

to negotiate a short sale until a qualified buyer makes a specific offer. After recording the NOD, your lender or its servicing agent may pursue foreclosure regardless of your desire to find a buyer to complete a short sale.

- The sale price of your home should take into account the compensation payable to your broker, as well as selling costs and expenses including title insurance premiums (if chargeable to the seller), escrow fees, recording and notary fees, pro-rations of property taxes, and property insurance premiums. You should look for a licensed real estate broker with short sale experience. When reported by the lender or its servicing agent to a national credit repository, participation in a short sale is noted in your credit files, but it likely will be less damaging to your credit standing than a foreclosure.

- Before agreeing to a short sale, you should get in writing whether the lender intends to forgive the entire debt represented by your mortgage loan. Debt forgiveness may lead to a taxable event (see discussion on "Understand What Your Lender or its Servicing Agent Can Reasonably Offer") - or whether the lender intends to retain its rights to pursue civil action to collect the deficiency, unless prohibited by applicable California law.

Sell Your Home to Access the Available Equity

This option involves selling your present home. However, unlike the short sale, this alternative is only feasible for homeowners who still have equity in their home. Be aware that some home equity purchasers have subjected homeowners whose residences are in foreclosure (subject to an active NOD) to fraud, deception, and unfair dealing. (Equity purchasers are persons who acquire homes in foreclosure as an investment and not for occupying as a homeowner.) Purchase and sales transactions between an equity purchaser and a homeowner, whose home is subject to an active NOD, are subject to specific provisions of California law.

Requirements of this law include standards for the contents of the contract between the equity purchaser and the homeowner. The contract must contain the entire agreement of the parties and is to include (among others) the following terms:

- The name, business address, and the telephone number of the Home Equity Purchaser;
- The address of the home in foreclosure (subject to an active Notice of Default or Trustee Sale);
- The total consideration purchase price to be paid by the Home Equity Purchaser in connection with or incident to the sale;
- A complete description of the terms of how the Home Equity Purchaser will pay for your home, other consideration including, but not limited to, any services of any nature which the Home Equity Purchaser represents he or she will perform for you before or after the foreclosure sale;
- The time in which possession is to be transferred to the Home Equity Purchaser;
- The terms of any rental agreement;
- Proper notice of your right to cancel with an equity purchaser. The right to cancel expires at midnight of the fifth business day following the day on which you signed a contract or 8 a.m. on the day scheduled for the sale of the property pursuant to a power of sale conferred in a deed of trust, whichever occurs first.The required format for the notice can be found in Sections 1695.3 and 1695.5 of the California Civil Code.

The homeowner is entitled to a right of cancellation, and the purchase and sale transaction cannot be concluded and no loan may be imposed on your home by the equity purchaser (or at the request of the equity purchaser) until the cancellation period has expired. Further, the homeowner is not to receive any consideration for their equity until the cancellation period expires. If the homeowner elects to cancel, the original contract or any other document (instrument) the homeowner signed must be returned to the homeowner without any condition being imposed by the equity purchaser.

When the homeowner elects to cancel, the homeowner is to detach, complete and deliver the document entitled Notice of Cancellation, which must include the date the equity seller executed the contract. The homeowner must cause the Notice of Cancellation to be delivered to the equity purchaser.

Equity purchasers also are prohibited from making untrue or misleading statements regarding the market value of your home, the amount of net proceeds you will likely receive (if any) after the sale, any contractual term (including your rights or obligations incident to or arising out of the proposed purchase and sale transaction), the nature of any document (instrument) which the equity purchaser requests or induces you to sign, or any other issue relating to the sale of the home. It is unlawful for any person (including an equity purchaser) to initiate, enter into, negotiate, or complete any purchase or sale transaction involving a home in foreclosure (subject to an active NOD), if such person, by the terms of such transaction, takes unconscionable (inappropriate and unacceptable) advantage of you.

As part of the proposed purchase and sales transaction, some equity purchasers will offer you the opportunity (an option) to repurchase your home at some future date. The equity purchaser will demand that title to the property be conveyed (transferred) to the purchaser but that you may stay in occupancy as a tenant and at a future time exercise an option to repurchase. Such purchase and sales transactions are presumed to be a mortgage loan rather than a sale of the home, unless the equity purchaser can prove otherwise (which will be difficult to do), and should not be agreed to without the advice of an attorney.

Applicable California law is intended to protect you from unethical and unscrupulous equity purchasers who are acquiring your home when it is subject to an active NOD. Even if your home is not subject to an active NOD, you may need protection when considering a purchase and sales transaction with a buyer seeking to purchase the equity in your home. As you can see from this brief discussion, the law is complex and homeowners would benefit from the advice of an attorney prior to proceeding with these contemplated transactions.

Selling Your Equity - Quick Tips

- Whether selling your home to an equity purchaser, or a buyer to occupy, hiring a licensed real estate broker to solicit for buyers and to perform other services requiring a license can be helpful.
- Without professional advice, you may be uninformed about the fair market value of your home – this could expose you to unethical business practices.
- A real estate broker (active in your neighborhood and community) or an independent fee appraiser can assist you in estimating the current fair market value of your home.
- In California, licensed public escrows, title insurance companies, and underwritten title companies, among others who either are licensed or expressly exempt from licensing, are authorized to perform escrow services. These services include paying off your

existing lender as part of the purchase and sales transaction. Avoid private transactions where a request/demand is made by the buyer for you to sign papers in exchange for a cash payment (particularly without the use of an independent, third-party escrow agent).

- Unethical persons often attempt to persuade homeowners to complete informal transactions which provide “instant cash” or will offer to buy the homeowner’s equity using what the buyer describes as a “contract of sale,” or an “installment land contract of sale.” This transaction could ultimately result in financial and legal grief. Transactions for cash to purchase your home by a buyer (including an entity, often a LLC or a corporation) in the business of acquiring homes in foreclosure also require advance review by your real estate attorney. Advice from an attorney is recommended before entering into a “contract of sale” (a contract where title remains in your name and the deed is delivered at some later date to the buyer/purchaser).

- In typical purchase and sales transactions, the buyer will intend to reside in the property. Your real estate broker needs time to find such a buyer for your home. Begin the marketing of your home as early as possible. You should keep your monthly mortgage loan payments current during this period.

- As long as this transaction involves a complete payoff to your lender or its servicing agent of your mortgage loan, it is not a short sale. The prior permission of the lender or its servicing agent is not necessary. A prepayment penalty may be part of the terms of your mortgage loan resulting in an extra fee if you pay off your mortgage loan early. You can attempt to negotiate with your lender or its servicing agent to waive this fee. Some prepayment penalties are contrary to applicable law, and a real estate attorney can assist you in this situation.

Rent Your Home

Sometimes homeowners choose to move to another less expensive residence (like an apartment or a smaller home) and rent their home to a third party. The rental income combined with the cost savings on the new residence may be enough to keep mortgage loan payments current. When the real estate market improves, these homeowners can return to or sell their home.

This option can be effective even when there is a negative cash flow (the rental income from your former home might be less than its monthly mortgage loan payment), especially if the home is well located, in good condition, and likely to rise in market value (as the real estate market generally does improve over time, when taking into consideration long sample periods).

Renting Out - Quick Tips

- Renting your home requires some knowledge of property management. This knowledge includes using required documentation and understanding how to obtain credit standing and personal references on tenant applicants. You should contact a licensed real estate broker specializing in managing home rentals.
- You should interview real estate brokers with property management experience in your neighborhood and community.
- You should check the Department of Real Estate's (DRE) website to learn of the license status of the real estate brokers you are considering. Go to www.dre.ca.gov, and then click on the link to "Verify a Real Estate License."

- When searching for another place to live, consider living reasonably close to the home you rent out. This makes personal management of your home much easier (e.g., maintaining your yard, collecting rent, hiring workers or contractors to maintain or repair your home).

Share the Cost with a Boarder

Depending on the floor plan of your home and its amenities, consider renting a part of your home to earn extra income. This income might be enough to keep your mortgage loan payment from becoming delinquent. Even if the extra income is not quite enough, the fact that you have a boarder will be helpful when showing your lender or its servicing agent how serious you are about saving your home and might encourage your lender or its servicing agent to extend concessions to you.

Sharing the Cost - Quick Tips

- Make sure the zoning, and the conditions, covenants, and restrictions ("CC&R's") in your community allow boarders, or you may be subject to enforcement actions by your local government or your homeowner's association.
- Renting space in your own home to a stranger should be carefully considered. You will need documentation and the help of a real estate attorney who is knowledgeable in residential leases or occupancy agreements.

Offer a "Deed-in-Lieu" to Your Lender Rather Than Proceed with a Foreclosure Sale

Also known as a "friendly foreclosure," a deed-in-lieu takes place when a homeowner voluntarily gives the foreclosing lender or its servicing agent a deed to the home. This transaction may include, but does not necessarily require, moving out of your home. A deed-in- lieu provides the lender ownership without the delay and expense of a foreclosure sale.

Homeowners may benefit from this alternative as a deed-in-lieu transaction may carry less credit stigma than a foreclosure or a short sale, and the lender or its servicing agent may respond to a proactive homeowner with a cash payment to assist in relocating. While some lenders will not report a deed-in-lieu transaction, this instrument when recorded will be reported as part of the record unlike a deed to convey title in a transaction resulting in a short sale. If a short sale is reported by your lender or its servicing agent to a national credit repository, a negative impact on your credit rating may result.

Certain lenders or their servicing agents will not accept a deed-in- lieu if other liens or claims exist against your home. A foreclosure sale typically creates a "clean" title extinguishing other claims and liens recorded junior to your mortgage loan while a deed-in-lieu will not. Lenders or their servicing agents rely on title company records and title insurance coverage to protect against other liens or claims. Obtaining title insurance coverage may result in lenders or their servicing agents accepting a deed-in-lieu. The lender owns your home after recording the deed-in-lieu and, as with a typical sale, a short sale, or a foreclosure sale, you must move out, unless you become the tenant of the lender or new owner.

Understanding the Homeowner Bill of Rights

The "Homeowner's Bill of Rights" (HBOR) applies to owner occupants and some landlords who do not own more than three residential properties who's tenant is unable to pay rent due to a reduction in income resulting from the novel coronavirus. The provisions that protects landords expire on January 1, 2023. HBOR does not apply to junior liens and encumbrances (mortgage loans recorded in junior priority) and does not apply to mortgage loans specifically exempted therefrom such as home equity lines of credit (HELOCs). Importantly, several sections of this law refer to "residential real property consisting of no more than four dwelling units" and,

therefore, some of the provisions of HBOR may not be limited to owner-occupied units/real properties. This booklet cannot describe this entire law consisting of at least 20 statutes and various sections in the California Civil Code, but highlights the following features about which you, as a homeowner, should be aware:

- HBOR distinguishes between regulated/licensed lenders or their servicing agents who conduct 175 or fewer residential mortgage foreclosures per year in California ("Smaller Residential Mortgage Lenders") from other lenders ("Larger Residential Mortgage Lenders") for the purpose of reports to be filed with their respective regulators. Available foreclosure options or alternatives may be limited when Smaller Residential Mortgage Lenders or their servicing agents are conducting the foreclosure.

- You must be afforded the right to explore any available alternative or option to foreclosure with your lender or its servicing agent before a California non-judicial foreclosure can begin and be completed (if you are in default on your mortgage loan).

- The burden of compliance falls on the lender or it servicing agent, or persons who are responsible for interacting with you including the current holder of the promissory note and deed of trust.

- You have no indelible right to a foreclosure prevention option, but must be afforded the opportunity to explore available alternatives to non-judicial foreclosure.

- HBOR applies only to mortgage loans for consumer purposes (residential mortgage loans recorded in first priority against your home) whether secured by a single family residential structure or secured by one-to-four residential units, one of which is occupied by you (with certain complex exceptions not addressed in this booklet).

- No person (or entity) is authorized to record a NOD until a minimum of 30 days after (a) initial contact is made with you to assess your financial situation and explore alternatives or options for foreclosure avoidance, or (b) the due diligence requirements for locating you have been met with no response from you. A declaration of compliance with either (a) or (b) must be attached to the NOD.

- "Dual tracking" is prohibited. Lenders or their servicing agents may not record either the NOD or NOS and may not conduct a non-judicial foreclosure sale while a "complete" application is pending for modification of your mortgage loan, during any applicable appeal period following initial denial of your application, or while you are in compliance with an approved loan modification agreement.

- "Robosigning" refers to the practice of signing documents without personal knowledge of the accuracy of their contents and is prohibited. Lenders or their servicing agents have hired third-party document processing companies to sign foreclosure documents even when the employees of these companies lacked any personal knowledge of the statements contained therein.

- You must be provided with a "single point of contact."

- No application, processing, or other fees for establishing a foreclosure prevention alternative or option can be assessed in connection with your mortgage loan recorded in first priority.

- While a foreclosure prevention alternative or option is being considered, or a denial of your application for modification is being appealed, the lender or its servicing agent cannot collect late fees.

- A non-judicial foreclosure may not be initiated other than by the lender or its servicing agent. This requirement is not limited to consumer loans.

- When accomplishing a foreclosure prevention alternative, you must receive new disclosures and notices required under applicable federal and state law and are entitled to copies of the promissory note and deed of trust, the payment history, and documents evidencing the modification or restructuring of your mortgage loan terms.

- HBOR affords a private right of action. You may be able to seek a court injunction for a material violation of this law up and until a non-judicial foreclosure sale is completed. You may ask the court for the payment of your attorney's fees. Lenders or their servicing agents may move to dissolve the injunction based on an adequate showing the material violation of this law has been corrected and remedied. Post foreclosure sale rights to recover actual damages arising out of violations of this law include recovery of attorneys' fees which can be assessed by the court against the lender and its servicing agent.

- When a foreclosure alternative or option has been achieved, no NOD may be recorded and, if achieved subsequent to such recording, then the NOD must be rescinded. If a NOS has been recorded, it must be cancelled.

- Violations of HBOR are deemed to be a violation of the lender's or its servicing agent's licensing laws. Real estate brokers who violate this law are also in violation of the Real Estate Law.

Servicing agents, also identified as mortgage servicers, are required to implement the procedures of HBOR and the benefits of foreclosure prevention alternatives or options to foreclosures to successors in interest of decedents who were borrowers of the loan in default. This requirement is triggered upon the servicing agent's receipt of notice of the death of borrower from a person claiming to be an eligible successor in interest and must be (a) the spouse, domestic partner, joint tenant, parent, grandparent, adult child, adult grandchild or adult sibling of the decedent, and (b) have occupied the property as their principal residence for the last six continuous months (at the time of death of the decedent).

The ability of a person to qualify as a successor in interest is dependent upon the limitations imposed upon lenders when exercising the due- on-sale clauses under the federal Garn St. Germain Act (the Federal Depository Institutions Act of 1982).

The exercise of due-on-sale clauses is prohibited when transfers of title or any interest therein to the security property occurs to certain successors in interest of the decedent: (i) joint tenant or tenant by the entirety, (ii) surviving spouse or children, or (iii) relative.

Extending the procedures and benefits of HBOR to qualifying successors in interest do not apply to state or federally chartered depository institutions, mortgage bankers, finance lenders, and real estate brokers that foreclosed on 175 or fewer residential real properties consisting of one-to-four dwelling units located in California during the immediately preceding annual reporting period.

Servicing agents collectively servicing loans for one or more of the exempt lenders which in the aggregate foreclosed on more than 175 qualifying loans during the immediately preceding annual reporting period, would be subject to complying with HBOR. Accordingly, such servicing agents are required to apply the benefits and protections of HBOR regardless of the number of qualifying foreclosures conducted by any one exempt lender during the immediately preceding annual reporting period.

When all Else Fails: Moving Forward with Foreclosure

Should no acceptable solution be achieved for your mortgage loan situation, a foreclosure may be inevitable. The non-judicial foreclosure procedure includes six events (as previously discussed) designed to balance your needs (enough time to reinstate or cure your mortgage loan defaults by paying your past-due payments and late fees or, if necessary, consider your future plans to find a new residence where to relocate when vacating your home is required).

The non-judicial foreclosure procedure provides a remedy to your lender to collect by directing your home be sold through California procedural law which provides sufficient time to ensure the highest possible price is received through a properly published and noticed, publically-conducted, but privately-held foreclosure sale.

From the time you miss a single mortgage loan payment, you should begin negotiating a modification or restructuring (pursuing a foreclosure prevention alternative or option) of your mortgage loan terms with your lender or its servicing agent. You should continue negotiating with your lender even after the lender or its servicing agent directs the trustee to prepare and record the NOD. You will have a minimum of three months to accomplish one of the alternatives or options to foreclosure discussed in this booklet before the recording of a NOS.

The Foreclosure Procedure Guidelines

Excepting loans that are federally insured or indemnified (FHA or VA), held by Fannie Mae or Freddie Mac, or by a federally regulated credit union, some common procedures established by the Consumer Financial Protection Bureau (CFPB) apply to foreclosures of federally related residential mortgage loans (consumer loans) as follows:

- By 36 days after a homeowner misses a payment or is unable pay the full amount, the servicing agent must make a good faith effort to establish contact by telephone or at an in-person meeting.
- Servicing agents must contact borrowers every time they miss payments.
- If the borrower's situation calls for it, the servicing agent must tell the borrower about loan modification, or available workout alternatives or options.
- Before a borrower becomes 45 days delinquent, the servicing agent must send a written notice to the borrower or borrower's agent encouraging the borrower to contact the servicing agent, providing the phone number for the personnel assigned to the borrower, providing the borrower examples of loss mitigation options the servicing agent offers. The borrower must also receive information about how to find a housing counselor (typically HUD approved).
- A servicing agent may not cause either a NOD or the filing of a judicial foreclosure to occur until the borrower is more than 120 days delinquent.
- If a servicing agent receives a complete application for loss mitigation options 45 days or more before a scheduled foreclosure sale, the servicing agent must acknowledge receipt of the application in writing and determine if the application is complete.
- If a servicing agent receives a complete application 90 days or more before a scheduled foreclosure sale, the servicing agent must give the borrower at least 14 days to accept or reject an offer of a loss mitigation option.

- In addition, if a servicing agent receives a complete application 90 days or more before a scheduled foreclosure sale, the borrower may appeal the denial for any loan modification. The borrower has 14 days to file an appeal.

- A complete application received by a servicing agent 37 days or more before a scheduled foreclosure sale will be evaluated for loss mitigation options available to the borrower. The servicing agent must give the borrower written notice of the decision.

- Once a NOS is recorded, the non-judicial foreclosure sale is scheduled. A foreclosure trustee holds the privately-conducted and publicly-held sale.

- In a judicial foreclosure action, the sale will be scheduled by the court. A court appointed official will conduct the foreclosure sale.

- Most borrowers who lose their home to foreclosure have at least 30 days in which to pursue arranging a rental relationship with the buyer at the foreclosure sale.

Throughout the foreclosure process, you should continue to negotiate an acceptable mortgage loan solution with your lender or its servicing agent. Remember, your lender or its servicing agent is required to contact you or to make a good faith effort to contact you before proceeding with recording the NOD or no later than prior to recording the NOS. Your lender or its servicing agent should refer you to an independent HUD-authorized homeowner counseling service.

At the end of a minimum initial three-month reinstatement or cure period, the lender or its servicing agent is typically able to direct the trustee to record and publish the NOS in a newspaper of general circulation in the city, county, or judicial district where the foreclosure sale is to be conducted. It will be several weeks between this point and when the actual foreclosure sale occurs, as the publication must run multiple times prior to the sale. (This is a required notice and procedural delay.)

Following the 120 day delay required under Federal law prior to proceeding with a foreclosure, you will typically have a minimum of four months, and potentially up to five or six months, to move out of your home (if your lender or its servicing agent declines to negotiate a rental arrangement with you, to modify or restructure your mortgage loan, or to engage with you in a foreclosure prevention alternative or option).

The Foreclosure Procedure – Revisited

Homeowner Activities You Should Accomplish:

- Contact your lender or its servicing agent – the sooner, the better. The sooner you make contact, the stronger your negotiating position. You are in the best negotiating position when you make contact before you miss a single mortgage loan payment.
- Ask to negotiate a plan to avoid foreclosure.
- Work with your lender or its servicing agent to negotiate alternative or optional mortgage loan terms that are acceptable to both parties.
- Pay attention to any contact (mail or telephone calls) from your lender or its servicing agent.
- Review alternatives or options available to you to avoid the foreclosure sale.
- Consider making plans to move out of your home after the foreclosure sale is conducted and the eviction process is concluded (if neither the foreclosure sale can be avoided nor a tenant relationship established).
- Your obligation to move occurs after the completion of the eviction process. The eviction process may be avoided should you be able to establish a tenant relationship with the new owner of your home or, in the absence of a successful third-party bidder, with the lender or its servicing agent.

- As part of the eviction process, the court may require you to pay court costs and attorney fees. You are obligated to move from and vacate your home when the eviction process is completed and you are served with a notice of the eviction.

- While some homeowners have successfully filed bankruptcy and asserted a right to possession of the home even after the non- judicial foreclosure process is completed, they may still be served with a notice of eviction. Many bankruptcy courts do not recognize the homeowner's right of possession after foreclosure. You can be sanctioned or otherwise required to pay costs and attorneys' fees of the new owner of the home (or the lender or its servicing agent) should you still refuse to vacate.

- Remember your lender or its servicing agent may have an incentive to arrive at a modified or restructured mortgage loan payment. Stay proactive in your efforts.

Activities Your Lender or its Servicing Agent Should Accomplish:

- Contact the homeowner a minimum of 30 days before proceeding with the foreclosure remedy to discuss the nature of the mortgage loan situation.

- Be sure the consumer loan is at least 120 days delinquent before recording a NOD.

- Work with the homeowner from the outset to negotiate alternative or optional mortgage loan terms (modification or restructuring of the mortgage loan).

- Notify the homeowner of the right to a meeting with you as the lender or servicing agent (if one did not take place before the NOD was recorded). The homeowner also has the right to a follow-up meeting within two weeks after the first meeting with the lender or its servicing agent to keep the discussions active.

- Give the homeowner specific information about how to contact the U.S. Department of Housing and Urban Development (HUD), which will assist the homeowner in finding a HUD-certified loan/credit counseling service, attorney, or other authorized agent to negotiate on the homeowner's behalf. In other words, tell the homeowner that the homeowner can receive free professional counseling or assistance through a HUD-authorized counseling service.

- Continue to work with the homeowner to negotiate a plan to avoid foreclosure. The lender or its servicing agent must contact the homeowner and discuss foreclosure prevention alternatives or options before the foreclosure sale can take place (unless a demonstrated good faith effort to contact the homeowner proves to be unsuccessful).

- Direct the trustee to post on the security property and publish the NOS in an authorized newspaper of general circulation in the city, county, or judicial district where the homeowner's property is located. Send a copy of the NOS by certified postage prepaid U.S. mail.

- The NOS must be completed in English, Spanish, Korean, Chinese, Vietnamese, or Tagalog, depending upon which language the mortgage loan was negotiated at the time of its origination.

- Direct the trustee to "cry" the foreclosure sale, i.e., sell the property at a publicly-held sale, and to perform any activities necessary to properly conduct the foreclosure sale. The bidding procedure required by the lender or its servicing agent must be consistent with applicable law.

General Information

During the minimum three-month cure or reinstatement period, you may continue living in your home even though you are unable to make your monthly mortgage loan payments. You do not have to move from your home until after the foreclosure sale is conducted and the eviction process is completed. It may be beneficial to stay in occupancy of your home to avoid any loss of property insurance coverage or to prevent vandalism that may occur if you move out.

Should you be a borrower under a FHA loan or a veteran under a VA loan, federal law establishes extended grace periods. FHA borrowers should contact HUD/FHA and veterans should contact the U.S. Department of Veterans Affairs for the latest homeowner safeguards so that you and your lender or its servicing agent are aware of and comply with this special set of guidelines.

The free counseling assistance through HUD-approved counseling services may involve your authorization of a person to negotiate on your behalf with your lender or its servicing agent. You will need to provide enough financial information to your HUD-certified loan/credit counseling service (or to your lender or its servicing agent if you are negotiating personally) so they can verify a monthly mortgage loan payment that you can reasonably afford.

If you and your lender or its servicing agent cannot agree on an alternative or optional plan to avoid foreclosure before the end of the minimum three-month reinstatement period, the lender or its servicing agent will move forward -subject to rare exception- with the non-judicial foreclosure procedure (unless otherwise delayed by the operation of federal or state law).

Some lenders or their servicing agents are willing to pay “cash for keys” to obtain possession after the foreclosure sale has been conducted. Although lenders or their servicing agents are not required to make these payments, you can still ask for them.

Many homeowners subject to a non-judicial foreclosure sale may fail to address two aspects of the sale which warrant further review:

- Resolving "junior" claims/liens against your home and
- Determining what happens to the net sale proceeds, if any, when the amount of the sale proceeds exceed your unpaid mortgage loan (referred to as a surplus).

Resolving "junior" claims/liens against your home

One legal effect of a foreclosure sale is to extinguish (remove) "junior" claims/liens against your home. Foreclosure sales cause liens against the property to be extinguished, but your obligation to pay the indebtedness underlying subordinate liens that are wiped out may continue to exist for (1) non-purchase money loans and (2) other obligations arising from an abstract of judgment or consensual lien not specific to the property. This is true because while the security is gone, the underlying obligation or contract to pay a debt still exists, even if no longer secured by the property.

When foreclosing purchase money loan obligations, the foreclosure extinguishes both the debt and the lien. Purchase money loan status is established when you purchase a home that you intend to occupy and obtain a loan or loans, whether "senior" or "junior" in recording priority. This is true even if you first obtained one loan when you bought the property and then refinanced that loan later and received no new loan funds. Under current California law, the refinanced loan is still a purchase money loan for deficiency judgment purposes except for the new funds added to the original loan.

Any other loans you might have obtained ("junior" claims/liens), for example, to put in a swimming pool, are non-purchase money loans. When the lender or its servicing agent of the "senior" mortgage loan forecloses through a non-judicial foreclosure, "junior" loans (whether purchase money or non-purchase money loans)

are removed from the title of your home. This way, the new owner or the lender or its servicing agent (in the absence of a successful third-party bidder) acquires the title of your home free and clear of any "junior" loans (claims/liens) you may have created or suffered.

When your home in foreclosure is subject to secondary or "junior" non-purchase money loans or judgment claims/liens, you should consult an attorney or an authorized loan/credit counseling service to determine the best way to handle these debts.

When the lender or its servicing agent elects to pursue a judicial foreclosure, it is generally because your "senior" mortgage loan is a non-purchase money loan, or you refinanced a purchase money loan and obtained additional new loan funds from the lender.

If your lender or its servicing agent start a judicial foreclosure, you will should consult with an attorney familiar with federal and state foreclosure law. This is important because predicate steps are required to be performed of a lender or its servicing agent prior to your home being sold at a judicial foreclosure sale. It is also important if your home sells for less than you owe on your non-purchase money loan loan. The difference is known as a deficiency in the form of a money judgment for which you may be personally liable.

What Happens to Sale Proceeds

The proceeds of most foreclosure sales do not cover the unpaid principal amount of the mortgage loan. If the sale proceeds do exceed your mortgage loan debt (including foreclosure expenses), you are to receive the difference (surplus). While this is a rare occurrence, particularly if home values are in decline, you should monitor the foreclosure sale to ensure you learn about, demand, and ultimately receive the net proceeds or surplus funds.

The Actual Foreclosure Sale

This event will occur at the time on the day at the location noticed for the scheduled foreclosure sale or the date of the postponed sale. It is a privately-conducted, publicly-held sale. This is called“crying” the sale (as in an auction). In a judicial foreclosure, the day and location of the sale will be determined by the court.

Homeowners: What Not To Do

Losing your home through foreclosure is a traumatic experience that usually occurs at a time when you may be facing significant financial, physical, or psychological stress.

While some homeowners choose to “walk away” from (abandon) or trash their homes in the face of foreclosure, it is important to realize that these actions carry potentially significant legal consequences.

Walk Away from (Abandon) the Home

A homeowner can stop making their mortgage loan payments and abandon their home. This plan is usually unsuccessful in the long-run. If you “walk away” from your home, you essentially abandon the property and your mortgage loan. Once your consumer loan is delinquent by 120 days or more, your lender or its servicing agent may begin the foreclosure process and you may not be off the hook.

- If your home loan is a non-purchase money loan (e.g., if it is a refinance loan with new principal advanced or a vacation home loan which is not your principle residence) you are not necessarily protected against future liability. If you “walk away” from this type of loan, you can be held liable for the lender’s losses following a judicial foreclosure sale, including court costs and attorney fees.

- If you purchased your home on speculation (hoping to resell the home for a higher price) and have not occupied the property, the loan you obtained to purchase the property is a non-purchase money loan. If your lender or its servicing agent elects a judicial foreclosure sale, you may remain personally liable for any deficiency in the form of a money judgment at the time of the foreclosure sale.

- If you “walk away” from your home, you are still liable for any non-purchase money loans that are secondary or “junior” loans (claims/liens). Foreclosure sales do not extinguish these debts and your creditors can seek court judgments against you. In these cases, a “junior” lender holding a non-purchase money loan (a “sold out junior”) may sue in court to obtain a judgment for its losses, as well as court costs and attorney fees.

- Federal laws control federally-insured (FHA) loans, federally-indemnified (VA) loans, and loans that are sold to Fannie Mae or Freddie Mac. FHA and VA lenders holding such mortgages typically file claims for the insurance or indemnification coverage. HUD/FHA or VA may be able to pursue you for any losses they suffer following a foreclosure sale and the payment of the proceeds of their coverage delivered to your lender. Additional consequences may be imposed upon veteran homeowners.

Laws pertaining to “walk away” homeowners are complicated and no person should “walk away” from the home and mortgage loan without seeking the advice from an attorney familiar with federal and state foreclosure laws.

A common “walk away” situation occurs through the dissolution of a union or marriage. In most families, both spouses sign the mortgage loan documents for their home. If the couple becomes separated and a properly-constructed property settlement agreement is not established providing for funding of the mortgage loan payments, neither spouse may individually be able to afford the loan payments and the spouse no longer occupying the home may “walk away” potentially leaving the other to shoulder the financial burden.

Should a non-judicial foreclosure sale occur because of dissolution of union or marriage and both spouses signed the original mortgage loan documents:

- Each spouse may be required to vacate the home after the eviction process is completed.
- Each spouse may experience a loss in credit rating.
- Each spouse may experience an impairment of the ability to secure new mortgage loans for at least five and perhaps as long as seven years.

Dissolution of a union or marriage does not automatically erase the name of either spouse from their mortgage loan or from the consequences of a potential foreclosure. Lenders or their servicing agents are unlikely to voluntarily "remove" one spouse from the mortgage loan before the foreclosure sale simply to preserve that person's credit rating.

Trash the Home

Your home is collateral for repayment of your mortgage loan. Its value is the ultimate source of repayment and should not be impaired by your intentional or unintentional behavior.

Deliberate damage to your home is one form of "waste." If serious damage occurs, you may be prosecuted for a crime and you may be sued for damages. Arson (the deliberate destruction of a home by fire) is the most egregious example of waste.

No matter what circumstances bring a homeowner to the point of foreclosure, no justification exists for that homeowner to retaliate against a lender or its servicing agent by damaging the home.

Foreclosure is not personal. Lenders are simply protecting their interests. If you seriously damage your home before the foreclosure sale, you can be held liable and have a money judgment entered against you which can survive for decades. Bankruptcy usually does not remove this kind of money judgment. Over the life of the judgment, the money damages will be subject to accruing interest, and the creditor may pursue a variety of collection proceedings, including taking a part of your wages.

While your lender may elect not to sue you for physical damages (waste), trashing your home is an ill-advised risk. Even if your lender chooses not to pursue a claim for damages in the form of a money judgment, your lender or its servicing agent can notify the district attorney and ask that criminal proceedings against you be considered by that office. Also, the successful new owner, who purchases your home typically “as is” at the foreclosure sale, can also notify the district attorney or bring a civil action against you for intentional damages to the home.

Most homeowners do not intentionally damage the security property by, for example, ripping out walls, breaking pipes, tearing holes, removing plumbing or electrical fixtures, or damaging exterior walls and roof coverings. When any one or more of the foregoing occur, however, disputes will likely follow among the new owner or, in the absence of a successful third-party bidder, the lender and its servicing agent, and the homeowner for intentional damages done to the home. The disputes may lead to significant legal consequences.

The most common disputes are those over what items were removed. Homeowners may remove personal property but not what became a fixture to the home and, therefore, constitutes real property. Things that are plugged in, and can be unplugged from water, gas, or electrical services without damage, are generally personal property. Things that are bolted down or connected by more than a water line, gas

line, or electrical outlets will typically be included in the definition of real property. For example, refrigerators, washers, dryers, and coffee machines are usually personal property. Exhaust vents, cooktops, built-in intercom or speaker systems, and security alarm systems are commonly treated as real property.

But more complex situations do arise. For example, should you have an heirloom chandelier (brought from another continent by your grandparents when immigrating to the United States) and the chandelier was installed in the dining room, if removed and replaced with another acceptable light fixture with any damage to ceiling painted surfaces being repaired, the heirloom chandelier will likely be construed as personal property. On the other hand, if you installed an expensive steam shower and you simply don't want to leave the equipment behind so you tear it out, the shower is likely to be considered a built-in or attached fixture and you could be prosecuted both criminally and civilly for the intentional damage to the home.

Post-Foreclosure Option for the Former Homeowner

Bankruptcy can also be a pre- or post-foreclosure option for the homeowner. You are entitled to file a petition in bankruptcy under the applicable chapters of the U. S. Bankruptcy Code. Bankruptcy is an option for homeowners who are hopelessly in debt and meet the definition of being insolvent under the Bankruptcy Code. If the homeowner qualifies, then the homeowner may use this method to sell the home under court supervision.

The bankruptcy option may be pursued either before or after the foreclosure sale. However, post-foreclosure petitions in bankruptcy filed by the homeowner may be limited to assets other than the former home, particularly when the homeowner no longer has or is entitled to legal possession of the property.

Different types of bankruptcies exist for different situations. Mortgage loans are debts secured by real property. A bankruptcy court may convert a mortgage loan in certain fact situations totally or partially to an unsecured debt and, depending upon the fact situation, may be able to modify or restructure the mortgage loan.

Despite that the promissory note and home mortgage loan instrument (deed of trust) cannot be modified, altered, or otherwise changed during any bankruptcy case, even a Chapter 13, homeowners may still file petitions in bankruptcy and obtain the benefit of the automatic stay. The traditional Chapter 13 plan offering repayment of pre-petition arrearages on a mortgage loan over three to five years can provide some relief which will allow you to achieve a much needed "fresh start."

Some lenders or their servicing agents may voluntarily agree to modifications of residential mortgage loans in bankruptcy cases because they would rather have a performing loan on their books with regular mortgage payments coming in rather than a defaulted loan for which they must set aside reserves.

Bankruptcy after the foreclosure sale is a common practice because it may allow you to discharge certain debts. If you are considering bankruptcy, consult with an attorney familiar with federal bankruptcy law.

Many lenders will not loan money to homeowners who filed bankruptcy petitions within the past seven years. Others may extend credit to homeowners after five years following a petition in bankruptcy, and yet other lenders following a discharge or dismissal from bankruptcy will typically impose upon homeowners a substantially higher interest rate and increase the loan fees to obtain a mortgage loan.

Conclusion

Now that you have a better understanding of the non-judicial foreclosure procedure and the judicial foreclosure remedy (as well as possible alternatives or options you as a homeowner may pursue to avoid foreclosure), you should be prepared to negotiate with your lender or its servicing agent and to take the initiative to protect your home from foreclosure.

If you have become the victim of foreclosure or real estate fraud, or if you become aware of such fraud, please file a complaint with DRE. If the person or company is unlicensed and performing "licensed activities," DRE will file and serve an order to desist and refrain. If the person or company is licensed and performing in violation of the Real Estate Law, DRE will commence an investigation and proceed with the appropriate disciplinary action. Please log on to www.dre.ca.gov.

The following section includes a list of resources, agencies, and organizations where you can find additional information.

Remember, to successfully solve your mortgage loan situation, you must be proactive, and that includes utilizing all available resources to the best of your ability to the extent that they apply to your particular situation.

FEDERAL GOVERNMENT AGENCIES	
Federal Housing Administration (FHA)	U.S. Department of Housing and Urban Development 451 7th Street SW Washington, DC 20410
	www.fha.gov 1-800-CALL-FHA or 1-800-225-5342
Federal Trade Commission Consumer Response Center (FTC)	600 Pennsylvania Avenue NW Washington, DC 20580
	www.ftc.gov www.consumer.ftc.gov 1-877-FTC-HELP or 1-877-382-4357
Consumer Financial Protection Bureau (CFPB)	P.O. Box 4503 Iowa City, Iowa 52244 Telephone (855) 411-2372
	www.consumerfinance.gov
U.S. Department of Housing and Urban Development (HUD)	U.S. Department of Housing and Urban Development 451 7th Street SW Washington, DC 20410
	www.hud.gov 1-800-569-4287
U.S. Department of Justice U.S. Trustee Program Credit Counseling and Approved Credit Counseling Agencies	www.justice.gov (202) 514-4100 ust.cc.help@usdoj.gov
U.S. Department of Veterans Affairs (VA)	810 Vermont Avenue NW Washington, DC 20420
	www.benefits.va.gov/homeloans/ 1-877-827-3702

STATE GOVERNMENT AGENCIES	
California Housing Finance Agency (CalHFA)	500 Capitol Mall, Suite 1400 Sacramento, CA 95814
	www.calhfa.ca.gov 1-877-9-CalHFA or 1-877-922-5432
State of California Department of Financial Protection and Innovation	https://dfpi.ca.gov/ 1-866-275-2677 Ask.DFPI@dfpi.ca.gov
State of California Department of Real Estate	651 Bannon Street, STE 500 Sacramento, CA 95811
	www.dre.ca.gov 1-877-373-4542
NONPROFIT AGENCIES	
Homeownership Preservation Foundation (HPF)	7645 Lyndale Avenue S. Suite 250 Minneapolis, MN 55423
	www.995hope.org 1-888-995-HOPE or 1-888-995-4673
LawHelpCA.org	www.lawhelpcalifornia.org

Additional DRE Publications

The Department of Real Estate posts various consumer alerts and publications on its website.

Consumer alerts such as “Fraud Warnings for California Homeowners” and “What You Can Do to Protect Yourself from Getting Ripped Off in Real Estate and Home Loan Relief Scams” can be found at www.dre.ca.gov/Consumers/ConsumerAlerts.html.

The following publications can be found at the DRE website at www.dre.ca.gov/Publications:

- Fraud Warnings for California Homeowners in Financial Distress
- Loan Modification Self-Help Guide
- Preventing Real Estate Fraud: How to Protect Yourself and Your Home