MINNESOTA HOMEOWNERSHIP CENTER

Your Guide to Foreclosure Prevention

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Buying and owning a home is a tremendous accomplishment, and something to be proud of.

You worked hard to save and plan for homeownership.

If you are in a situation where you want to stay in your home, but have recently fallen behind on your mortgage payments, you are probably worried about what that might mean.

We want you to know: you are not alone.

It’s a stressful and financially challenging time for many.

The Minnesota Homeownership Center wants you to know that foreclosure can be avoidable.

This guide is a first step in understanding the foreclosure process and the options available to you along the way.

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Stay in your home with expert advice from the Minnesota Homeownership Center

You want to stay in your home, and we want to help keep you there.

Get the support you need now, by calling the Minnesota Homeownership Center at 651-659-9336 or visiting our website (www.hocmn.org/help) today.

Seeking guidance early gives you the most options!

If you are having trouble paying your mortgage- whether due to job loss, change in family circumstances, medical illness or any other reason, seeking help early will give you the most options in negotiating with your lender and taking advantage of payment relief or extension programs. If your lender has already contacted you to let you know that it will be starting the foreclosure process, you still have options to get help and stay in your home.

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What is foreclosure?

Foreclosure is a complex legal process that can start after you miss payments on your home loan (mortgage). After a few missed payments, your lender or loan servicer-- which might be a bank or another financial services company -- will notify you of its intent to start the foreclosure process. If you are unable to reach an agreement with your lender about loan repayment, the lender can take ownership of your home and sell it to try to recover the amount owed on the loan.

You don’t have to navigate foreclosure alone. It’s a complicated process, and you want someone on your side to help you understand your choices. Minnesota Homeownership Center and its partners have helped hundreds of homeowners just like you stay in their homes, set up payment plans and manage their debt.

How does foreclosure work?

If you miss or fall behind on home mortgage payments, your lender may start the foreclosure process.

Step 1: Missed Payment Notices

Your lender sends you missed payment notices. Along with the notices, they may also provide information on possible repayment or “workout” options. Workouts are special arrangements to bring your loan current and/or prevent foreclosure. The workout options available to you will vary based on the type of mortgage you have, your lender and your financial situation. See below for different types of workouts that may be available to you.

This is the best time to contact the Minnesota Homeownership Center *because you will have the most options for creating a plan with your lender.*

The Minnesota Homeownership Center and its partners can help you work with your lender to pick the right option for you. It is important to be realistic about your ability to catch up on missed payments before agreeing to a workout.

Step 2: Default Notice

If you continue to miss payments, your lender will send you a default notice and a notice of their intent to foreclose. Your lender may refer your loan to collections, which means that you will get additional calls and letters seeking repayment.

At this point your options are dwindling, but you can still set up a workout plan to stay in your home.

If you are at this point in the foreclosure process, ***contact the Minnesota Homeownership Center immediately*** *to determine which options are best for you.*

Find your current situation to determine your next steps.

These steps represent a typical foreclosure process in Minnesota and are not legal advice. Homeowners’ experiences will vary.

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How does foreclosure work?

If you miss or fall behind on home mortgage payments, your lender may start the foreclosure process.

Step 3: Pre-Foreclosure Notice

You will receive a pre-foreclosure notice, and your loan account will be sent to an attorney to start the foreclosure process. Once your account goes to the attorney, you will also become responsible for the fees for their services, increasing the amount you owe. The attorney will set a date for the Sheriff's Sale of your home, and publish the date six weeks in advance of the sale. You will be provided notice of the sale date at least four weeks in advance. A copy of the "foreclosure sale" notice must be served on someone in the house. The date of the "foreclosure sale" is the deadline to pay all overdue amounts on your mortgage.

It may feel like you are out of options to stay in your home at this point, but that is not necessarily the case. You can submit a workout plan application seven business days prior to the date of the "foreclosure sale", and your lender will have to consider it. Time will move quickly during this step, so it is important to contact us immediately to preserve options to stay in your home.

Minnesota state law also allows homeowners to postpone the "foreclosure sale" in return for a shortened redemption period (more about the redemption period in Step 4). You must file for postponement between the date the sale is published and 15 days prior to the Sheriff's Sale date.

Step 4: Sheriff's Sale and Redemption Period

Once the date of the Sheriff's Sale has passed, you are now in the redemption period. For many homeowners, this period lasts six months. You have the right to stay in your home during the redemption period. At the end of the redemption period, a homeowner must pay the entire amount that the house sold for at the Sheriff's Sale plus other interest, legal and professional fees that have accumulated. If you are not able to repay the amount, you must move out or you will be evicted.

Even if you are evicted, you still have certain rights and obligations. See the last section in this guide for information about eviction.

Find your current situation to determine your next steps.

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Get your mortgage back in shape – workout options:

The workout options available to you will vary based on the type of mortgage you have, your lender and your financial situation.

Reinstatement:

A reinstatement is when you pay the full amount you owe (total of past due monthly payments plus all fees) in a lump sum by a specific date.

Repayment plan:

Under a repayment plan, you make your regular monthly payment to your lender plus some extra each month to catch up on past due payments.

Forbearance:

Forbearance is an agreement to temporarily change or suspend your payments. The term special forbearance may also be used in situations where the payment is reduced. To prevent foreclosure, forbearance must be combined with another workout option when the forbearance period ends.

Loan Modification:

A loan modification is a change in any of the terms of the mortgage, resulting in a new monthly payment. In a typical loan modification, you have to pay some of the past-due amount you owe, and the rest is added back into your loan. A loan modification may also involve one or more of the following: changing the interest rate from an adjustable rate to a fixed rate, lowering the interest rate, or extending the number of years to repay the loan. Your lender may require a trial period where you make several monthly payments before receiving a permanent modification.

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Get your mortgage back in shape - workout options:

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Partial Claim or Advance Claim:

You may qualify for a low interest or interest-free loan to bring your loan current if your mortgage is insured through FHA or private mortgage insurance. This loan may have small monthly payments, or it may be repaid when you pay off your first mortgage or sell your home.

If repaying your loan through regular monthly payments is no longer realistic, you also have options for moving out of your home to repay all or part of the loan:

Pre-Foreclosure Sale or Short Sale:

If you owe more on the home than its value, your lender may agree to accept less than what is owed on the mortgage, allowing a "short" sale. Typically, you would need a 3–6-month period for your real estate agent to sell the house to a qualified buyer at a price agreed upon by the lender.

Deed-in-lieu:

A deed-in-lieu of foreclosure is an option where your lender forgives the debt you owe if you sign over (give back) the property. Typically, you would first have to try to sell the home before the lender would consider this. If you have a second mortgage or judgment on the property, a deed-in-lieu may not be an option.

Sell Your Home

You can outright sell your home, using a trusted real estate professional.

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Eviction 101: What happens if I don't move out?

What happens if I don't move out when the redemption period ends?

The new owner of the property, usually the bank, can start the eviction process with the courts. Sometimes the process is referred to as an Unlawful Detainer (UD).

How does the eviction process work?

You will be served with eviction paperwork. You will get a Summons from the court telling you to appear at a hearing within 7-14 days. The reason the landlord says you should be evicted will be attached to the Summons (that paper is called the Complaint).

Should I try to get legal help?

Yes, if you don't think they have the right to evict you (for example, if the lease says you can still live there for several more months). If you can't afford a lawyer, Legal Aid might be able to help you. Visit LawHelpMN.org to find a Legal Aid or volunteer lawyer in your area.

What happens at an eviction hearing?

If you appear, you will have an opportunity to tell your side of the story. If you do not have a defense, you may also ask the judge for up to 7 days to move out by explaining your reason for needing more time.

Examples of reasons a judge may grant more time include: dependent children, senior citizens or persons with disabilities in the home. If the judge determines you are in the house illegally, you will be ordered to leave, usually within 24 hours. If you lose or don't appear in court, the judge will give the new owner an order called a Writ, an order to have you evicted. The sheriff will post the Writ on your door, telling you to leave within 24 hours.

Can I be evicted in the winter?

Evictions can take place any time of the year. There is no cold-weather exception in Minnesota.

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Eviction 101: What happens if I don't move out?

What if I don't move by the date specified at the eviction hearing?

The Sheriff will supervise the process of evicting you. The bank or new owner will change the locks, make a list of personal property, and store your belongings either in the house or off-site. You will be charged for the moving and storage of the items if they are stored off-site.

What happens to my belongings?

The new owner must store your belongings for 28 days. If you do not retrieve your belongings within this time frame, they may be sold or discarded. The rules regarding storage, time frames, and any costs may vary, so carefully read any notices you receive. Generally, if you ask for your belongings back in writing, you must be allowed to get them within 24 hours of asking (not including weekends or holidays).

What shows up on my record if I am evicted?

Eviction cases are public record and can stay on your record for up to 7 years. An eviction can make it more difficult to find alternative housing. You can avoid eviction by moving out by the end of the redemption period (see Step 4 of "How does foreclosure work?" for more information on the redemption period).