



Facing Foreclosure?

How to approach it with dignity, self-respect, and as much hope and help as possible

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1. Preface

Facing foreclosure is such a private matter. Most people don't want anyone to know what they're going through. This makes an already difficult situation even more difficult.

It can feel like you're the only person you know who's gone through it...or like you've done something bad or wrong.

It can feel like every time you open the mail, answer the phone, or hear a knock at the door, someone's there either making huge promises about how they can solve your problems or they've come looking for payment.

It's hard to know where to turn, who or what to trust, or where to even begin.

I know what that feels like. I've had clients who've gone through it too.

Which is why I've created this booklet...

I can't promise to help you avoid foreclosure since I don't know your entire situation. But I can help you approach it with dignity, self-respect, and as much hope and help as possible.

This booklet isn't an entire how-to on avoiding or dealing with foreclosure, but hopefully it will give you some insights into how to deal with it as best as possible (or, better yet, avoid it altogether).

So, with that said, you may have other questions or concerns that aren't covered within this booklet. Please feel comfortable to reach out to me if and when you want some real estate thoughts or advice. (Or even if you just want someone to listen to you for a few...) I'll do what I can to help or at least point you in the right direction.

2. Fast-forward through the “stages”

There’s so much going on in your head and your heart when you’re facing foreclosure that it’s tough to take a big-picture look at what you’re going through. Maybe, just maybe, once someone’s gone through it from start to finish, they might be able to look at it and see that they went through different “stages.”

I’m not talking about the *legal* stages of the process...

...I’m talking about the *emotional* stages.

Studies have been done that show people going through the foreclosure process often follow the “stages of grief,” similar to when you lose someone or something you care deeply about. When you stop and think about it, that makes total sense.

Take a look at the stages of grief, and then we’ll make it useful for you and your situation:

Denial – This happens to other people...not me. This can’t be happening. This won’t actually happen.

Anger – Totally understandable feeling to have. But a lot of times, it’s anger at oneself. Anger that they “let” it happen. Shame.

Depression – Also totally understandable. Who wouldn’t feel at least a little bit down about it?

Acceptance – Eventually, the person comes to terms with reality and accepts it.

Now that you know you’re likely going to go through those stages, and what they are, let’s take a look at the best way to approach each stage:

Denial – Don't linger there too long. The quicker you start coming to terms and grappling with things the better. In fact, that's the only way you have a shot at getting out of it. If you wait too long, things snowball and become more and more difficult to remedy.

Anger – Who wouldn't be angry?! Be angry. Just not at yourself. Or at others. Just let yourself feel angry (but for as short a time as possible).

Depression – Same thing as anger. Who can blame you? A down day or two here or there is to be expected, but don't let it linger. Have someone you can confide in and talk to. Try to raise your spirits so you can focus on life and getting out of the situation as quickly as possible. And if things get really dark for you, definitely get some professional help from a doctor, counselor, or therapist.

Acceptance – Get to this stage as quickly as possible. Not that I mean "accept" that foreclosure is unavoidable, but that you have to deal with it. And start dealing with it as quickly as possible.

Hopefully knowing all of this will help you learn from what others also felt and went through so you can use it to your advantage and get through all the early stages as quickly as possible. That way, you can do everything possible, and as early on as possible, to hopefully get things back on track.

3. You're not the "bad guy"

There's another feeling that doesn't exactly fit into the stages of grief, but it's pretty common in people facing foreclosure: the feeling that they're the "bad guy" — like they've done something wrong.

Most people facing foreclosure didn't deliberately put themselves in that position. It's usually due to unexpected circumstances beyond their control like:

- ▶ Job loss
- ▶ Having to take a drastic cut in income
- ▶ Medical bills
- ▶ Large, unexpected repairs needed on their house that aren't covered by insurance

Those are just a few broad examples. It could be any number of things or a whole bunch of things that eventually lead to bills and mortgages going unpaid for a period of time.

Nonetheless, it's easy to feel like you're the bad guy — like you should've been able to avoid it.

It's also easy to feel like the mortgage company is the "bad guy" in all of this.

Neither of you truly are the "bad guy." While it's natural and easy to think this way, it's not productive.

If you feel like you're the bad guy, it's going to be hard to muster up the confidence and pride to do whatever you can to remedy the situation.

If you feel like the lender is the bad guy, it could cause you to lash out and treat people you deal with at the bank in a way that won't get you anything you want or need from

them. After all, who wants to help someone who's making them feel like they're bad or evil in some way.

Don't allow anyone to make you feel that way, and don't make anyone you deal with feel that way either.

If anything, the true "bad guy" in all of this is whatever situation or circumstance led to it. Try to focus your attention on resolving the root cause if possible, or at least rally some support and understanding from your lender about what led to you being in this position. Also, try to show them you have a plan for getting out of the situation and getting back on track with them.

4. Did the “fat lady sing”?

You’ve probably heard the saying, “It’s not over ‘til the fat lady sings.”

It’s a saying that refers to an opera not being over when you think it’s over — or that the entire story has not yet been told — until the final scene when a “fat lady” would come out and sing. (And for quite a while at that! She might sing for another twenty minutes!)

Look at foreclosure the same way. While you certainly don’t want to waste any time facing it, you will usually have a decent amount of time to deal with it. Probably more time than you think you do.

While you certainly have time, and likely more than you may *feel* you have, time can go by very quickly if you waste any amount of days you have to deal with the issue.

This is why you want to make sure to skip through, or at least manage the “stages” we spoke about in the last section, and get to the point of accepting what you’re going through and dealing with it as quickly as possible.

Until your house has been sold at auction, the bank takes possession of it, or there’s a court order, the house is still yours and you still have time to affect how your story ends.

5. Look for assistance

If you're facing foreclosure, or just sense that you're on the brink of facing it, you should look into whether you qualify for any programs that assist people who are in danger of foreclosure.

There are many types of programs that exist to help homeowners who are in danger of foreclosure.

The best place to start is by looking at the The U.S. Department of Housing and Urban Development (HUD) website. Here's a link directly to their page on avoiding foreclosure:

https://www.hud.gov/topics/avoiding_foreclosure

There you'll find an extensive list of programs. Hopefully one of them will fit your situation.

Another place you might want to look is The Federal Deposit Insurance Corporation (FDIC) website. Here's a link directly to their foreclosure prevention page:

<https://www.fdic.gov/consumers/assistance/protection/mortgages/fc-prevention/consumer.html>

6. Avoid these “solutions”

If you search the Internet for assistance and solutions like we discussed in the last section, there’s a good chance you may stumble across some hopeful-sounding offers from less-than-reputable companies and people. They know how to target you based upon your searches, and they will appear like legitimate solutions.

You may not even have to *search*. They may find you...

The minute someone is in the early stages of foreclosure, there’s a whole bunch of people and companies who will send you offers to help solve your problem in the mail. (Often times, they’ll send what looks like handwritten letters. Some actually are. Some are just a computerized font to make it look that way.)

These letters, offers, and “solutions” almost always offer you a deal that sounds too good to be true. But when you’re in the middle of possibly being foreclosed on, it’s easy to put your hope in their promises.

They’ll typically offer to do one of a few things:

- ▶ They’ll offer to buy your house quickly and for cash. (OK, that sounds good. But at how low of a price? Are you leaving money on the table? Most of the time they want to buy your house at a steep discount.)
- ▶ They’ll offer to buy your house, hold the mortgage, and rent it back to you until you get back on your feet. (This sounds like a very nice thing to offer, but they’re basically preying on someone’s hopes, and once they get ownership of the property, they’re banking on you defaulting so they can evict you, take the house from you, and sell it. There are actually more deceitful ways this can play out, but it’s a bit much to get into here. Just beware of these sorts of offers.)
- ▶ They’ll offer to help you sell your house “short.” (AKA a “short sale.” Selling it for less than you owe and getting the bank to accept that. This is actually a pretty

common remedy. But the thing is, it's not always necessary. Sometimes an owner has plenty of equity and doesn't even need to sell it short. But to someone who specializes in short sales, a short sale is always the best solution.)

There are other types of offers you might see. Too many to list. But you get the gist. If you haven't already received at least one of these, or come across one on the Internet, expect to. And when you do, you should avoid it or at least consider it with a lot of skepticism.

Try to stick with the more "official" organizations and ones *you* seek out (like we went over in the last section) rather than ones that seem to be looking for you in one way or another.

7. Don't avoid this type of mail...

While you'll want to (and should) avoid many of the pieces of mail you'll receive from people or companies trying to scam you or capitalize on your situation, some of the letters you'll receive should *not* be avoided or ignored.

If your lender is sending you any correspondence, make sure to open it as soon as you see it and respond if necessary or at least make note of any timelines they're citing for doing something.

Too often people facing foreclosure don't open the mail they receive from their lender in a timely fashion. It's understandable, but it's a mistake. You can miss important information and dates you need to respond by, which can affect your ability to work things out.

Also, make sure to keep a file of everything that you receive in an orderly fashion, and keep a record of any response you send to them. This also applies to email correspondence.

8. Try speaking with your lender

As soon as you realize you may be at risk of falling behind, or are falling behind, you should speak with your lender and let them know about your situation.

Many people avoid speaking with their lender, hoping they'll be able to get back on their feet before it becomes too big of an issue.

If you've simply hit a hurdle that's not long-term and you can prove that you'll be able to get back on track, they're more likely to work with you on developing a plan for you to make up any lost payments over time. Or perhaps they'll even come up with a different type of loan or maybe even extend the terms of your current loan.

But do not avoid speaking with them. Doing that, coupled with missing payments, speaks volumes to them. You're better off actually speaking to them rather than letting your actions and inactions speak for you.

With that said, it's quite common for lenders to not offer much in the way of a solution until you are actually behind on payments. It makes very little sense: They encourage people to reach out as early as possible, yet they often don't extend much (if any) help until payments start going unpaid. It's still worth the call to be able to point out that you did, in fact, try to work something out with them as early as possible. Even if they are less than cooperative, being able to show that you were trying to work with them could help you out if things do progress legally.

9. If you have enough equity...

If you can't qualify for any assistance programs, your lender isn't willing to work anything out with you, and you can't keep up with your payments, you can still avoid foreclosure if you have equity in your house.

"Equity" is the amount between what you owe lenders and what your house is worth. That's *your* money...your wealth. But it's tied up in the house. In order to get it, you have to sell your house.

Many people who are facing foreclosure actually have enough equity to avoid foreclosure, but for whatever reason they fail to use it to their advantage. They let things spiral out of control until it's too late, and they lose their house as well as the equity in it.

Why would anyone allow that to happen?

Probably because it's tough to come to terms with. It's tough to sell their house because it's not just a house...it's their home. It's tough because it means finding another place to live, and that can be daunting to even think about because they are already in financial hardship. It's tough because to many people it's a defeat or it's something they don't want to have to explain to friends, family, or neighbors. So they hope and pray they'll somehow figure out a way to get back on track and keep their house.

Unfortunately, that approach leads to everything they were trying to avoid in the first place, but it also leads to a loss of money they could've held onto and used to make a fresh start.

So, if you have equity in your house, and it looks like foreclosure will be unavoidable, take the opportunity to control the situation and outcome before it's too late by listing

your house for sale. (You may want to at least notify your lender that you are doing this and get them to agree to give you a reasonable amount of time to do so.) Not only will this help you avoid foreclosure, but it will give you a chance to retain as much of your equity as possible.

Pro tip: Make sure that you list your house at a reasonable price so that it will sell as quickly as possible. Don't "give it away," but also don't try to reach for a price that will be impossible to get. You may be given some time to sell, but you likely won't be given a lot of time. So make it count.

10. Should you sell it “short”?

Even if you don't have enough equity in your house, and there's no other assistance or alternative for you, selling your house still might be your best option.

The problem is, if you don't have enough equity (i.e. you owe more than you can sell it for) then you can't just sell it. You need to get the lender to agree to a “short sale.”

Given the alternative, there's a decent chance they'll agree to it. They don't want to foreclose on you any more than you don't want them to. It's a long and costly process for them, so they'd often rather agree to let a borrower in that position sell their house for as much as the market will bear, even if it isn't as much as they are owed.

Most of the time, you won't walk away with money, but even though this will still likely impact your credit rating, it isn't as much of an impact as a foreclosure is. It can be easier to bounce back from.

If you do want to proceed with a short sale, try to make sure that the terms don't require you to pay any money beyond what the lender is able to get from the short sale. Otherwise, you could end up paying the difference, and that doesn't solve a whole lot. (It's a good idea to make sure you hire good representation — a real estate agent and attorney — who are skilled at handling short sales. There are a lot of terms like this that you want to make sure will not hurt you down the road.)

A short sale is not always the smoothest or easiest process. So, if you do go this route, be prepared for it to be a bit trying at times. But hopefully most of the issues and processes will be handled by representatives and not you personally.

11. Know your worth

In the last section we talked about selling your house “short” as a *possible* option. It’s a good alternative if you actually need to sell it short. But some people end up selling their homes “short” (for less than they owe the bank) without actually *needing* to.

You probably wonder how in the world that could ever happen...

After all, there are plenty of ways to find the value of your house online, so an owner should easily be able to get a sense of what their house is worth.

Well, that’s exactly the problem. They trust the online valuations.

How could those sites possibly be accurate? They never see inside of any of the houses they value. They aren’t local experts with their thumb on the pulse of the market. Heck, it isn’t even actual people coming up with the values; they come up with them by using algorithms. They even state that their valuations are often highly inaccurate. (They say it in their disclaimers that few people seem to look at.)

It’s hard to say if their algorithms take into account the current status of a homeowner’s mortgage. But it might. So if a house is in “pre-foreclosure,” or foreclosure proceedings have begun on any level, the algorithms may be discounting the value of the property. Regardless of whether or not that does happen, the valuations are way off on almost every house on these sites, one way or another. Sometimes they’re too high, and sometimes they’re too low. Either way, that can cause issues. Yet, many people base their perception of their house value upon these very sites and their valuations.

Many people who are in a desperate situation are hesitant to speak to someone who might be able to help (like a real estate agent). Maybe it’s pride. Maybe it’s fear they’ll be taken advantage of. So they rely on the online valuation sites’ “guesstimates” (which

is the best I can call them) and agree to sell their house to an investor or to someone privately, give it back to the bank, or sell it short...all because they don't actually know that their house may be worth more on the open market.

Before you make any decision about what to do with your property or agree to anything with your lender, make sure you have a firm and objective handle on how much your house is currently worth. Get an objective market analysis done by a local real estate agent you trust and know is good at analyzing property values. That in-depth knowledge will be handy to you no matter how you proceed. Don't rely on online valuations or what your lender (or anyone else) tries to suggest. Instead, get your own independent handle on the value.

12. If you will have to move...

If it looks like you're not going to be able to avoid foreclosure or you end up having to sell your house, you're obviously going to have to move somewhere.

This is something many people wait until it's too late to start addressing for many of the same reasons we went over in the section about having to sell their house. It's just a tough decision on many levels, and it's something many people put off dealing with.

But if you sense that it's inevitable, make sure you quickly assess whether you:

- ▶ Need to rent a house or apartment
- ▶ Need to move in with family or friends for the time being
- ▶ Can buy another house. (This is possible if you're able to sell the current one and walk away with some equity and your credit is in good enough shape to still get a mortgage...or you have enough cash to buy another house outright.)

The reason you want to jump on this sooner rather than later is because your credit rating is likely to take a hit, and this will get in the way of buying or renting another place. So, the sooner you can start assessing what your options are, and addressing any concerns or meeting any requirements of a lender or landlord, the better your chances of getting a place.

Too many people wait until the last minute and find they're unable to even rent a place to live because landlords require a credit check. And if their credit isn't good enough, they find themselves rushing to find anywhere to live, and they might pay more than they'd normally have to or settle for a place they don't really like.

The more time you give yourself, the more likely you'll be able to find a good place to live...without the stress, rush, and cost others put themselves through.

13. Don't do damage

When a homeowner is facing or going through a foreclosure, it can be highly stressful and bring out some angry reactions. It's been known to cause people to do major damage to the house before they leave, like:

- ▶ Taking fixtures and mechanicals they shouldn't (lighting, stoves, and furnaces, for example)
- ▶ Busting pipes and causing leaks and water damage
- ▶ Spray-painting the walls
- ▶ Ruining wood floors

Those are just a few of the many things some disgruntled homeowners have done when being foreclosed upon.

It's certainly human to feel that kind of rage, but it's another thing entirely to act with that kind of rage. And it can get them in a lot more trouble than they're already in.

Doing damage to the property could lead to criminal charges and / or financial obligations to remedy the damage. It's a contractual obligation in probably every mortgage to protect the value of the asset that the bank is lending on, and if you don't, they reserve the right to go after you legally.

14. Consult with an attorney

While I hope this booklet (and anything else you might be reading or hearing) is helpful to you, you should also consider consulting with an attorney.

When you do, be sure to consult with one who has expertise in foreclosures, short sales, and perhaps even bankruptcy, which often goes hand in hand with protecting your housing issues and assets in these situations.

Most attorneys will offer a free initial consultation. While most won't work for free, many who serve clientele going through things like this have fee structures that are sensitive to the financial hardship of the clientele. So, don't think an attorney is going to be expensive or out of reach. You should be able to find one who can and will help you at a reasonable rate and payment schedule.

It's more dangerous to try and navigate all of your options and the processes involved on your own or rely on people who don't truly have your best interests at heart.

As with almost everything else we've gone over, the earlier you speak to an attorney, the better off you'll be and feel. Just speaking to one may even make you feel more calm and at ease.

15. This might also be helpful to you

I hope this booklet has been helpful to you and given you some hope and insights that will lead to turning things around and avoiding foreclosure.

As I said in the beginning of this booklet, if there's anything at all I can do for you, please don't hesitate to reach out to me. I'm happy and ready to help in any way I can.

If you found this booklet helpful, I have another one that you might want to also read: **The Ultimate Home Sellers Guide.**

Ideally you'll be able to stay in your house, but just in case you need to sell it, my home seller's guide will be useful in helping you get as much as you can for your house (and as quickly as possible).

Even if you don't end up needing it now, it's a good booklet to have for whenever you decide to sell. It's free, and there's no obligation. All you have to do is send me a quick email asking for a copy, and I'll send it right along to you.

Best of luck to you. Stay positive. And always, *always* feel free to reach out to me with any real estate related questions you have.

Compliments of:



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I am a native to the Helena area, I grew up in East Helena and continued to reside there for the beginning years of raising my children before relocating to Montana City. I am optimistic and determined to help my clients find those houses that can be turned into homes. It's my promise to provide honesty, attention to detail and a great customer service experience for all my clients

Stop in today or give me a call and let's talk about your real estate needs and how I can help!