

Foreclosure & Mortgage Fraud Prevention Fact Sheet

In these difficult economic times, too many Floridians are facing the loss of their home and need straight answers. As Florida's CFO, I am committed to helping our citizens stay in their homes and avoid financial pitfalls that may worsen their situation. This fact sheet aims to dispel myths about the foreclosure process and offer tips to protect yourself and your family.

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The Truth about Foreclosure:

- *Myth: The bank will foreclose if I default on the loan.*
The Truth: The bank does not want your home. They want the money that was lent paid back with interest. The bank may choose not to foreclose on the home. Most often this is due to the costs involved – from legal fees to maintenance – exceeding the value of the real estate.
- *Myth: I can end up in jail if my home is in foreclosure.*
The Truth: You may lose the home, but you do not go to jail for not paying your mortgage.
- *Myth: No bank will refinance a home in foreclosure.*
The Truth: If there is enough equity in the home, specialty lenders may refinance the your loan.
- *Myth: A Chapter 7 bankruptcy will stop the foreclosure process.*
The Truth: A Chapter 7 bankruptcy will stop the foreclosure only temporarily.
- *Myth: No one can help stop the foreclosure process.*
The Truth: There are many ways to avoid foreclosure.

Mortgage Fraud Tips

Knowledge is the key to any successful real estate transaction. When you research how things are done, it's important to know what to look for. Here are a few tips to help you avoid mortgage fraud:

- Shop around. This is a must.
- Never sign anything that has blanks or contains false information.
- Be certain that numbers match in documents.
- Never lie about anything.
- Watch out for high-risk loans.
- Don't refinance unless you really need to.
- Don't let a lender talk you into a larger mortgage.



Steps to take to avoid going into default on your loan:

- Review your household budget and prioritize expenses. Look for ways to reduce your household budget or eliminate expenses to “free up” additional monies to ensure the mortgage is paid.
- Contact your lender to discuss options.
- Contact local foreclosure assistance programs. This list is available through the U.S. Housing and Urban Development website at **www.HUD.gov**.
- Act at the first sign of trouble; do not wait until the loan has gone into default.

Steps to take if your loan is in default:

- Contact the lender as well as foreclosure assistance programs.
- If you are not making the mortgage payments, or the lender will not accept the payments, **SAVE THE MONEY**. Do not spend it on something else.
- Explore all options, and get prepared. This should include an exploration of the rental market.

Steps to take if the foreclosure process has been started:

- Stay in touch with your lender.
- Continue working with foreclosure assistance programs.
- Prioritize your spending.
- Weigh bankruptcy carefully. There are many alternatives.
- Call an attorney before paying anything.

Avoiding Force Placed Insurance

In most cases, when a homeowner has a mortgage, insurance premiums are added to the mortgage payment. This means that if you fall behind on your mortgage payments then your homeowners insurance premiums are also behind. The lender can then legally add force-placed insurance to your current mortgage payment.

Force-Placed coverage is an insurance policy which insures the lender's interest and is also often very expensive.

If you intend on living in the home and working out an agreement with your lender, it may be in your best interest to purchase a separate homeowners insurance policy to ensure your property is protected. Also, always document transactions and inform the lender when another policy has been purchased to avoid the addition of a force-placed policy.

For additional information, including important contact information, please visit our website at **www.MyFloridaCFO.com/FloridaHousingHelp**.



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