



# Pre-Foreclosure Survival Checklist

## A Step-by-Step Action Plan for Homeowners Behind on Payments

---

### Phase 1: First Signs of Trouble (Falling Behind on Payments)

#### 1. Take a Breath and Assess Your Situation

- **Fact Find:** Don't put your head in the sand – Put together all the facts you can.
  - **Gather documents:** mortgage statement, late notices, escrow account details.
  - **Check status:** note how many months behind you are and the exact past-due amount.
  - **Review budget:** list out your net monthly income vs. essential expenses.
  - **Mindset tip:** don't let fear lead to inaction; clarity is your first step toward control.
- 

#### 2. Communicate with Your Lender Immediately

- **Call the Loss Mitigation Department** (not just customer service).
  - **Ask about options:**
    - Forbearance (temporary pause).
    - Repayment plan (spread missed payments over future months).
    - Loan modification (restructure loan terms).
    - Deferral (move missed payments to end of loan).
  - **Document everything:** write down who you spoke with, date, and what was discussed, phone numbers and email addresses.
-

### 3. Review Your Mail and Notices Carefully

- **Open everything promptly.** Even scary letters contain deadlines and options.
  - **Key documents:**
    - **Notice of Default (NOD)** – official start of foreclosure in some states.
    - **Lis Pendens** – legal notice of foreclosure lawsuit.
  - **Mark deadlines:** create a calendar with lender response dates and foreclosure timelines.
- 

### 4. Protect Your Legal and Financial Position

- **Prioritize essentials:** housing (if current), food, utilities, transportation.
  - **Pause non-essential payments** (subscriptions, luxury expenses).
  - **Avoid “rescue scams”** promising instant fixes for a fee.
  - **Consider professional help:**
    - HUD-approved housing counselor (free or low-cost).
    - Attorney for legal rights review.
    - Accountant for tax implications.
    - **Real Estate Strategist** experienced with defaulted loans has creative options that other professionals do not have.
- 

### 5. Evaluate Options Before Foreclosure Accelerates

- **Reinstatement:** can you catch up in a lump sum?
- **Repayment plan:** would a structured catch-up payment work?
- **Forbearance:** does a temporary hardship (job loss, medical) suggest short-term relief?
- **Loan modification:** can the loan be restructured to reduce monthly payments?
- **Sale:** would selling on the open market at fair market value pay off the debt in full?

- **Creative Strategies:** The right Real Estate Strategist can provide solutions others cannot.
- 

## Phase 2: Choosing a Short Sale

### 6. Decide if a Short Sale is the Right Move

- **When to consider:**
    - You can't realistically catch up.
    - The home's value is less than the mortgage owed.
    - You want to avoid foreclosure's severe credit impact.
  - **Benefits:**
    - Less credit damage than foreclosure.
    - Possible deficiency waiver (forgiven balance).
    - Dignified exit with some control.
- 

### 7. Hire the Right Professional Help

- **Choose an experienced specialist:** experienced in short sales and bank negotiations.
  - **Notify lender:** submit a written request to pursue a short sale.
  - **Assemble team:**
    - Creative Strategies (for options and resources)
    - CPA (for potential tax liability on forgiven debt).
    - Attorney (if state laws are complex).
    - Hardship consultant (to organize your case file).
-

## 8. Prepare Your Hardship Package

- **Documents lenders require:**
    - **Hardship letter:** a short explanation of why you fell behind (job loss, divorce, illness, etc.).
    - **Income proof:** pay stubs, unemployment, Social Security, or disability income.
    - **Tax returns:** last 2 years.
    - **Bank statements:** usually last 2–3 months.
    - **Monthly expenses worksheet:** showing no disposable income.
  - **Tip:** Scan and save everything — lenders often ask for re-submissions.
- 

## 9. Sell the Property

- **Market at a realistic “short sale price”** — low enough to attract buyers but within what the bank may accept.
  - **Home presentation:**
    - Clean up, declutter, and keep property accessible.
    - No need for big repairs — buyers expect “as-is.”
  - **Sales Agreement notes:** must indicate “short sale subject to lender approval.”
- 

## 10. Respond Quickly to Offers & Lender Requests

- **Submit all offers promptly** — lenders require full transparency.
  - **Expect counter-offers** from the bank on price or terms.
  - **Stay responsive:** missing a single document can delay approval for weeks.
  - **Track communication:** keep copies of all emails and approval letters.
-

## ✓ 11. Close the Short Sale

- **Bank issues written approval** of the buyer's offer.
  - **Closing handled like normal sale** — but lender controls final approval.
  - **Deficiency waiver:** confirm in writing whether the bank forgives the unpaid balance.
  - **Relocation assistance:** ask if your lender participates in HAFA or relocation incentive programs.
- 

## ✓ 12. Transition to Next Chapter

- **Secure new housing:**
    - Rental (with proof you're exiting foreclosure responsibly).
    - Temporary housing with family/friends if needed.
  - **Credit repair:**
    - Monitor your credit report.
    - Pay all other bills on time to start rebuilding.
  - **Financial reset:**
    - Build an emergency fund, even small.
    - Seek financial literacy resources to prevent repeat hardship.
- 

### 📌 Key Reminder:

The earlier you act, the more options and control you have. A short sale, if handled proactively, can preserve dignity, reduce credit damage, and position you for financial recovery.

Yes, most often tis can be painful hard work but, it's well worth the effort to reset your life for a positive stress-free future to start again.



**SIGNATURE PROPERTIES, INC.**

*ReBuilding Your American Dream*

**www.SignaturePropertiesInc.com** (410) 876-8765