Office of the
Attorney General

Mortgage Fraud and Foreclosure

OCTOBER 2008

LAWRENCE WASDEN
Attorney General
700 West State Street
Boise, ID 83720-0010
www.ag.idaho.gov

State of Idaho
Office of Attorney General
Lawrence Wasden

Dear Fellow Idahoan:

Your home is likely your most valuable asset, and you have an interest in maintaining ownership, protecting your equity and preserving your credit rating. This manual describes how you can better protect yourself from scams and deceptive business practices aimed at homeowners. Mortgage fraud, foreclosure rescue schemes and other deceptive practices have invaded our state, offering empty promises and stealing the dream of home ownership. Both Idaho and federal law offer some protections against mortgage fraud. Some of these laws are discussed in this manual. However, prevention is the best remedy for combating fraud, and you can best protect yourself by understanding your rights and obligations as a homeowner.

If you are having financial difficulties and are at risk of foreclosure, I encourage you first to contact your loan servicer to discuss your specific circumstances. If you are having difficulty making your mortgage payments and have had no success in reaching an agreement with your lender, you should speak with a housing counselor immediately. Call the Hope Now Hotline at (888) 995-HOPE to locate a free housing counselor.

Appendix A of this brochure contains a list of resources that provide information and assistance to homeowners, including contact information for the Idaho Department of Finance, the state agency that regulates mortgage brokers, mortgage lenders and mortgage loan originators. Appendix B contains a glossary of important terms to help you better understand the language of the mortgage industry.

In addition to contacting a private attorney to discuss any available legal remedies, you can report deceptive mortgage foreclosures rescue schemes and deceptive mortgage advertising to my Consumer Protection Division. Complaint forms are available on my website at www.ag.idaho.gov or by calling 208-334-2424 or, toll free in Idaho, 800-432-3545.

Sincerely,

LAWRENCE G. WASDEN
Attorney General

Table of Contents

MORTGAGE FRAUD **1**

WHAT IS MORTGAGE FRAUD? 1
APPRAISAL FRAUD 1
How Can Consumers Avoid Appraisal Fraud? *1*
BAIT AND SWITCH 1
How Can You Avoid Bait and Switch Schemes? *1*
BUILDER-BAILOUT SCHEMES 2
How Can You Avoid Builder-Bailout Schemes? *2*
EQUITY STRIPPING 2
How Can You Avoid Equity Stripping? *2*
DECEPTIVE LOAN SERVICING 2
How Can You Avoid Deceptive Loan Servicing? *2*
HOME EQUITY LINES OF CREDIT (HELOC) 3
How Can You Guard Against HELOC Fraud? *3*
IDENTITY THEFT 3
How Can You Guard Against Identity Theft? *3*
INSURANCE PACKING 4
How Can You Avoid Insurance Packing? *4*
Canceling Private Mortgage Insurance *4*

DECEPTIVE ADVERTISING **5**

WHAT THE ADS REALLY MEAN 5
QUESTIONS FOR THE LENDER 6

FORECLOSURE RESCUE SCHEMES **6**

DECEPTIVE ADVERTISEMENTS 6
PHANTOM COUNSELING 7
BAIT AND SWITCH 7
TENANT/BUY-BACK SCHEME 7
MORTGAGE ELIMINATION SCHEMES 8

TOOLS FOR COMBATTING MORTGAGE FRAUD **8**

IDAHO LAWS 8
Idaho Consumer Foreclosure Protection Act *8*
Idaho Consumer Protection Act and Rules *8*
Idaho Residential Mortgage Practices Act *8*
FEDERAL LAW 9
The Truth in Lending Act *9*
The Real Estate Settlement Procedures Act (RESPA) *9*
Information Provided at the Time of Application *9*
If the Documents Are Not Provided at the Time of Application *10*
REQUIRED DISCLOSURES BEFORE CLOSING 10
REQUIRED DISCLOSURES AT CLOSING 10
REQUIRED DISCLOSURES AFTER CLOSING 10
ADDRESSING LOAN SERVICING PROBLEMS UNDER RESPA 11
FILING RESPA COMPLAINTS 11

HOME OWNERSHIP EQUITY PROTECTION ACT (HOEPA) **11**

REQUIRED DISCLOSURES 11
PROHIBITED PRACTICES 12
REMEDIES FOR VIOLATIONS OF HOEPA 12

FORECLOSURE PREVENTION **12**

IDAHO'S FORECLOSURE PROCESS 13
Non-Judicial Foreclosure *13*
Judicial Foreclosure *14*
NEGOTIATING A LOAN WORKOUT PLAN 14
Determining Who to Contact *14*
Loan Workout Options *15*
HOUSING COUNSELORS 15
Hope Now *16*
Before Meeting with a Housing Counselor *16*
What to Expect from a Housing Counselor *16*
Other Options to Consider When Facing Foreclosure *17*

APPENDIX A **19**

RESOURCES 19
Bankruptcy *19*
Consumer Advocacy *19*
Consumer Credit *20*
Consumer Education *20*
Legal Assistance *22*
Mortgage Financing *23*
Mortgage Insurers *23*
Government Agencies *24*
Senior Citizens *25*

APPENDIX B **26**

GLOSSARY OF MORTGAGE TERMS 26

MORTGAGE FRAUD

WHAT IS MORTGAGE FRAUD?

Mortgage fraud is a broad term. Generally, mortgage fraud occurs when a participant in a mortgage transaction misleads the borrower or the lender or both. Often, the borrower, seller or appraiser intentionally misstates, misrepresents or omits information the lender or underwriter relies upon in deciding whether to fund, purchase or insure a mortgage.

APPRAISAL FRAUD

Appraisal fraud occurs when an appraiser misrepresents the value of a property. The appraiser may encounter pressure from a party associated with a mortgage transaction to misstate the value or may receive a financial benefit for overstating a property's value.

Borrowers, eager to obtain the "most home" at the "best terms," may fail to recognize the harm a misleading appraisal causes. When a home is overvalued, the borrower may end up in a financial hole when it comes time to refinance or sell.

How Can Consumers Avoid Appraisal Fraud?

- **Verify the Appraiser's License.** When you buy or refinance your home, it is important to select a licensed, experienced appraiser. Idaho designates three types of "real estate appraisers," all of whom are licensed based on their education, experience and the types of property they appraise. To check an appraiser's licensing status, visit www.ibol.idaho.gov.
- **Request Written Documentation.** You should request documentation of the appraisal, including all information regarding recent comparable sales of similar homes in the area.
- **Obtain a "Ballpark" Appraisal Value.** Although you should never rely solely on a "ballpark" appraisal to determine your home's value, you can obtain approximate appraisal values online and compare those values with the actual appraisal. You can search for property values on the county assessor's website in some Idaho counties.
- **Ask Questions.** Ask the appraiser questions if you are unsure about the results of an appraisal or if you need clarification of certain terms or data. You should not feel pressured to use another party's appraiser.

BAIT AND SWITCH

In a bait and switch scheme, the lender offers a certain set of loan terms in the beginning but pressures you to accept different and less favorable terms or charges when it is time to complete the transaction.

How Can You Avoid Bait and Switch Schemes?

Being aware that bait and switch schemes exist helps you know when to walk away from a transaction. You should never feel pressured to accept unfavorable terms that are different from the terms you originally accepted. Read every document that you sign and ask questions about anything you do not understand or that appears to be wrong.

BUILDER-BAILOUT SCHEMES

Due to rising inventory and decreasing demand, builders sometimes offer financial incentives to buyers but do not include these incentives in the loan documents. In a common scenario, a builder lists a $200,000 home for an inflated price of $230,000 and offers you a "no down-payment" incentive. Believing the builder paid the $30,000, the lender approves a $200,000 loan. Both you and the lender believe the home is being sold with $30,000 in equity. However, the lender actually funded the entire value ($200,000) of the home that has no equity.

How Can You Avoid Builder-Bailout Schemes?

You can avoid builder-bailout schemes by requiring builders to disclose all incentives in writing and by obtaining an appraisal from a reputable appraiser.

EQUITY STRIPPING

Equity stripping occurs when the lender approves a home equity loan based on the amount of equity in a home rather than on factors indicating a borrower's ability to repay the loan, such as income and other debt obligations. If you cannot afford to make the payments, you may lose your home – along with all of the equity. Your credit standing would be damaged, as well.

How Can You Avoid Equity Stripping?

With the rising foreclosure rate, lenders are less willing to approve a high-risk loan, which means they are looking closer at your income and debt before approving home equity loans. A lender's willingness to loan you money does not establish that you can afford the loan payments. The extra money you receive from a home equity loan can be very costly in the long run if the loan has a high interest rate and your income is insufficient to make the payments.

DECEPTIVE LOAN SERVICING

Deceptive loan servicing includes several unlawful practices, such as the servicer's failure to post payments upon receipt, charging you for unnecessary insurance and collecting unauthorized fees. Disreputable servicers engage in abusive collection practices and report inaccurate information to credit reporting agencies, harming your credit rating.

How Can You Avoid Deceptive Loan Servicing?

Diligently review your mortgage statements for possible inaccuracies. If a servicer is charging questionable fees or is imposing late charges for payments you made on time, you should question the servicer about its practices and demand documentation to verify that the fees or charges are lawful. If the servicer ignores your concerns, you should speak to an attorney about possible legal remedies.

HOME EQUITY LINES OF CREDIT (HELOC)

Lenders aggressively market Home Equity Lines of Credit as an easy and inexpensive way to get cash fast. HELOCs differ from normal home equity loans because you borrow against a line of credit over a period of time. You write checks or use a credit card to access the credit line.

HELOCs are vulnerable to identity thieves because the line of credit remains open over an extended period, and the account balance may not be verified on a regular basis. Scammers, posing as customers, establish HELOC Internet accounts and then use sophisticated tactics, such as rerouting telephone calls, to manipulate the customer verification process.

How Can You Guard Against HELOC Fraud?

Shop with different lenders to find the best loan terms and interest rates. Visit the lender's physical location (i.e., a bank or credit union). Do not respond to an unsolicited e-mail message. Shop the Internet with great caution and take steps to verify that the lender is legitimate. Consult a trusted financial advisor or an attorney before signing any loan documents.

IDENTITY THEFT

Identity theft involves stealing another person's identity in order to obtain a mortgage loan. Identity thieves drain home equity lines of credit and steal the identities of appraisers in order to make false valuations.

How Can You Guard Against Identity Theft?

You cannot completely control whether you become a victim of identity theft. However, you can take these steps to minimize your risk.

- Review your bank and credit card statements every month. If a statement contains suspicious activity, notify your bank, credit card company and your lender immediately.
- Place passwords on credit card, bank and phone accounts. Never use easily available information like names, birth dates, Social Security numbers or serial numbers as passwords.
- Secure all personal information you keep at home in a locked storage container.
- Request information about security procedures and privacy policies from creditors, employers and physicians. Ask about disposal procedures for private records and find out what information is shared and with whom it is shared. Request confidentiality of credit, employment and medical records.
- Never provide personal information, such as your bank or credit card account numbers or your Social Security number over the phone, through the mail or on the Internet if a business or individual initiates the contact. Always verify the identity of any entity or person before sending personal information.
- Deposit all outgoing mail in a secure post office collection box. Never mail personal information from an unlocked mailbox or from work.

- Shred receipts, credit applications, insurance forms, physician statements, bank statements, expired credit cards and all other documents that include personal information when such documents are no longer needed.
- Keep Social Security cards in a locked container. Never keep them in your wallet or purse. Carry with you only necessary identification, such as your driver's license and one credit card.
- When you order checks, never have them mailed to a home address unless you have a locked mailbox. Go to the bank to get them.
- Maintain current security software on all computers with Internet access and use only secure websites. Never open e-mail or attachments from unknown individuals. Program computers to request a password before anyone is allowed to use it. Use a "wipe" program to scrub the hard drive of a computer before recycling it.
- For additional information about preventing identity theft, read the materials provided in the "Identity Theft" section of the Attorney General's website at www.ag.idaho.gov.

INSURANCE PACKING

At closing, a lender may add additional insurance or other fees to a loan without disclosing the extra costs or explaining the purpose of the insurance or the fees. You may be hesitant to object to the undisclosed fees for fear you will lose the loan. Do not let that stop you from asking questions and clarifying anything you do not understand. The lender also may imply that the loan "comes with" the insurance or that the insurance is mandatory.

Private mortgage insurance (PMI) is insurance that lenders require from most homebuyers who obtain loans for more than 80% of the home's value. In other words, if you make less than a 20% down payment, you typically must purchase this insurance. PMI protects a lender against loss if you default on the mortgage loan and enables you to purchase a home with as little as a 3% to 5% down payment.

How Can You Avoid Insurance Packing?

Carefully read your loan documents before signing them. Question every unknown fee that the lender never mentioned during the initial approval process. Even if the lender says the paperwork will need to be redone, it is worth the delay to avoid paying for something that you do not need.

Canceling Private Mortgage Insurance

The federal Homeowner's Protection Act (HPA) allows you to request cancellation of PMI when your loan balance equals 80% of your home's original purchase price or appraised value, whichever is less. To request cancellation, you must have a good payment history and may have to provide proof that your home's value has not declined below its original value. The HPA only applies to certain residential mortgages, so you should check with your lender to determine whether the HPA applies to your loan.

DECEPTIVE ADVERTISING

Be wary of offers of unusually low interest rates or payments. Many are deceptive because they may not include important terms and conditions.

EXAMPLE OF A DECEPTIVE AD:

MORTGAGE LOANS!

Low Fixed Rate!
Very Low Payments and Rates!
Buy a $300,000 Home for Only $900 a Month!

WHAT THE ADS REALLY MEAN

"Low Fixed Rate!" and "Very Low Rates!"

The word "rate" usually refers to the "interest" rate and/or the "payment" rate. The "interest rate" is the rate used to calculate the amount of interest you owe to the lender each month. Ads that tout a "fixed" rate may not disclose how long the rate will remain "fixed." In some cases, the rate may be fixed for only 30 days.

The "payment rate" is the rate used to calculate your monthly payment. Some offers advertise a low payment rate without disclosing that it applies for only a short time, and the payment will drastically increase later to an amount you may not be able to afford. If the payment rate is less than the interest rate, the payment will not cover the interest due. This is called "negative amortization" and means that the loan balance will increase because the lender adds the unpaid interest to the balance. Under these terms, a borrower may never be able to pay off the loan.

"Very Low Payment!" and "Pay Only $900 Per Month!"

Ads quoting a very low payment may refer to interest-only (I/O) loans. If you take out an I/O loan, your monthly payment covers only the interest on the loan and does not reduce the principal. I/O loans are usually for a short period only, such as one to five years. Ads with "teaser" rates or payments do not disclose that the rate or payment is for a very short introductory period and that, when the introductory period ends, the monthly payments can increase substantially.

QUESTIONS FOR THE LENDER

Before agreeing to a mortgage loan offer, ask these questions:

- What is the required down payment amount?
- What is the annual percentage rate (APR)?
- Will the interest rate change? If so, when and how?
- What will the monthly payment be? Will it increase? When?
- Does the monthly payment include an escrow amount to pay for property taxes and homeowners insurance?
- How many years will it take to pay off the loan?
- Is private mortgage insurance (PMI) required? How much will it cost each month? Will you notify me when such insurance is no longer required?
- What fees and other charges are required?
- Is there a prepayment penalty if you refinance or pay off the loan early?
- Who will service the loan?
- Will the loan be sold in the future?
- What if the payment amount becomes unaffordable in the future?

FORECLOSURE RESCUE SCHEMES

With the increasing number of foreclosures, fraud perpetrators have boundless opportunities to exploit homeowners who are seeking financial help and who are desperate to save their homes from foreclosure. To make fast profits, fraudulent foreclosure rescue companies use half-truths and lies to sell services that they never deliver. Such schemes may result in the scammer getting title to your home.

DECEPTIVE ADVERTISEMENTS

Foreclosure rescue companies sift through public foreclosure notices in newspapers, at courthouses and on the Internet to find targets. The companies send personalized letters instructing you to call the company in order to “save” your home from foreclosure.

Companies advertise on the Internet, television or in the newspaper. They staple posters to telephone poles and bus stops and leave flyers on doorsteps. These ads contain threatening or intimidating language designed to convince you that the only way to save your home is to call the “rescue” company. Foreclosure rescue companies may include in their ads false court case numbers and bank names to make you believe the court or your mortgage company generated the notice.

An example of a typical direct-mail ad is:

Name of Your Lender or other Financial Institution

IMPORTANT NOTICE

Jane Doe
1900 Estate Drive
Boise, ID 83701

Re: Foreclosure Case No. 123-1234

Your Home Is Scheduled to Be Sold at Auction!
Call Today to Save Your Home!

Our dedicated team of professionals can keep you in your home and can end your financial worries! All you need to do is call us at **888-555-3100** for a free consultation with one of our foreclosure specialists. If you do not call today, you will lose your home.

Don't Wait Another Minute!
Call Now!

Joe Smith
Foreclosure Specialist

PHANTOM COUNSELING

The fraudster claims he can negotiate a deal with your lender to save your home but only if you first pay him a fee. You may be instructed not to call your lender because the fraudster will "handle" all of the details. Once the fee is paid, the fraudster disappears or tells you to send all mortgage payments directly to him while he negotiates a new deal with your lender. Of course, after a few months of receiving the payments, he disappears with your money. Debt and credit counselors are required to be licensed with the Idaho Department of Finance. You should contact the Department to find out if the counselor is licensed and what his or her status is. The Department's website is located at finance.idaho.gov.

BAIT AND SWITCH

You think you are signing documents for a new loan to bring your mortgage current. What you really sign is an agreement surrendering your home to the scammer in exchange for a fictitious loan.

TENANT/BUY-BACK SCHEME

You are told that if you sign a quitclaim deed transferring your home to the scammer, the mortgage will be paid, and you can continue living in your house. You are also told that the scammer will deed the house back to you once you qualify for refinancing.

This scheme turns you into a tenant in your own home. As a tenant, you can be evicted for failing to pay the monthly “rent,” which usually is higher than your monthly mortgage payment. Even though you no longer “own” the home, you remain responsible for paying the mortgage.

Most mortgage agreements prohibit a third party from assuming a mortgage, but scammers typically ignore this prohibition and tell you not to disclose the mortgage assumption to your lender. Before entering into any mortgage assumption agreement, you should contact your mortgage lender. Simply because the third party tells you the assumption is allowed by the lender does not make it so.

MORTGAGE ELIMINATION SCHEMES

The company advertises that it is possible to avoid paying the mortgage loan based on the ridiculous legal argument that, because the mortgage transaction was merely a “paper” transaction involving no exchange of funds, the loan does not exist. Therefore, according to the company, you have no duty to repay the loan. Of course, the only way to obtain access to the company’s secret mortgage-elimination method is to send the company a large fee.

TOOLS FOR COMBATTING MORTGAGE FRAUD

IDAHO LAWS

Idaho Consumer Foreclosure Protection Act

Recognizing the damage that fraudulent foreclosure rescue companies cause homeowners, the Idaho Legislature enacted the Idaho Consumer Foreclosure Protection Act in 2008. The Act requires certain businesses to include written disclosures in any contract with you if you are facing foreclosure on your home.

Contracts must include a notice informing you about the consequences of entering into a foreclosure rescue contract. The notice must be printed in 12-point bold type on yellow 8½" x 11" paper. The notice must provide information about resources you can consult and must inform you that you have a right to cancel the contract within five days of signing it.

Idaho Consumer Protection Act and Rules

This law, and the rules enacted under it, prohibit unfair or deceptive acts or practices in the conduct of trade or commerce within the state. The Attorney General is authorized to enforce the Consumer Protection Act. Under this law, you also can challenge the deceptive advertisements of foreclosure rescue companies. Companies must disclose all material terms and conditions of an offer and must be able to substantiate the information in their advertisements. Also, they must not engage in bait-and-switch activities.

Idaho Residential Mortgage Practices Act

This law applies to mortgage brokers, mortgage lenders and mortgage loan originators and is administered by the Idaho Department of Finance. The law establishes a licensing system for mortgage-related businesses and individuals and includes legal requirements for their operation in Idaho. The law incorporates mortgage-related federal law, including the Real Estate Settlement Procedures Act and the Home Ownership Equity Protection Act, both of which are discussed below. The Idaho Residential Mortgage Practices Act authorizes the Department of Finance to bring legal actions against those who violate its provisions or federal mortgage law. The Department accepts complaints either by mail or from its website at finance.idaho.gov.

FEDERAL LAW

The Truth in Lending Act

The Truth in Lending Act is a federal law which requires detailed written disclosures in consumer credit transactions, including mortgage loans. The law gives consumers the right to cancel a loan secured by a consumer's home under some circumstances. A tenant/buy-back scam may actually constitute a loan, which triggers your right to cancel the contract under the Truth in Lending Act.

In 2008, Congress amended the Truth in Lending Act, including new provisions aimed at the subprime mortgage meltdown. When these provisions become effective (some may take up to 30 months to implement), they will change a variety of disclosures, and the timing of disclosures, related to adjustable rate loans.

The Real Estate Settlement Procedures Act (RESPA)

The Real Estate Settlement Procedures Act (RESPA) was enacted to protect you from high closing costs and abusive practices in the residential housing market. The law requires mortgage brokers and/or lenders to provide you with written disclosures before and at closing and throughout the term of your mortgage loan. RESPA's disclosures specifically concern closing costs, servicing transfers and escrow accounts.

Information Provided at the Time of Application

Under RESPA, at the time you apply for a mortgage loan, the mortgage broker and/or lender must give you:

1. A booklet containing consumer information about different real estate closing services.

2. A "Good Faith Estimate" (GFE) of closing costs. The GFE lists the charges you likely will pay at closing. The GFE is only an estimate. The actual charges may differ. If the lender requires you to use a particular closing company, the lender must disclose this requirement on the GFE.

3. A "Mortgage Servicing Disclosure Statement" that explains whether the lender intends to service the loan or transfer it to another lender for servicing. It also provides information about complaint resolution.

If the Documents Are Not Provided at the Time of Application

If the mortgage broker or lender does not provide the required documents to you at the time of application, the broker and lender must mail them to you within three business days of receiving your loan application. However, if the lender rejects the loan application within three days, then the lender is not required to provide these documents to you.

RESPA does not provide a specific remedy to you if you do not receive the required documents from the mortgage broker or lender. RESPA violations can be addressed by federal and state governmental agencies, including the Idaho Department of Finance.

REQUIRED DISCLOSURES BEFORE CLOSING

HUD-1 Settlement Statement. Under RESPA, the lender is required to give you the "HUD-1 Settlement Statement." You can ask to see the "HUD-1 Settlement Statement" one day before closing. The Statement is a standard form that shows all charges you and the seller must pay at closing.

Affiliated Business Arrangement Disclosure. In some situations, a settlement service provider must provide you with an "Affiliated Business Arrangement Disclosure," which describes the business arrangement, if any, between the service provider and any other provider of services related to your mortgage loan.

REQUIRED DISCLOSURES AT CLOSING

HUD-1 Settlement Statement. The HUD-1 Settlement Statement shows the actual settlement costs of your loan transaction.

Initial Escrow Statement. The "Initial Escrow Statement" itemizes the estimated taxes, insurance premiums and other charges that will be paid from the escrow account during the first 12 months of the loan. Although the Statement usually is provided to you at closing, the lender has 45 days from closing to provide it.

REQUIRED DISCLOSURES AFTER CLOSING

Annual Escrow Statement. Loan servicers must give you an "Annual Escrow Statement" once each year. The annual Statement summarizes all escrow account deposits and payments during the servicer's 12-month computation year. It also notifies you of any shortages or surpluses in the account and advises you about the course of action being taken.

Servicing Transfer Statement. A "Servicing Transfer Statement" is required if the servicer sells or assigns the servicing rights of the loan to another servicer. Generally, the loan servicer must notify you 15 days before the effective date of the transfer. The notice must include the name and address of the new servicer, a toll-free telephone number and the date the new servicer will begin accepting payments.

ADDRESSING LOAN SERVICING PROBLEMS UNDER RESPA

RESPA provides you with important protections relating to the servicing of your loan. If you have problems or questions about the servicing of your loan (including escrow account questions), contact your loan servicer in writing. The servicer must acknowledge your complaint in writing within 20 business days of receipt of your complaint.

Within 60 business days of receiving your complaint, the servicer either must resolve the complaint by correcting the account or provide a statement explaining its position. You must continue making your required payments until the complaint is resolved.

You may sue a servicer who fails to comply with certain RESPA provisions. Consult a private attorney about your legal rights and options if a servicer fails to resolve your complaint.

FILING RESPA COMPLAINTS

The Idaho Department of Finance has authority to enforce certain provisions of RESPA under the Idaho Residential Mortgage Practices Act. Contact the Department to determine whether it can address your complaint. Its website address is finance.idaho.gov.

The Department of Housing and Urban Development (HUD) also has authority to enforce certain RESPA provisions. For example, HUD can impose a civil penalty on loan servicers who do not submit initial or annual escrow account statements to borrowers.

If you believe a violation of RESPA has occurred, you can file a written complaint with HUD, explaining the violation and identifying the violators by name, address and phone number. Provide your name and phone number for follow-up questions from HUD. Send your complaint to:

> Director, Office of RESPA and Interstate Land Sales
> US Department of Housing and Urban Development
> Room 9154
> 451 7th Street SW
> Washington, DC 20410

HOME OWNERSHIP EQUITY PROTECTION ACT (HOEPA)

The Home Ownership Equity Protection Act of 1994 (HOEPA) requires specific disclosures for certain high rate/high fee loans and prohibits some forms of deceptive practices in home equity lending. HOEPA does not apply to loans to buy or build homes or to certain types of loans secured by your home.

REQUIRED DISCLOSURES

At least three days before a loan is finalized, HOEPA requires that the lender provide certain written disclosures, along with the other required disclosures under the Truth in Lending Act. They include:

- You have three business days after you sign the loan application to decide whether to sign the loan agreement.
- The loan gives the lender a mortgage on your home. If you fail to make the required payments, you can lose the home and any money already paid.
- Certain financial terms must be disclosed: the Annual Percentage Rate (APR), the amount of balloon payments, the loan amount and all additional fees, including credit insurance premiums.
- If the Annual Percentage Rate is variable, a notice must be given stating that the rate and monthly payment may increase and the amount of the maximum monthly payment.

PROHIBITED PRACTICES

HOEPA prohibits lenders from including certain terms in high-rate, high-fee loans. These prohibited terms include:

- Negative amortization.
- Balloon payments for loans with less than five-year terms.
- Default interest rates.
- Prepayment penalties (certain limited exceptions apply).
- Due-on-demand clauses (certain limited exceptions apply).

A lender also may not:

- Make loans based on the collateral value of the property without regard to your ability to repay the loan.
- Refinance a HOEPA loan into another HOEPA loan within the first 12 months of origination, unless the new loan is in your best interest.
- Wrongfully document a closed-end, high-cost loan as an open-ended loan.

REMEDIES FOR VIOLATIONS OF HOEPA

You have a right to sue a lender for violating HOEPA, and you can recover your damages, court costs and attorney's fees. You also may be able to cancel the loan for up to three years after signing if the lender violates the Truth in Lending Act.

In addition to violations of relevant federal or state laws, you also may have claims for fraud, conspiracy, breach of fiduciary duty, equitable mortgage, breach of contract and telemarketing fraud. If you believe you are a victim of mortgage fraud, contact a private attorney. You may also file a complaint with the Attorney General's Consumer Protection Division, as well as the Idaho Department of Finance.

FORECLOSURE PREVENTION

If you are delinquent in making your required mortgage payments or if you have received a notice of foreclosure, you must take immediate action. Ignoring the problem will not make it go away. In fact, the longer you ignore the notices from your mortgage servicer and lender, the more likely you will lose your home.

You are not alone. Increases in adjustable interest rates, decreasing home values, rising unemployment rates and a sagging economy have resulted in millions of homeowners facing possible foreclosure. To help address this increase in foreclosures, servicers have become more willing to work with homeowners to develop reasonable repayment plans. Government agencies also are educating homeowners about their rights and have established a network of housing counselors to assist homeowners in addressing delinquencies and pending foreclosures.

While not every home can be saved from foreclosure, in many cases, if you act quickly and responsibly, you may avoid this devastating result. The information in this section outlines Idaho's foreclosure process, discusses the role of housing counselors and briefly explains some of the options available to you. If you have questions relating to your specific situation, contact your loan servicer, your lender, a housing counselor, an attorney or a trusted financial advisor.

IDAHO'S FORECLOSURE PROCESS

Non-Judicial Foreclosure

The primary method of foreclosure in Idaho does not involve any court action. Instead, most Idaho foreclosures are completed through a notice process. An uncontested, non-judicial foreclosure takes about 150 days to complete. If you contest the foreclosure or file for bankruptcy, this timetable may be extended.

1. **Notice of Default.** The foreclosure process begins when the lender mails a notice of default to you. The lender also files a notice of default with the county recorder. Once the default notice is recorded, the lender can schedule and advertise the foreclosure sale.

2. **Cure of Default.** You have at least 115 days after the filing of the notice to "cure" the default and stop the foreclosure. To do so, you must pay the lender the total amount due, including the lender's costs. In certain situations, the lender may allow you to stop the foreclosure up to the public sale date.

3. **Notice of Sale.**

   Notice to Borrower. At least 120 days before the sale date, a notice of sale must be mailed to you and personally served on the occupant of the property. The notice includes: (a) the names of the trustee, lender and borrower; (b) a description of the property; (c) all default information; (d) the amount owed; and (e) the date, time and location of the sale.

   Publication of Notice. The lender also must publish the notice of sale in a local newspaper once a week for four weeks. The final publication must occur at least 30 days before the sale date.

4. **Sale Process.**

   Trustee Sale. The trustee conducts the sale. The trustee may postpone the sale up to 30 days by public announcement at the originally scheduled sale. The trustee also can reschedule the sale. If the sale is rescheduled, a new notice of sale must be published and sent to you. The trustee sale is at the date, time and place contained in the notice of sale or rescheduled sale.

   Bidding. Any person may bid at the foreclosure sale. The trustee transfers ownership of the property to the winning bidder after receiving full payment. Once payment is received, the winning bidder is entitled to possession of the property within 10 days after the sale.

   No Redemption Rights. Idaho foreclosures conducted out of court do not grant the homeowner a right to reclaim the property after the sale.

   Deficiency Judgment. Within 90 days after the sale, a lender may file a deficiency action against the homeowner to recover the difference between the debt amount and the amount obtained at the sale.

Judicial Foreclosure

A lender also can foreclose through a court proceeding where the judge issues a final judgment of foreclosure. If the deed of trust prevents the lender from selling the property without a court order, or if the property exceeds 40 acres, the lender generally must proceed with a judicial foreclosure.

The lender files a complaint along with a "lis pendens," which is a recorded document that provides public notice that the property is the subject of a legal action. After a judgment is entered by the court, the property is sold at a public sale. The homeowner has 180 days to redeem the property if it is less than 20 acres. If the property is 20 acres or more, the redemption period is 365 days.

NEGOTIATING A LOAN WORKOUT PLAN

Determining Who to Contact

Mortgage loans are often sold several times after they are finalized. This makes it difficult to know who to contact when you are having difficulties paying your loan.

You may be able to work with your loan servicer to develop a workout plan. The contact information for your loan servicer should be printed on your monthly statements.

If you have received delinquency notices from your servicer, call the telephone number included in the notices.

Loan Workout Options

1. **Repayment Plans.** By entering into a repayment plan, you may be able to cure a defaulted loan by making regular monthly mortgage payments as they are due, together with partial monthly payments on the arrearage. The amount of time allowed to complete the repayment varies based on the loan servicer but generally can be from three months to four years. Repayment plans are helpful if you experienced only a temporary financial setback.

2. **Forbearance.** A forbearance may be another option if you are experiencing temporary financial problems. With a forbearance, the loan servicer temporarily reduces or suspends the amount of your monthly payment. You will have to pay the arrears and accumulated interest (along with the regular payment amount) when the forbearance ends.

3. **Modification.** A loan modification can take many forms, but generally a modification is best if you have recovered from a financial setback, but your income is less than it was before the default occurred. Possible modification options include:

    - Reduction of the interest rate;
    - Extension of the loan repayment period;
    - Reamortization with capitalization of any arrears; and
    - Reduction of the principal balance.

4. **Short Sales/Pre-Foreclosure Sales.** A short sale is selling a home for less than the amount due on the mortgage in order to avoid foreclosure. With a short sale, you avoid the harm a foreclosure causes to your credit rating. It is important, however, to negotiate an agreement that prevents the lender from obtaining a deficiency judgment against you.

5. **Deed in Lieu of Foreclosure.** A deed in lieu of foreclosure is simply a transfer of the deed to the mortgage holder to satisfy the loan. This option, which will negatively impact your credit, usually is available only when a home has one mortgage. In some cases, if your second mortgage is with the same mortgage lender, the lender may accept a deed in lieu of foreclosure.

6. **Assumptions.** In some cases, a third party can assume the payment of the mortgage. The home can then be transferred to the person assuming the mortgage. However, you remain responsible for the mortgage unless the lender releases you from the obligation. Many mortgage contracts include a "due on sale" provision to prohibit assumptions without the lender's consent.

HOUSING COUNSELORS

Housing counselors play an important role in advising how you can avoid foreclosure. In some instances, the counselor bridges the communication gap between you, the lender, the servicer, the insurer and others.

Speak with a trusted financial advisor or a housing counselor immediately if you are having difficulties reaching a workout plan with your servicer or if you have questions about the workout or foreclosure process. If you use a housing counselor, contact one who is approved by the United States Department of Housing and Urban Development (HUD). Do not select a counselor from the Internet or by calling a number listed on an ad that came in the mail. To locate a HUD-approved housing counselor in your area, call HUD at (800) 569-4287 or visit HUD's website at www.hud.gov.

Hope Now

Hope Now, a free counseling service for homeowners facing foreclosure, is available to assist you if you are motivated to retain ownership of your home. Hope Now is an independent nonprofit alliance of HUD-approved counselors who are trained to advise you about your options to stop a foreclosure.

If you are having difficulty making your mortgage payments and have had no success in reaching a workout agreement with your servicer, call the Hope Now Hotline at (888) 995-HOPE. You also can visit www.hopenow.com for additional information about avoiding foreclosure.

Before Meeting with a Housing Counselor

Although every situation is unique, generally, a housing counselor's goal is to prevent a foreclosure. In order to work efficiently toward that goal, you need to provide the counselor with all relevant information and documentation regarding your circumstances. Before meeting with the counselor, you should complete these tasks:

- Gather and organize all of the documents you have received from your servicer, your lender and any other entities related to your home ownership.
- Gather and organize your financial records, including all income statements, bills, tax records, insurance policies, bank records and other documents showing your assets and debts.
- Figure out your immediate deadlines. For example, is there a foreclosure sale date scheduled?
- Decide what your goals and needs are, both financially and personally. For example, how badly do you want to keep your home? Is it realistic to keep your home under your current financial situation?

What to Expect from a Housing Counselor

Depending on the ultimate purpose of your meeting with the housing counselor, generally, you can expect a counselor to assist you with the following tasks:

- **Determining your objectives and needs.** The counselor should not make any determinations before obtaining all of the necessary information, including your objectives.

- **Scheduling any time limitations and deadlines.** The counselor should assist you in determining any upcoming deadlines.
- **Calculating how much you owe your lender.** This amount should include an accurate accounting of all payments, interest, taxes, insurance, arrearage and fees that you owe.
- **Assisting you in writing a hardship letter.** If the counselor determines that a hardship letter is warranted, the counselor can help you write one. It is important, however, that you write, sign and date the letter.
- **Preparing a budget.** Your immediate financial circumstances will be a key factor in determining the likelihood of avoiding foreclosure. The housing counselor might use worksheets to help you visualize all of your assets and debts. Do not understate certain expenses, such as food or utility costs.
- **Identifying ways to increase your income.** Counselors may know what avenues are available to increase your income. For example, you may qualify for public assistance. If you do, the counselor can assist you in applying for the appropriate benefits. Other possibilities include: selling unnecessary possessions, cashing out life insurance policies or retirement accounts, obtaining a second job or working overtime, asking a relative or friend for money or finding a roommate to offset housing costs.
- **Identifying ways to reduce your financial obligations.** You may be able to reduce or eliminate expenses by canceling private mortgage insurance (if eligible), obtaining low-income utility rate discounts, conserving energy, disconnecting optional services such as cable, Internet or cell phones, negotiating payment or interest reductions with credit card companies, requesting a temporary suspension or reduction of payments (known as a forbearance) on student loans or eliminating expensive habits such as smoking, eating out or shopping.
- **Educating you about saving money for a foreclosure avoidance plan.** An avoidance plan will be more attractive to your lender if you have a lump sum available to pay your lender. Set up a separate savings account specifically for this money.
- **Completing the budget papers and obtaining the necessary documentation.** If a foreclosure avoidance plan is available, the counselor will complete the necessary budget forms and obtain verification of your income and expenses.
- **Requesting a delay of the foreclosure sale.** It may be necessary to request that the scheduled sale be postponed to allow sufficient time to arrange a foreclosure avoidance plan.
- **Submitting the proposed plan to the lender.** Depending on the situation, extensive negotiation with the lender on your behalf may be necessary.

Other Options to Consider When Facing Foreclosure

If a loan workout plan is unavailable and certain unique factors are present, you have other, although less desirable, options.

1. **Bankruptcy.** If you have experienced only a temporary income decrease, but can now resume your monthly mortgage payments, you might be able to keep your home if you file a Chapter 13 bankruptcy.

Bankruptcy is a complicated legal proceeding with significant consequences. Therefore, it is imperative that you consult with an experienced bankruptcy attorney if you consider this option.

2. **Litigation.** If you believe your mortgage servicer or lender has made an error and refuses to correct the problem, litigation may be appropriate. Abusive lending practices also might warrant litigation. Only a qualified attorney can determine whether litigation might help you.

APPENDIX A

RESOURCES

The following resources are provided for your convenience and do not constitute an exhaustive list of available resources. If you have questions about the foreclosure process, how to avoid foreclosure or any of your legal rights and options, you should speak with a HUD-approved housing counselor, an attorney and/or an experienced, trusted financial advisor.

Bankruptcy

American Bankruptcy Institute
44 Canal Center Plaza, Ste. 400
Alexandria, VA 22314
(703) 739-0800
www.abiworld.com

National Association of Consumer Bankruptcy Attorneys (Attorney Finder)
2300 M St., Ste. 800
Washington, DC 20037
(408) 350-1173
www.nacba.org

Consumer Advocacy

Better Business Bureau (E. Idaho)
320 Memorial Dr., Ste. 2
Idaho Falls, ID 83402-3615
(208) 523-9754
www.idahofalls.bbb.org

Better Business Bureau (N. Idaho)
152 S. Jefferson, Ste. 200
Spokane, WA 99201-4352
(509) 455-4200
www.thelocalbbb.com

Better Business Bureau (S.W. Idaho)
4355 Emerald St., Ste. 290
Boise, ID 83706
(208) 342-4649
www.boise.bbb.org

National Association of Consumer Advocates
1730 Rhode Island Ave. NW, Ste. 710
Washington, DC 20036
(202) 452-1989
www.naca.net

Consumer Credit

Annual Free Credit Report
(available for free once per year)
(877) 322-8228
www.annualcreditreport.com

Equifax
Office of Consumer Affairs
P.O. Box 105851
Atlanta, GA 30348
(800) 685-1111
www.equifax.com

Experian
National Consumer Assistance Center
P.O. Box 2104
Allen, TX 76013
(888) 397-3742
www.experian.com

National Foundation for Credit Counseling
801 Roeder Rd., Ste. 900
Silver Springs, MD 20910
(800) 388-2227
www.nfcc.org

TransUnion, LLC
P.O. Box 1000
Chester, PA 19022
(800) 888-4213
www.transunion.com

Consumer Education

Center for Responsible Lending
1330 Broadway, Ste. 604
Oakland, CA 94612
(510) 379-5500
www.responsiblelending.org

Consumer Federation of America
1620 I St., Ste. 200
Washington, DC 20006
(202) 387-6121
www.consumerfed.org

Consumers Union
101 Truman Ave.
Yonkers, NY 10703-1057
(914) 378-2000
www.consumersunion.org

Financial Crimes Enforcement Network
General Inquiry Line
United States Department of the Treasury
(703) 905-3591
www.fincen.gov

Mortgage Asset Research Institute
11654 Plaza America Dr.
Box 553
Reston, VA 20190
(866) 676-6274
www.marisolutions.com

Mortgage Electronic Registration System
1595 Spring Hill Rd.
Vienna, VA 22182
(800) 646-6377
www.mersinc.org

National Consumer Law Center
77 Summer St., 10th Fl.
Boston, MA 02110
(617) 542-9595
www.consumerlaw.org

U.S. Foreclosure Network
14471 Chambers Rd., Ste. 260
Tustin, CA 92780
(800) 635-6128
www.usfn.org

Legal Assistance

Idaho State Bar Lawyer Referral Service
525 W. Jefferson St.
Boise, ID 83702
(208) 334-4500
www.state.id.us/isb

Boise Legal Aid
310 N. 5th St.
Boise, ID 83701
(208) 342-0106
www.idaholegalaid.org

Caldwell Legal Aid
1104 Blaine St.
Caldwell, ID 83606
(208) 454-2591

Coeur d'Alene Legal Aid
410 Sherman Ave., No. 303
Coeur d'Alene, ID 83814
(208) 667-9559

Idaho Falls Legal Aid
482 Constitution Way, Ste. 101
Idaho Falls, ID 83402
(208) 524-3660

Lewiston Legal Aid
633 Main St.
Lewiston, ID 83501
(208) 743-1556

Pocatello Legal Aid
150 S. Arthur, No. 203
Pocatello, ID 83204
(208) 233-0079

Twin Falls Legal Aid
475 Polk
Twin Falls, ID 83303
(208) 734-7024

Mortgage Financing

Federal National Mortgage Ass'n (Fannie Mae)
3900 Wisconsin Ave. NW
Washington, DC 20016-2892
(800) 732-6643
www.allregs.com/efnma

Federal Home Loan Mortgage Corp. (Freddie Mac)
Jones Branch Dr.
Freddie Mac Campus
McLean, VA 22101
www.freddiemac.com

Gov't National Mortgage Ass'n (Ginnie Mae)
451 7th St. SW, Room B-133
Washington, DC 20410
(202) 708-1535
www.ginniemae.gov

Mortgage Bankers Association
1919 Pennsylvania Ave. NW
Washington, DC 20006-3404
(202) 557-2700
www.mbaa.org

Mortgage Rate Information
www.bankrate.com
www.mrate.com

U.S. Department of Veterans Affairs
Consumer Affairs Service
810 Vermont Ave. N.W.
Washington, DC 20420
(800) 827-1000
www.va.gov

Mortgage Insurers

Mortgage Guaranty Insurance Corp.
P.O. Box 488
Milwaukee, WI 53201
(800) 424-6442
http://mgic.com

PMI Group, Inc.
U.S. Headquarters - PMI Plaza
3003 Oak Rd.
Walnut Creek, CA 94597
(800) 280-4764
www.pmigroup.com

Government Agencies

Idaho Department of Finance
800 Park Ave., Ste. 200
P.O. Box 83720
Boise, Idaho 83720-0031
(208) 332-8000
finance.idaho.gov

Idaho Attorney General's Office
Consumer Protection Division
954 W. Jefferson, 2nd Floor
P.O. Box 83720
Boise, ID 83720-0010
(208) 334-2424
(800) 432-3545
www.ag.idaho.gov

Federal Trade Commission
Consumer Response Center
600 Pennsylvania Ave. N.W.
Washington, DC 20580
(877) 382-4357
www.ftc.gov

Idaho Housing & Finance Association
565 W. Myrtle
Boise, ID 83702
(877) 888-3135
www.ihfa.org

U.S. Comptroller of the Currency
Customer Assistance Group
1301 McKinney St., Ste. 3450
Houston, TX 77010
(800) 613-6743
www.occ.treas.gov

U.S. Housing and Urban Development
800 Park Blvd., Plaza IV, Ste. 220
Boise, ID 83712-7743
(208) 334-1990
www.hud.gov

U.S. Office of Thrift Supervision
Compliance Policy
1700 G St., NW
Washington, DC 20552
(800) 842-6929
www.ots.treas.gov

Senior Citizens

AARP of Idaho
3080 E. Gentry Way, Ste. 100
Meridian, ID 83642
(866) 295-7284
www.aarpid.org

Idaho Commission on Aging
3380 Americana Terrace
Boise, ID 83706
(208) 334-3833
www.idahoaging.com

Idaho Senior Legal Hotline
(866) 345-0106

APPENDIX B

GLOSSARY OF MORTGAGE TERMS

Adjustable rate mortgage (ARM). A mortgage loan in which the interest rate can be adjusted at specified intervals. For example, with a 2/28 ARM loan, the interest rate is fixed at a relatively low or "teaser" rate for two years and then resets to a higher interest rate at the beginning of the third year.

Amortization. The gradual repayment of a mortgage loan through installment payments. An "amortization schedule" shows the amount of each payment applied to the principal and the amount applied to the interest.

Annual percentage rate (APR). The interest rate on a loan determined under rules required by federal law.

Appraisal. A written estimate of the property's market value at a certain point in time. Idaho licenses three different types of appraisers.

Arrearage. The amount of money that is unpaid and overdue on a mortgage loan.

Assumption. A third party takes over the payments of a homeowner's mortgage loan. The homeowner usually quitclaims the home to the third party, thereby transferring ownership of the property to the third party. Many mortgage contracts specifically prohibit assumptions without the lender's consent.

Balloon payment. A payment that is larger than the normal payment amount and usually is paid at the end of the mortgage payment term in order to pay off the loan. Federal and state laws prohibit certain loans from requiring a balloon payment.

Capitalization. Adding unpaid interest to the mortgage loan principal, which increases the principal amount of the loan and its total cost.

Closed-end loan. A loan with a fixed term or end date.

Collateral. The property a borrower pledges to secure a loan. A creditor usually can take and sell the collateral if the borrower fails to repay the loan.

Cure a default. If a borrower fails to make the required payments on a loan, the borrower is in "default." The process by which the borrower catches up on the missed payments is referred to as "curing" the default or "reinstatement."

Deed in lieu of foreclosure. The lender accepts the deed to the borrower's home so that the borrower and lender can avoid foreclosure proceedings.

Default. When a borrower fails to make the required payments on a loan.

Deficiency judgment. A personal judgment against the borrower for the amount that remains due on the mortgage loan after the home is sold at the foreclosure sale. In other words, if the mortgage lender is unable to sell the home for at least the remaining balance of the loan, the lender can force the borrower to pay the difference between the loan balance and the selling price.

Due-on-demand clause. A term in a mortgage agreement that allows the creditor to terminate the loan before the original end date and require the borrower to repay the entire outstanding balance.

Due-on-sale clause. A term in a mortgage agreement that requires the loan to be paid in full if the property is sold or transferred.

Equity. The amount of cash a homeowner would keep if the owner sold his or her home and paid off all of the liens. For example, if the owner's home is worth $200,000, but the owner owes the lender $100,000 on the first mortgage loan and $25,000 on a home equity loan, the owner has only $75,000 in equity ($200,000 - $100,000 - $25,000 = $75,000).

Equity stripping. Mortgage refinance terms that maximize the lender's profit by increasing the borrower's loan balance and decreases the borrower's equity in the property. The most common equity stripping loan term is charging excessive fees that are financed as part of the new loan.

Escrow account. A special account where a portion of the borrower's monthly payments are held and then used to pay home-related obligations like property taxes, homeowner association dues and insurance.

Eviction. A legal process that terminates a tenant's right to occupy a home.

Forbearance. An agreement between the borrower and the lender allowing the borrower to stop making the required mortgage loan payments for a certain amount of time.

Foreclosure. A legal process that results in the forced sale of a home because the borrower failed to make the required loan payments.

Hardship letter. A letter that the borrower writes to the mortgage loan servicer explaining what caused the borrower to fall behind in making the monthly mortgage payments. The borrower must have a legitimate reason, such as a job loss, a death in the family, an illness or disability or another acceptable reason. The hardship letter is one step in the workout process.

Home equity loan. Any mortgage loan that is used for a purpose other than to purchase a home.

Lis pendens. A legal notice that warns the public that a piece of property is subject to a lawsuit and that any interest in the property that is obtained while the lawsuit is pending is subject to the lawsuit's outcome.

Mortgage. An agreement in which a property owner grants a creditor the right to satisfy a debt by selling the property in the event of a default.

Mortgage Broker. An individual or a company that arranges financing for a home loan.

Mortgage Loan Originator. A person who, while acting on behalf of a mortgage broker or lender, solicits residential mortgage loan applications, receives applications, gathers information, prepares paperwork, assists borrowers, and negotiates residential mortgage loans between borrowers and lenders. Idaho law requires that loan originators be licensed by the Idaho Department of Finance.

Negative amortization. Occurs when a borrower's payments do not cover the amount of interest accruing on a loan.

Open-ended loan. Commonly known as "revolving credit." Payments on the loan replenish credit available to the consumer. Credit cards are an example of open-ended loans.

Origination fee. A fee paid to a lender for processing a loan application.

Principal. The original amount the consumer borrowed. It does not include interest or fees on the loan.

Principal balance. The amount still owed on the loan, not including interest and fees.

Prepayment penalty. A fee that may be charged by a lender if the borrower pays the loan off early.

Private mortgage insurance (PMI). Insurance, provided by private insurers, that protects lenders against loss if a borrower defaults on the loan.

Quitclaim deed. A legal document that releases a homeowner from any interest in his or her home and transfers the home "as is" to another.

Reamortization. A recalculation of a loan payment by a lender with loan terms that are different from the original loan terms. For example, a lender may modify a borrower's 10-year loan after the borrower has paid for five years in order to lower the borrower's payments.

Redemption. The legal right of homeowners to buy back their foreclosed properties by paying the balance owed on their delinquent mortgages, as well as any interest and fees.

Refinance. The process of paying off a loan with a new loan.

Reverse mortgage. A refinancing option available to homeowners with substantial equity in the home. Money is drawn based on the property's value without an immediate repayment obligation because the lender expects repayment by sale of the property in the future.

Securitization. The process by which loans are pooled together and the interests in the pool are sold to investors.

Servicer. A business, often a bank or mortgage company, that accepts and records mortgage payments from borrowers, negotiates workout plans and supervises the foreclosure process.

Short sale. A sale in which the lender allows the homeowner to sell his or her home for less than the amount owed on the mortgage loan. The lender accepts the sale proceeds as full payment of the mortgage debt.

Subprime loans. Types of loans that are designed to provide credit to borrowers with no credit history or past credit problems. Subprime loans have more expensive terms, such as higher interest rates and fees, than conventional loans.

Underwriting. The process of applying lending standards to the qualifications of a particular loan applicant.

Valuation. The process of estimating the value of a piece of property, normally done through an appraisal.

Variable rate mortgage. A mortgage loan where the interest rate changes over time and can affect the amount of the borrower's monthly payments.

Funds collected by the Attorney General's Consumer Protection Division as the result of enforcement actions paid for this pamphlet. No tax monies were used to pay for this publication.

The Consumer Protection Division enforces Idaho's consumer protection laws, provides information to the public on consumer issues, and offers an informal mediation process for individual consumer complaints.

If you have a consumer problem or question, please call 208-334-2424 or in-state toll-free 1-800-432-3545. TDD access and Language Line translation services are available. The Attorney General's web site is available at www.ag.idaho.gov.