



A Resource Guide for Foreclosure Recovery



A Publication of the Federal Reserve Banks of Atlanta and San Francisco

INTRODUCTION & OVERVIEW

Not since the Great Depression has an economic downturn and the accompanying foreclosure crisis left so many lives in ruins. How can individuals and families find the resources and support they need to put their lives back in order? This resource guide provides a practical, adaptable framework for discussing and addressing the range of issues that individuals or families may face during or after foreclosure. As such, this guide is intended to be used as a tool for identifying local resources and understanding how to access them.

In an effort to build awareness of this guide and encourage its use, the Federal Reserve Community Affairs staff offers training to local community partners. The target audience for this training is primarily counselors, community development practitioners and other stakeholders who assist homeowners facing foreclosure or anyone who may require assistance to recover from a financial setback.

Given regional and local variations in policy and potential inconsistencies in the availability of resources, this guide is probably most beneficial for group training and/or personal counseling. Practitioners are encouraged to customize and adapt each section to local conditions and resources. For example, a local contacts directory maybe a helpful tool. Refer to Appendix C for a sample format.

Practitioners are also encouraged to present the sections in the order they deem most appropriate for their clients. There is some overlap among a number of the topics as many of them are interrelated. The guide will be available online and can be downloaded in sections or in its entirety.

This foreclosure recovery guide was produced by the Community Affairs division of the Federal Reserve Bank of Atlanta and the Community Development department of the Federal Reserve Bank of San Francisco. It is the third section of a four step foreclosure mitigation toolkit that outlines actions and resources for tackling foreclosure at the local level. Detailed information about avoiding foreclosure is available in step two of this toolkit.¹ A special note of thanks goes to each of the project team members for their diligent research, writing, and editing efforts.

This resource guide does not constitute legal advice and readers who are considering foreclosure or its alternatives should contact an attorney or seek the assistance of the local legal aid office or a housing counseling agency to understand their rights and responsibilities. Questions or comments about this resource guide can be directed to Lena Robinson (lena.robinson@sf.frb.org).

¹ Federal Reserve Community Foreclosure Mitigation Toolkit
(<http://www.frbsf.org/community/issues/toolkit/index.html>)

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MANAGING FORECLOSURE AND OPTIONS FOR A GRACEFUL EXIT

A graceful exit is the process of giving up the home with the least amount of disruption and damage to the homeowner's life. It may follow an extended period of working through a range of resources to avoid foreclosure and find a sustainable solution for staying in the home. The graceful exit includes two primary considerations: how the lender will regain ownership to the property and how the homeowner will move forward from this experience. When foreclosure is unavoidable, there are several options for relinquishing ownership of the property.

Relinquishing ownership of the property

The two most common methods of relinquishing ownership of the property to avoid a foreclosure are a deed-in-lieu or a short sale payoff. A deed-in-lieu is an action taken by a borrower and approved by the loan servicer to deed the property to the mortgage lender instead of waiting for the forced foreclosure sale of the property. A short sale payoff is a workout arrangement in which the lender accepts all of the proceeds of the sale but less than the full loan balance in a quick sale of the property by the borrower to a home purchaser.

A homeowner should begin negotiating with the lender about these options as soon as he/she realizes that he/she will not be able to remain in the home. Often, a housing counselor can help a homeowner decide more quickly when it is time to make a graceful exit. The counselor can also advise whether the legal protections available under foreclosure outweigh the alternatives.

Additionally, a deed-in-lieu of foreclosure or a short sale may have a less damaging impact on the homeowner's credit report. And while negotiating these options may take the same amount of time and effort as a foreclosure, the homeowner may feel more in control of the process and have more time to prepare for a transition. In any event, a homeowner should not vacate the property until it has been legally transferred to the lender/investor/servicer.

Home Affordable Foreclosure Alternatives (HAFA)

HAFA is a free option being offered by servicers participating in the HAMP program that provides eligible homeowners with \$3,000 in relocation assistance following the completion of a short sale or deed-in-lieu transaction. Homeowners who have exhausted all efforts to obtain a modification or otherwise feel that homeownership is no longer a sustainable option, should contact his/her lender to learn more about HAFA and whether he qualifies. Under the HAFA program, a homeowner will not be liable to the lender for the difference between the mortgage balance and the sale price of the home.

Deed-for Lease™ or “Cash for Keys”

Fannie Mae is offering some homeowners the option of staying in the property on a market-rate lease once the property has been transferred via a deed-in-lieu. The program known as *Deed for Lease™* allows qualifying borrowers up to a 12 month lease in conjunction with a deed-in-lieu. Tenants living as renters in investment properties may also be eligible to stay if the borrower works cooperatively with the servicer to facilitate contact with the tenant.

Through the loan servicer, the U.S. Department of Housing and Urban Development under its Federal Housing Administration (FHA) and the Veterans Administration (VA) offer “Cash for Keys” on FHA or VA loans. Some loan servicers work with third-party contractors to offer the program. The homeowner should always contact the loan servicer to verify that an organization offering cash for keys is affiliated with the lender. The homeowner should never turn over his/her keys without a written contract from the loan servicer.

Tax Ramifications of Foreclosure

It is important to note that there are potential income tax ramifications of foreclosure, requiring that affected homeowners seek the help of a tax professional to determine the exact impact and whether debt relief is available. The Mortgage Debt Relief Act of 2007 generally allows taxpayers to exclude up to \$2 million as income from the discharge of debt on their principal residence in connection with a foreclosure or mortgage restructuring. The Act applies to principal forgiveness on the primary mortgage for indebtedness forgiven during the calendar years 2007 through 2012.²

Strategic Default

Ongoing weakness in the housing sector has caused an extraordinary depreciation in home values and loss of home equity leaving many homeowners owing more than their properties are worth. In response, a homeowner may consider walking away from the home, even when he/she has the resources to make the payments. This decision is commonly referred to as a strategic default. However, this action may result in a more serious set of consequences than for a homeowner who attempts a resolution with the lender or relinquishes ownership of the property through a mutually agreed arrangement. The homeowner considering the action of strategic default is cautioned to make an effort to contact his/her lender to discuss any options that may be available. Such a homeowner should also fully weigh all of the potential consequences to the credit score, legal recourse by the lender, tax liability, and future ability to purchase a home.

² <http://www.irs.gov/individuals/article/0,,id=179414,00.html>

Bankruptcy

Bankruptcy is another option for homeowners to consider. A homeowner should contact a bankruptcy attorney to discuss how filing may relieve financial stress.

Renters' Rights

A tenant may not always be aware that the home he/she is occupying is at risk of foreclosure. The website www.rentalforeclosure.com allows tenants to find out if a property is in default and/or at risk of foreclosure. While foreclosure laws differ from state to state, a lease between the tenant and the original owner or landlord still applies during foreclosure proceedings. Therefore, when a mortgage goes into default, the landlord still has the right to collect rent until the property is sold at the trustee sale.

Once the landlord's mortgage loan has been foreclosed, the tenant is obligated to pay rent to the new owner of record, which in many cases is the lender. It is important that the tenant seek legal advice on how to protect his or her rights before withholding rent. If the lease was signed prior to the foreclosure filing and has not yet expired, the *Protecting Tenants at Foreclosure Act*³ allows the tenant to continue renting until the end of the lease period. However, if there is a new owner other than the lender, the tenant may be required to move. In this case, the new owner must give the tenant 90-days' notice to vacate the property. Section 8 voucher tenants have additional protections that extend to the new owner of the property. For more information about protections for tenants in foreclosed properties visit the National Low Income Housing Coalition (www.nlihc.org) or Tenants Together (www.tenantstogether.org).

If the rental property is not sold at foreclosure sale, the tenant may be able to begin making payments directly to the lender or servicer for the remaining term of the lease. The tenant should contact the lender or attorney representing the lender. This information should be provided on the foreclosure notice. In some cases, a realtor representing the lender or servicer may contact the tenant to set up new payment arrangements.

³ <http://www.tenantstogether.org/article.php?id=935&preview=1&cache=0>

COMPONENTS OF FORECLOSURE RECOVERY

RELOCATION

Eventually, it will become necessary to find new housing. This section discusses some considerations for identifying and relocating to a new home. An important first step is to save money that would otherwise go to paying the mortgage for the first and last months' rent, security deposit, utility turn on, and other relocation expenses. The importance of preparing to physically relocate cannot be overemphasized.

Often, the review of a credit report is done by a landlord to qualify a prospective tenant. A foreclosure will definitely show up in the form of a blemish and will have an adverse affect on the credit report. To avoid a misunderstanding, it is a good idea to explain the recent foreclosure on the rental application. It is likely that the landlord may request an increased security deposit.

As stated in the previous section, a tenant that is being displaced because of new ownership of a foreclosed property must receive 90 days notice. The tenant may vacate sooner if he/she finds new housing. However, in many instances it may be impossible to recover the security deposit from the original landlord. The new owner is not responsible for the security deposit paid to the prior landlord. If the new owner wishes to keep the current tenant in the property, a new contract should be executed and include a discussion about honoring some or all of the previous security deposit.

Resources for new housing

There are numerous sources for locating new housing. Many cities maintain a weekly rental guide that can be found at convenience stores and supermarkets. There are also online rental services such as www.rent.com as well as listings in the yellow pages for rental agencies. Individuals or families interested in a specific geography, may consider visiting a real estate office in the area. These strategies are primarily intended for someone seeking market rate housing.

Affordable housing options are most often available through a nonprofit housing developer or the city/county housing department. Depending on how much an individual's income may have declined, he/she may be eligible for public housing or a subsidized housing voucher (e.g. Section 8). It is important to note however that these options are often overburdened and may have long waiting lists already. Housing counselors are also a good starting place for a list of local nonprofit housing providers or affordable housing developments. For a list of approved housing counselors, visit www.HUD.gov.

For individuals with access to a computer, Social Serve (www.socialserve.com) maintains a list of housing options for numerous cities across the country. Depending on the city, both market rate and income-qualified affordable housing options may be listed.

Temporary or emergency cash assistance

In some geographies, local cities and counties or foundations and grassroots organizations offer small dollar grant programs to assist families in transition to another home after foreclosure. Call the local 2-1-1 line for a referral.

Avoiding rental scams

Anyone looking to rent should be careful of properties that may be fraudulently advertised. There is an increase in properties in the process of foreclosure being advertised as rentals. It is important to verify that the person(s) renting the property have the legal right to do so and that the property is not pending foreclosure. One way to do this is to check the status of the property at: www.rentalforeclosure.com.

RESTORATION

Dealing with disruptions and basic changes

The onset of foreclosure and other major economic events will likely cause disruption in the normal routine of a homeowner. If the event resulted in relocation, the individual may have to build new support networks. If the event was driven by economic factors, such as a reduction in income or job loss, that person may require the use of social service supports that he/she has never utilized before. This section deals with helping individuals cope with the disruptions that may arise from a change in neighborhood, community, and income.

New Neighborhood, New Community

Unless the family is able to relocate to an apartment or a house in the same neighborhood, the household will probably lose the stability of an established network of family and friends as neighbors. As comforting as it may be to be near them, the more critical need at this time is to find decent and affordable housing that is suitable to the size of the household.

Depending on how far away the family relocates, a move generally involves building new relationships with a landlord, schools, community center, houses of worship, medical facilities, merchants, and utility service providers. It may involve a financial cost to begin these new relationships.

Deciding where to live should include an evaluation of the impact of the new location on the adults as well as the children of the household. For example, the distance of the new home to employment for the working members of the family, the amount of time commuting and the cost of fuel could create significant financial, physical, or emotional distress to the household. Another consideration is the location, cost, and availability of afterschool care.

Eligibility to stay in a school district

Children in a family affected by foreclosure either as a renter or former owner may have the right to stay in the same school district. Under federal law, enacted by the McKinney-Vento Homeless Assistance Act, children that are homeless or living in a temporary dwelling have the right to stay in the school district of their original address. The Act also provides additional rights and protections such as transportation from the new address and free school lunch. Every school district has a homeless education liaison who can help to ensure that the child is afforded every benefit to which he or she is entitled under the law.

It is important to note that the law specifies the temporary nature of such arrangements, which may imply that once a family has permanently taken residence in a new school district, they must enroll there.

Adjusting to a new school

When a household move into temporary or permanent housing necessitates changing schools, it is likely that children in the household may need extra help adjusting. In particular because they may also be dealing with the stress of losing a familiar home, embarrassment about their situation, and the anxiety of leaving the friends they made at their old school. According to GreatSchools.org,⁴ families can prepare for this transition by:

1. Making it a team effort: work together on the transition.
2. Keeping a positive focus: talk about feelings and expectations.
3. Encouraging school involvement: join activities.
4. Getting enough sleep: practice set times for going to sleep and waking up.
5. Taking a trial run: explore the route and the school before the first day.
6. Stocking up on supplies: seek to have sufficient school materials on hand.
7. Preparing the night before: organize clothes, lunch, and materials.
8. Getting a healthy start: eat well and prepare healthy foods.
9. Accompanying your child to school on the first day.
10. Introduction: meeting the teacher and key administrators.

Accessing public benefits and other support services

As foreclosure increasingly results from a loss of employment or decline in income, this may also trigger eligibility for public benefits that can provide an important safety net. There are a number of organizations that offer support for families in various stages of emergency. In most geographies they are available through 2-1-1, a free telephone service that connects the caller to social service providers or a United Way office. Similar to 9-1-1 for emergency services, 2-1-1 operators, known as information and referral specialists, provide referrals to local information and resources, and operate according to national professional standards. The majority of calls are for basic life needs such as food, shelter, and financial assistance. As of March 2011, 2-1-1 serves over 250 million Americans (83% of the entire population) covering all or part of 49 states plus Washington DC and Puerto Rico.

Public income and other support benefits come in two categories; those based on work history and those that are non-work related. Many public benefits such as food stamps or health services are often available through the county's social services agency or public health department. It may be possible to file a single benefit enrollment

⁴ [HTTP://WWW.GREATSCHOOLS.ORG/BACK-TO-SCHOOL/PREPARATION/ADJUSTING-TO-NEW-SCHOOL.GS?CONTENT=25](http://www.greatschools.org/back-to-school/preparation/adjusting-to-new-school.gs?content=25)

application to determine eligibility for a number of programs, including the previously mentioned public or subsidized housing.

Community Action Agencies are local private and nonprofit organizations that are funded by state and federal programs to provide services to foster self-sufficiency and alleviate poverty. Some of the services available through a community action agency include utility bill assistance and home weatherization for low-income individuals, administration of Head Start pre-school programs, job training, and operating food pantries. Other organizations that serve as sources of charitable assistance include the Salvation Army, Catholic Charities, and other faith-based nonprofit programs.

A resource list of benefit programs and the agencies that administer them is listed below.⁵

Government benefits based on work history:

Program	Duration	Administrating Agency
Unemployment Insurance Benefits	6 months*	State employment development department
State disability	1 year*	State disability insurance office
Private disability	Per plan	Governed by private plan
Worker’s Compensation	Per plan	State workers compensation administration
Social Security Disability (SSDI) or Retirement	Unlimited	Federal Social Security Administration
Medicare healthcare coverage	Unlimited	Federal Social Security Administration

*Unless extended

Non-work related government benefits

Program	Applicant	Duration	Administrating Agency
Temporary Assistance for Needy Family (TANF)	Single parent or two parent households	5 years	County social services
AFDC Foster Care	Child placed by the court	Unlimited	County social services
General Relief	Adult without children	Unlimited subject to conditions	County social services
Food Stamps	Anyone	Unlimited subject to conditions	County social services
Supplemental Security Income (SSI)	Disabled or over 65 where social security disability insurance or social security is too low or none	Unlimited	Federal Social Security
Medicaid and in-home support services	Child/parent with low income or disabled SSDI/SSI, or over 65	Unlimited	County social services or federal social security (for SSI)
Public Health	Adult without children	Unlimited	Health care provider

⁵ Legal Aid Society of Orange County, California 2011

REBUILDING

Foreclosure is one of life's major challenges and often accompanies or indicates other serious financial problems in the household. This section discusses restoring one's financial condition, including rebuilding credit and options for increasing income.

How foreclosure affects credit

The impact of foreclosure on an individual's credit score depends on a number of factors. The length of time mortgage payments have been delinquent is a primary factor that influences how a foreclosure event will affect credit standing. Also, a higher credit score prior to default, will have a steeper decline and may take longer to fully recovery. If there was an ongoing delinquency on the mortgage or other credit obligations, the credit score has most likely already declined before the foreclosure. Conversely, if a homeowner is current on all other debts at the time of foreclosure, and still has the ability to cover debt payments, his/her credit score will be more negatively impacted, but should have an easier time rebuilding his/her credit. If the homeowner has been delinquent with his/her mortgage for some time, and is behind on other lines of credit as well, the impact of the foreclosure on his credit score may not be as severe but he will probably be facing a longer road to recovering his credit.

Foreclosure does stay on a person's credit report for seven years and will impact his or her ability to buy a home for at least three years. The good news is that the impact of foreclosure decreases over time, particularly if the former homeowner is able to re-establish a positive payment history on other credit lines and debts.

Rebuilding credit

The credit score is more important now than ever before. It is considered in pricing for insurance or by landlords when renting a home or apartment. Some employers look at the applicant's credit history when considering a new hire. The cost of all other credit—from car loans to student loans to an extension of credit via a credit card company—will be significantly higher for a person with a blemished credit history. Therefore, it is important for someone who has gone through foreclosure to start the process of rebuilding his/her credit file as quickly as possible.

It is a good idea for an applicant to be upfront with a lender, landlord, employer or any other creditor who uses a credit report as a basis for making a decision. Explaining the reason for one's impaired credit may help mitigate or dispel the perception that the applicant is not financially responsible.

The process for rebuilding credit after a foreclosure will be unique for each individual. Several factors can influence this process: the individual's financial condition prior to the foreclosure, the status of other outstanding credit lines, current financial condition,

and ability to repay debts. If the borrower has been able to stay current on all other debt payments, and the foreclosure is an isolated incident, rebuilding the credit score will not be difficult. It will however take time. If an individual is delinquent on many other debts at the time of the foreclosure, it will be more difficult and require more time to rebuild a positive credit file.

The process for rebuilding credit after a foreclosure is not that different from the process of rebuilding credit after any type of major derogatory event such as repeated delinquencies, charge-offs, or bankruptcy. Consistent, punctual payment of all bills contributes to a higher credit score.

One of the first steps for rebuilding credit is to know what is on one's credit report and monitor it consistently. All consumers are eligible to receive a free copy of his or her credit report from each of the three credit bureaus: Equifax, Experian and Trans Union. Annualcreditreport.com offers consumers free access to their credit report from each of the bureaus once a year. There is an additional fee to obtain a credit score. For example, Consumer Credit Counseling Services of San Francisco has posted a number of detailed publications about the credit report, credit score and related topics.⁶

Some financial institutions offer specific products to help consumers rebuild their credit. Secured credit cards are one common tool offered by banks and credit unions. With a secured credit card, the consumer is required to deposit into a bank account the same amount that they are authorized to borrow. The consumer's deposit is used as collateral for the credit extended. Many credit unions also offer a credit builder loan.

Another product for rebuilding credit is a loan secured by a certificate of deposit (CD). The consumer is allowed to borrow up to the amount secured by the CD. These are just a couple examples of the type of products banks and credit unions may offer that are targeted to consumers who need to rebuild their credit. With any of the credit builder products, the key for the consumer is to make timely payments on the card or loan, so that he or she can begin to reestablish a positive repayment history.

Credit counseling services can help

There are a number of national organizations that provide credit counseling and can help with rebuilding credit. Working with a qualified organization and consulting with a counselor to help guide the process of evaluating the current financial condition and developing a plan to get back on track may be of value to some people. Many of these organizations offer their services for free or at a very low cost. Following is a sampling of national organizations that provide such services:

⁶ https://www.cccsf.org/education/publications_reports.html

National Foundation for Credit Counseling

The National Foundation for Credit Counseling (NFCC) is a national nonprofit network of nearly 850 locations. The agencies offer a range of services including money and credit management education, credit and debt counseling. Services are provided in person, on the phone or online. For more information, contact the National Federation of Credit Counselors at 800-388-2227 or visit the web site: www.nfcc.org/CreditCounseling/counseling_guidelines.cfm.

HUD-certified counselors

In addition to these national services, there are many local programs that offer credit counseling. A good starting point to find out more about programs in the area is a HUD-approved housing counselor. While these counselors specialize in homeownership counseling, many also provide basic financial counseling, or can refer the person to a reputable organization in his/her community. For a listing of HUD-approved counseling agencies, call 800-569-4287 or visit the web site: www.hud.gov.

Credit counseling vs. debt management

It is important to note the difference between credit counseling and debt management programs when seeking assistance. There are many free credit counseling programs available and also credit counseling programs that offer debt management programs for a fee. In a debt management program, the consumer deposits money each month with the credit counseling organization that is used to pay the creditors. Often the credit counseling agency is able to negotiate lower interest rates and fee waivers for individuals in a debt management plan. However, the consumer typically pays a high price for this service and most likely their credit will be significantly impacted by enrolling in this program. If the consumer has the ability to pay his/her entire debt, he/she may be better off trying to manage the debt repayment on his/her own or with the assistance of a free credit counseling service.

While there are reputable organizations that provide both debt management and credit counseling services, some organizations providing these services have been found to deceive consumers or misrepresent the cost, nature and benefits of the services provided. If a consumer is considering a debt management program or a credit counseling service with a fee, he/she should be advised to research the organization carefully. The Federal Trade Commission (www.ftc.gov) and the local Better Business Bureau are good places to start.

Unfortunately, there are many organizations that prey on individuals with impaired or blemished credit. There are no shortcuts to rebuilding one's credit, so it's critical that consumers be wary of any offer that sounds too good to be true.

Workforce training and job referrals

Job or income loss is an increasingly common cause of foreclosure. If an individual has recently lost a job, he/she may want to consider a training program to help build new skills or to help identify new job opportunities. The U.S. Department of Labor funds a large number of workforce training programs.

The Department of Labor

The Department of Labor funds job training programs to improve the employment prospects of adults, youth, and dislocated workers. These programs are delivered primarily by states through a One-Stop Career Center system. Training programs can vary from state to state depending on the skills that are needed to compete for jobs in the local area. All programs are aimed at boosting workers' employability and earnings. For additional information on the One-Stop Career Centers in each state, please visit the Department of Labor Web Site at www.dol.gov/dol/topic/training or call 877- US2-JOBS.

America's Service Locator

This website is sponsored by the Department of Labor to provide specific information on One-Stop Career Centers, unemployment benefits, workforce training and job referral at the national, state, and local level. Please visit the web site for more information at www.servicelocator.org.

Avoiding job scams

Fraudulent job offers and employment scams are on the rise as criminals find ways to prey on desperate job seekers during this protracted economic downturn. These scams come in many different forms and can sometimes be disguised well enough to appear legitimate. One common element of job scams is a requirement of an upfront fee. The website, PhishBucket.org is operated by a nonprofit organization dedicated to protecting job seekers from fraudulent job offers. It maintains a list of some of the most popular tactics that a job seeker should look out for.

Entrepreneurship training

Many individuals have dreamed for a long time of owning his/her own business. There are many programs at the state and local levels to assist individuals with turning a business concept into a plan, and preparing to start their own business. The two listed below are national resources to help a person get started and provide referrals to other programs offered in local communities.

Small Business Development Centers

The U.S. Small Business Administration (SBA) administers the Small Business Development Center Program to provide management assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central

and easily accessible branch locations. For additional information on the program and to locate an SBDC in your community, please visit the web site at www.sba.gov/aboutsba/sbaprograms/sbdc/.

FastTrac

FastTrac is a program supported by the Kauffman Foundation, a leading national funder of resources for entrepreneurs. It is a comprehensive package of programs and materials that provide existing and aspiring entrepreneurs with the training and networking opportunities they need to start, grow, and manage a business. FastTrac programs are delivered by over 300 alliance organizations including chambers of commerce, small business development centers, local and regional economic development councils, colleges, universities, consulting firms, and many others. For additional information, please visit the web site: www.fasttrac.org

Accessing the Earned Income Tax Credit (EITC) to compensate for income loss

Someone whose income has declined in the past year, may be eligible for the Earned Income Tax Credit (EITC). The EITC is a tax benefit for working people who earn below a specific federal threshold that may classify them as low-income. A person may be eligible for a tax refund even if his/her earnings were too small to owe any income tax.

Working families that earned less than about \$43,000 in 2009 may qualify for tax credits up to \$5,657 in 2010. The actual amount of tax credits available depends on the income earned, marital status, and the number of dependents of the person(s) applying. The amount of the tax credit varies each year based on federal Internal Revenue Service guidelines. In addition to the EITC, taxpayers with children may be eligible for the Child Tax Credit. This tax credit is worth up to \$1000 for each qualifying child under age 17.

Taxpayers may be eligible for the advanced earned income tax credit, payable in monthly installments throughout the year. It is recommended that the taxpayers seek guidance from a tax professional. For information on the advanced credit go to the Internal Revenue Service website at <http://www.irs.gov/individuals/article/0,,id=96515,00.html>.

In order for an individual to make sure that he/she gets the tax credit for which he/she is eligible and to receive the full tax refund, he/she may consider getting assistance from a paid tax preparer. Many taxpayers turn to commercial tax preparers who can charge up to \$150 for preparing a simple tax return and aggressively promote high cost rapid refund loans. However, there are a number of free alternatives available to help an individual receive the greatest tax refund that he/she is eligible to receive, such as the VITA program.

Volunteer Income Tax Assistance (VITA)

The VITA program is run by the IRS, and VITA volunteers are trained to IRS guidelines. VITA sites are often run by community organizations, and provide free electronic tax filing service offered by commercial tax preparers. To find the closest VITA site, call 800-906-9887. In many communities, United Way is actively engaged in tax assistance, and someone can find out about local tax assistance programs by dialing 2-1-1.

Free on-line filing: The IRS provides access to free on-line tax filing for lower income individuals. Visit the IRS Web Site for additional information on this service: www.irs.gov .

RENEWAL

How long before the impact of foreclosure is over

Many people assume that the trauma of foreclosure ends when they move out of the home. Unfortunately, this is not accurate. There are many issues related to foreclosure that may take several years to address.

The most important thing to think about once the immediate issues of housing, health, family and finances have been addressed is how to build long term stability. With the right support, looking forward can be a very empowering step towards developing a long-term strategy for putting one's life on the path to renewal.

Emotional well-being

Dealing with the emotional loss of a home is often an underappreciated step in the recovery process, but it is critical to renewing an individual's self confidence and removing any remnants of blame that may result from the trauma of foreclosure.

The stress of losing a home doesn't just affect the owners. It affects everyone in the household. It erodes confidence and emotional stability. Financial stress can break down the family unit and could lead to divorce or illness if not addressed. For children, it is a major source of embarrassment and can lead them to acting out, poor school attendance, poor attention, and even violence. For some families, substance abuse and domestic violence play out as a result of the stress of financial instability.

A willingness to foster open communication can lessen stress and bewilderment and even lift emotional barriers for all family members. The issue is knowing just how much information to provide. One helpful tool is quality communication; the parent explaining why the home was lost and keeping family members informed about the plan to transition out of it can greatly reduce anxiety for every member of the household, particularly children. Homeowners with children or other household dependents may benefit from seeking professional advice during this emotionally difficult transition period.

Finding a mental health professional

Mental health providers are specialists licensed to practice family counseling, social work, psychology, or psychiatry. Each category of provider comes with a particular set of credentials and specialties. Finding the right provider for a family depends on its needs, financial means, ages, gender, religion, language, and cultural preferences. The Mayo Clinic has published a tip sheet with information about locating a mental health provider.⁷

⁷ Source: <http://www.mayoclinic.com/health/mental-health/MH00008/METHOD=print>

To further assist individuals and families facing tough circumstances, the American Psychological Association (APA) has published empirically based tips and fact sheets on how to handle emotional stress triggered by the economic downturn, financial hardship and many other challenges. The site also can direct you to psychologists who can speak at workshops in local communities and/or provide clinical services for those in need.⁸

According to therapists at crisis hotlines, there is a surge in anxiety over housing woes. In some instances, delinquent borrowers have committed suicide rather than experience relocation and other issues following foreclosure. For others, delinquency can trigger a range of emotional problems including addictive behaviors such as alcoholism and gambling. However, there is no empirical evidence to suggest that the two are connected. Furthermore, there is no known source of tracking such data and hence, there is no aggregate trend data available.⁹

Choosing an accountability partner

An accountability partner is someone the borrower knows and respects who can be trusted to keep personal, financial, and family matters confidential. Similar to a mentor, the partner must be someone the borrower can relate to and someone whose opinions are valued. Also like a mentor, the accountability partner is there to encourage and hold accountable the borrower to assist in the achievement of specific goals the borrower will set up to complete the process of recovery from foreclosure.¹⁰

Legal remedies for modification fraud

In an effort to increase the likelihood of getting a loan modification, many unwitting homeowners paid significant sums of money to a consultant, attorney or agency who promised some kind of relief. And while these third party intermediaries may have undertaken some perfunctory activities such as submitting a loan modification package, the act of taking a fee with the promise of a certain outcome is illegal.

Anyone who feels that he or she may have been the victim of mortgage modification fraud can take steps to investigate and report the potential perpetrator. The Loan Modification Scam Network is a national coalition of governmental and private organizations created to investigate and prosecute these kinds of scams. Their website: www.preventloanscams.org provides some key questions or guidelines to help a person determine if he/she was scammed; maintains a list of individuals and companies that are on their radar; and most importantly offers an online intake form to report a potential scam.

8 Psychology Help Center. <http://www.apa.org/helpcenter/>

9 USA Today. "Foreclosures take toll on mental health". Hitting home, the economic squeeze. May 15, 2008

10 Source: <http://www.pantagraph.com/app/blogs/main/?p=4184>

Financial education

Financial education is another important tool in this long-term strategy. While not the first step after foreclosure, it is very important for helping individuals and families to learn how to make better financial decisions going forward. Understanding how one got into financial trouble and knowing the pathway out of it can help a borrower in trouble today avoid repeating the experience in the future. Many of the same resources and activities that an individual may use to rebuild credit are a component of financial education. A list of free financial education resources can be found at www.federalreserveeducation.org.

The Federal Deposit Insurance Corporation (FDIC) has added a module about economic recovery to their Money Smart financial education curriculum. This is one of eleven modules available on CD Rom for use by instructors. Materials can be ordered at no charge on the FDIC website (www.fdic.gov).

APPENDIX

Appendix A: Additional Reports and Research

The Foreclosure Generation: The Long-Term Impact of the Housing Crisis on Latino Children and Families; National Council of La Raza
(<http://www.nclr.org/content/publications/detail/61725>).

The Impacts of Foreclosures on Families and Communities: A Primer; G. Thomas Kingsley, Robin E. Smith, David Price. Urban Institute
(<http://www.urban.org/publications/411910.html>)

Foreclosures by Race and Ethnicity: The Demographics of a Crisis; Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst. Center for Responsible Lending Research Report, June 18, 2010. (**WWW.RESPONSIBLELENDING.ORG**)

Kids and Foreclosures: New York City; Vicki Been, Ingrid Gould Ellen, Amy Ellen Schwartz, Leanna Stiefel, Meryle Weinstein. Institute for Education and Social Policy and New York University Furman Center, October 4, 2010.
(http://steinhardt.nyu.edu/scmsAdmin/media/users/lah431/Foreclosures_and_Kids_Policy_Brief_Sept_2010.pdf)

Your Next Move: Life After Foreclosure; Consumer Credit Counseling Services of San Francisco (<https://www.cccssf.org/pdf/lifeafterforeclosure.pdf>).

Appendix B: Local Resources at your Fingertips

Agency or Organization	Phone	Address (include city, state & zip)	Website	Description of Services/Notes
Housing Counseling/Relocation				
Making Home Affordable Certified Foreclosure Counselor			www.makinghomeaffordable.gov	Home Affordable Foreclosure Alternatives (HAFA)
Neighborworks America			http://www.nw.org/network/index.asp	NeighborWorks delivers many of its community-focused programs and services through the national NeighborWorks network – 235 independent, community-based nonprofit organizations serving more than 4,500 communities nationwide.
Fannie Mae			www.knowyouroptions.com	<i>Deed-for-Lease</i> program for Fannie Mae loans, calculators to help with determining affordability; general information about options for keeping or exiting a home.
Hope Now	888-995-4673		www.hopenow.com	Support and guidance for homeowners
City housing department				
Housing authority				
Social Services and Food Banks				
2-1-1			www.211us.org	

Appendix B: Local Resources at your Fingertips

3-1-1				
Community Action Agency				
Homeless shelter (women)				
Homeless shelter (men)				
Homeless shelter (family)				
National Center for Homeless Education			http://center.serve.org/nche/ibt/foreclose.php	
Public Utility Assistance				
Gas company				
Electric company				
Water company				
Job Training/Placement Services (including entrepreneurship assistance)				
SBDC				
One Stop Employment				

Appendix B: Local Resources at your Fingertips

Credit Counseling and Repair				
Mental Health Services and Counselors				
Faith-Based Organizations				
Salvation Army				
Legal Services				
Tenants Together	415-495-8100	995 Market Street, Suite 1202 San Francisco, CA 94103	www.tenantstogether.org	Tenants Together is a nonprofit organization dedicated to defending and advancing the rights of California tenants to safe, decent and affordable housing.
Loan Modification Scam Prevention Network	866-459-2162		www.preventloanscams.org	The Loan Modification Scam Prevention Network was created to strengthen the fight against loan modification scammers and support existing efforts at the national, state and local levels.

Appendix B: Local Resources at your Fingertips

Regulatory and Enforcement Agencies				
County Sheriff				
CA State Attorney General	800-952-5225		http://ag.ca.gov/loanmod/	California campaign targeted on stopping foreclosure fraud.
District Attorney				
U.S. Dept. of Housing and Urban Development			www.hud.gov	
Federal Deposit Insurance Corporation		Consumer Response Center 1100 Walnut St, Box #11 Kansas City, MO 64106	www.fdic.gov	The FDIC supervises state non-member banks. They also produce a financial education curriculum for adult and youth that is available at no charge.
Federal Reserve Consumer Help	888-851-1920	Federal Reserve Consumer Help / P.O. Box 1200 / Minneapolis, MN 55480 /www.federalreserveconsumerhelp.gov	consumerhelp@federalreserve.gov	You can file a complaint if you think a bank has been unfair or misleading, discriminated against you in lending, or violate a law or regulation.
Comptroller of the Currency	800-613-6743	Comptroller of the Currency Customer Assistance Group 1301 McKinney Street, Suite 3450 Houston, TX 77010	www.helpwithmybank.gov	Help for customers of national banks