CALIFORNIA ASSOCIATION OF REALTORS®

Proposition 8 - Property Tax Relief

What Is Proposition 8? Owners of properties that have suffered a severe decline in market value may be eligible for property tax relief. In 1978, California voters passed Proposition 8, a constitutional amendment that allows a *temporary* reduction in taxable (assessed) value when real property suffers a decline in current market value. When the market value of a property on the January 1 lien date falls below the assessed value, the assessor is obligated to review the property and enroll the lesser of the two values. If it is determined that the market value of your home is less than its assessed value, your property's assessed value will be adjusted to the level of its current market value, and consequently, your property taxes will be reduced.

How Can I Apply? Each county assessor office has implemented its own procedures for Proposition 8 applications. Some county assessors require the filing of a formal application with the inclusion of two comparable sales. Others require the filing of a simple informal form or a written notification. Some only require homeowners to call their office.

Due to the nature and severity of the market, many county assessors are proactively reviewing assessed values. For example, some are reviewing certain property types purchased between specific time periods (i.e. all single family homes and condominiums purchased during 2004 to 2008), which may have been especially hard hit by precipitous market declines. For more information about your county assessor's procedures and guidelines for Proposition 8, please consult the website:
http://www.boe.ca.gov/proptaxes/assessors.htm .

SCAM ALERT - NO FEE NECESSARY FOR VALUE
There is no reason to pay for a review that is required by law and will be performed for

Various private companies send mailings to property owners offering their services to pursue a reduction in the owner's property taxes. These companies may charge hundreds of dollars to file for a reduction in value on behalf of the property owner. Some companies even impose late fees if the application is received after an arbitrary deadline.

Homeowners **do not need the services of a private firm to seek a property tax reduction.** State law requires county assessors to review all requests for property value reduction, for **FREE** .

Is this a Permanent Reduction? A property that has been reassessed under Proposition 8 is subsequently reviewed every year to determine its lien date value. The assessed value of a property with a Proposition 8 value in place may increase each lien date (January 1) by more than the standard two percent maximum allowed for properties assessed under Proposition 13; however, unless there is a change in ownership or new construction, a property's assessed value can never increase above its factored Proposition 13 base year value after adjusting for the annual increase. In other words, if the market turns around, your property taxes may increase more rapidly than they would have otherwise, but they will never exceed the level--with a two percent annual inflation adjustment factored in--they were at before you received the Proposition 8 decrease.

What Information Do I Need? You should be prepared to provide the assessor with information that supports your opinion that the market value for your property is less than the assessed value. The best supporting documentation are *comps* , or information on sales of comparable properties in your neighborhood. You should select two comparable sales that sold as close to the January 1 lien date as possible, but no later than March 31.

A property sold with features that are similar to your property is a comparable sale. Comparable sales information helps you analyze the value of your home. The assessor's website may offer sales information for properties that have sold within the last two years. The same information is available from any assessor district office. Many websites offer sales information free of charge. Additionally, your local real estate agent or title agent can provide you with this information. Contact your agent for additional information.

What If I Don't Agree? If you disagree with the county assessor's findings, you may file a formal appeal with the County Assessment Appeals Board or the County Board of Equalization. These Boards are independent bodies established to resolve differences in property value opinions between the county assessor and property owners. You must file your appeal on an *Application for Changed Assessment* between July 2 and either September 15 or November 30 of the fiscal year that you are disputing. To determine the filing deadline date for your county, go to /http://www.boe.ca.gov/proptaxes/pdf/filingperiods.pdf .

TIPS FOR A SHORT SALE SELLER

As a seller attempting a short sale, you want to be at the top of your game. To succeed, you not only have to find a buyer for your home, but also convince your mortgage lender to accept a loan payoff of less than what you owe. A short sale can be a long and arduous process, and yet, you have no guarantee of success. To help ensure success, here are some good tips for selling in a short sale situation:

- **Hire a REALTOR®:** One of the best things you can do in a short sale is to hire a qualified REALTOR® to guide you through the process. A REALTOR® can represent you in finding a buyer and negotiating with your lender. Not all real estate agents are REALTORS®. The word REALTOR® is a trademark designation to distinguish that a real estate agent has, among other things, voluntarily pledged to abide by the strict code of professional ethics of the NATIONAL ASSOCIATION OF REALTORS® to protect and promote their clients' interests.

- **Take a proactive approach:** When you're an "upside down" seller owing more on your mortgage than your property is worth, the prospect of selling short is likely to be upsetting. You may have never expected that owning a piece of the American dream could turn into a nightmare. Despite the grim realities, selling in a short sale may get you out of a bad situation. But it may take a commitment of time and effort on your part. Taking a proactive approach to your short sale may help you get out of that nightmare as quickly and painlessly as you can.

- **Knowledge is your friend:** A short sale is a new experience for most homeowners, but knowledge is a key to success. You should know the pros and cons of a short sale, including the credit, tax, liability, and other potential consequences. You should also understand the overall short sale process -- what you need to do, how long the process may take, and what the common pitfalls may be. Your REALTOR® may be a great resource for information. Short sale information is also available online, such as news articles, governmental websites, lenders' websites, and short sale blogs. Be careful, however, as a lot of misinformation on short sales also floats in our midst.

- **Do your homework:** As early in the game as possible, determine your lender's short sale requirements and whether you satisfy those requirements. If you have multiple loans or other interests secured by your property, you may have to get a short sale approval from all of those creditors. Every lender is different. Not only that, but a lender's requirements may change over time. To approve a short sale, your lender may require that you demonstrate and document a true financial hardship, such as job loss, illness, disability, or death of a co-owner. A decline in property value, absent more, may not be enough to demonstrate a financial hardship. Your lender may have other eligibility requirements, such as a current delinquency in mortgage payments, income verification, or property valuation. You should also determine how your lender intends to treat the shortfall (or the difference between your loan balance and the payoff amount). Your lender may forgive the debt, refuse to forgive the debt, require you to repay it, or say nothing at all about it.

(Please see page two)

TIPS FOR A SHORT SALE SELLER (Cont'd)

- **Get a good price for your home:** Getting a good sales price not only improves your chances of getting your short sale approved, but may also have other advantages. A better sales price reduces your shortfall which is the difference between your loan balance and payoff amount. Minimizing your shortfall may be advantageous for possible repayment, tax, liability, or other reasons. So do the best you can to improve your home's marketability. Even if you don't want to spend a lot of money for a short sale, you can still make your home ready and available for showings by cleaning the house, getting rid of clutter, putting away personal items, making minor repairs, and doing yard work. Ask your REALTOR® for other suggestions to improve the marketability of your home.

- **Get a good buyer:** Your ideal buyer may be someone who will wait patiently until your lender approves your short sale and, as soon as that occurs, the buyer will quickly perform to close the deal. These qualities are admittedly difficult to prescreen for, but do the best you can. Before entering into a sales contract with a prospective buyer, you may ask to verify his or her ability to buy, such as a loan prequalification or approval letter, credit report, and source of down payment and closing costs. You're better off asking upfront than to be surprised later in the process by your buyer's inability to obtain a loan or otherwise perform. You may also try to negotiate favorable contractual terms for yourself, such as a meaningful good faith deposit from the buyer, a substantial down payment, and reasonable time frames for your buyer to inspect the property, obtain financing, and close the transaction.

- **Submit a complete short sale package:** A short sale request typically involves a lot of paperwork. You may greatly expedite the approval process by providing your lender with a complete short sale package containing all the required information and documentation in an organized manner. Getting paperwork to the lender piecemeal is likely to cause delays.

- **Be patient but persistent:** Once you've submitted your short sale request to your lender, waiting for a response may be one of the most frustrating aspects of a short sale. The short sale process can take a few weeks to a few months. Patience and persistence may help you get through that waiting process.

- **Avoid scam artists:** Be wary of scam artists who prey on distressed homeowners hoping to dupe you out of your money and property. As one homeowner who fell victim to a foreclosure-rescue scam said, "When you're down and out you'll believe anything." Watch out for the common signs of a scam, such as someone who asks for money upfront, asks for you to do something immediately without delay, or gives you an unqualified promise to stop foreclosure or other assurances. Also watch out for new types of scams that crop up every day.

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TIPS FOR A SHORT SALE BUYER

Buying in a short sale transaction can be a boom or bust (or something in between). In a short sale, the property is "upside down," which means the seller owes more on the mortgage than the property's value. The short sale seller and buyer enter into a sales contract, but the seller is not obligated to sell unless the seller's lender accepts a loan payoff for less than what's owed. Some buyers flock towards short sales in hopes of snatching up a good deal, whereas others stay away believing short sales are more trouble than they're worth. Ultimately, as the buyer, you can't be sure your short sale transaction will succeed, but you can certainly stack the odds in your favor. Here are some good tips to help ensure your short sale purchase will be a boom, rather than bust:

- **Hire a REALTOR®:** One of the best things you can do in a short sale is to hire a qualified REALTOR® to guide you through the homebuying process. A REALTOR® can help you find the right property and negotiate a good deal. Not all real estate agents are REALTORS®. The word REALTOR® is a trademark designation to distinguish real estate agents who are members of the NATIONAL ASSOCIATION OF REALTORS®. REALTORS® stand apart because, among other things, they voluntarily pledge to abide by the strict code of professional ethics of the NATIONAL ASSOCIATION OF REALTORS® to protect and promote their clients' interests.

- **Knowledge is your friend:** A short sale is a new experience for most homebuyers, but knowledge is a key to success. You should know the pros and cons of buying a short sale. You should also understand the overall short sale process -- what you need to do, how long the process may take, and what the common pitfalls may be. Your REALTOR® may be a great resource for information. Short sale information is also available online, such as news articles, governmental websites, lenders' websites, and short sale blogs. Be careful, however, because a lot of misinformation on short sales also floats in our midst.

- **Do your homework:** Gather and review as much information about a transaction as you can before writing an offer to purchase. Your REALTOR® can help you identify which properties for sale in the Multiple Listing Service are short sales. If so, you and your agent can obtain information from public records, comparable sales, and other sources to determine the likelihood your short sale will succeed. As an example, find out how much the seller owes. A transaction where the lender must forgive a $20,000 shortfall may be preferable to a transaction where the lender must approve a $200,000 shortfall. Also, find out what interests affect title to the property. A transaction where only one lender must approve the short sale is less problematic than a transaction where both senior and junior lenders as well as other creditors must approve the short sale. As another example, determine what price the market will bear. A transaction with a sales price at market value is more likely to be approved by the short sale lender than a sales price below market value.

- **Write a clean offer:** That doesn't refer to sanitation. The word "clean" is industry jargon for describing an offer to purchase that the seller is unlikely to take issue with. Although the lender must ultimately discount the payoff, you have no purchase contract unless the seller accepts your offer. To get the seller's acceptance, you can offer a good price, demonstrate your ability to obtain financing, and offer other favorable terms for the seller. A clean offer can make a big difference, especially if you are competing with other buyers to buy the same property.

(Please see page two)

TIPS FOR A SHORT SALE BUYER (Cont'd)

- **Understand the timing:** The timing of a short sale transaction can be tricky. Things can start off slow, but speed up at the end. Once the seller accepts your offer to purchase, you may wait a few weeks to a few months for an approval from the seller's lender. As the buyer, other than asking for status reports, it may be difficult for you to speed up the short sale approval process. Lenders are often inundated with short sale requests. Each short sale request may involve a sizable loan. Before agreeing to give up the collateral for its loan, the lender may take its time to review the seller's financial position, the property value, and the terms of sale, among other things. Once the lender approves the short sale, the pace can change dramatically. Because a short sale approval usually expires within a few days or weeks, a buyer must move quickly to finalize the transaction. To make sure you succeed in your short sale transaction, be prepared to wait a long time for the lender's approval, and then perform quickly thereafter. Patience and persistence will serve you well.

- **Prep as best as you can:** Because of the unique timing, short sale buyers are often uncertain whether to perform on their sales contract before the short sale lender's approval. On one hand, a buyer may be reluctant to incur expenses by ordering property inspections and appraisals until after the lender approves the short sale. On the other hand, if the property inspections and appraisals are unsatisfactory, the buyer waited all that time for naught. Also, if the processing of property inspections and the buyer's financing causes delays, the short sale approval may expire. The alternative of waiving your inspections may be too risky. So what do you do when faced with this dilemma? You simply do the best you can, depending on your specific circumstances. For example, you may decide to pay for a credit report because it doesn't cost a lot of money and your lender will use the same one if you end up buying something else. Or perhaps you can find a lender to approve your loan without charging any upfront fees. Or perhaps you decide to wait on ordering a professional inspection because the house is well-maintained and relatively new. In the meantime, you can conduct cost-effective investigations, such as reviewing the seller's Real Estate Transfer Disclosure Statement and other disclosures, asking a contractor to give you a free estimate for certain repair items, or going over comparable sales in the neighborhood with your REALTOR®.

- **Manage your expectations about the property:** In a short sale, the property may be in excellent condition, or oftentimes, the distressed homeowner may forego maintenance and repairs. As the buyer, you may ask the seller to make certain repairs or do other things before close of escrow. But there's a good chance you'll have to take care of those things yourself. A seller generally receives no money in a short sale. Given the seller's financial situation, the seller may be unwilling or unable to take care of the repair items that you may request. Moreover, the seller's lender, who has already discounted the payoff, may be unwilling to discount the payoff further to take care of the repair items that you request.

- **Don't lose sight of the big picture:** Buyers can get so wrapped up closing a short sale transaction that they lose sight of the big picture. Whether it's a short sale or not, buying a home is a serious matter. Be sure you are ready for homeownership by determining the financial, tax, liability, and other legal consequences of your transaction and consult with an accountant, attorney or other professional as needed. With the proper planning, negotiations, and execution, buying your piece of the American dream can become a reality.

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FORECLOSURE OR SHORT SALE

Homeowners facing foreclosure often wonder whether a "short sale" is a better alternative. The answer depends on who's asking. Foreclosures and short sales affect different people differently, depending on their financial situations, priorities, goals, adversity towards risks, property conditions, market conditions, and many other considerations. To help you answer that question for yourself, here are some of the major factors to consider when choosing between foreclosure and short sale.

FACTORS	FORECLOSURE	SHORT SALE
DEFINITION	If you default on your loan, foreclosure is the legal process that your lender may use to sell your property to satisfy the debt you owe.	A short sale is a sales transaction where the seller's lender voluntarily agrees to receive a loan payoff for less than what's owed.
CREDIT	Foreclosure and short sale have the same negative impact on your FICO score, according to www.myfico.com. The derogatory item stays on your credit for 7 years, but your FICO score may begin to improve after 2 years if you keep your other credit obligations in good standing. Aside from your FICO score, whether foreclosure or short sale is better for your overall credit-worthiness depends on the purpose for which you're using your credit, such as mortgage loan, auto loan, credit card, apartment rental, or job application (see right column).	A short sale may be reflected in your credit as an account that is "not paid as agreed" or settled for less, and has the same negative impact as a foreclosure on your FICO score according to www.myfico.com. However, a short sale may be better than foreclosure for obtaining a new mortgage loan under current Fannie Mae guidelines. According to Fannie Mae, only 2 years must lapse after a short sale for a borrower to show reestablished credit, whereas 5 years must lapse after foreclosure (or 3 years after foreclosure if the borrower has a hardship or other extenuating circumstance).
TAX	1. Cancellation of Debt: Foreclosure may give rise to taxable income to you for cancellation of debt, which is roughly calculated as your loan balance minus your property's fair market value at foreclosure. Certain exceptions apply, such as bankruptcy, insolvency, forgiveness of a non-recourse loan (IRS), and a loan for purchasing or substantially improving your qualified principal residence. 2. Capital Gains: Foreclosure may also give rise to taxable income for capital gains, which is roughly calculated as your loan balance (or the property's fair market value) minus your original purchase price and major improvement costs. However, you generally do not have to pay taxes on capital gains up to $250,000 (or $500,000 for married couples filing joint returns) if you owned and used the property as your principal residence for at least 2 of the last 5 years.	1. Cancellation of Debt: As with foreclosure, a short sale may give rise to taxable income for cancellation of debt, but the calculation is different. For a short sale, the cancellation of debt income is roughly your loan balance minus the sales price. Certain exceptions apply, such as bankruptcy, insolvency, and a loan for purchasing or substantially improving your qualified principal residence. 2. Capital Gains: As with foreclosure, a short sale may give rise to taxable income for capital gains, but the calculation is different. For a short sale, the capital gains calculation is roughly your selling price minus your original purchase price and major improvement costs. As with a foreclosure, you generally do not have to pay taxes on capital gains up to $250,000 (or $500,000 for married couples filing joint returns) if you owned and used the property as your principal residence for at least 2 of the last 5 years.

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FORECLOSURE OR SHORT SALE (Cont'd)

FACTORS	FORECLOSURE	SHORT SALE
PERSONAL LIABILITY	If your loan balance is more than the foreclosure sales price, you generally will not be personally liable for the difference under certain circumstances, such as if the lender forecloses non-judicially through a trustee's sale or if you have a purchase-money, owner-occupied loan for one-to-four residential units. Certain exceptions apply, such as loan fraud, intentional property damage, certain wiped-out junior liens, and FHA and VA loans.	If your loan balance is more than the sales price of your property, whether you'll be personally liable for the difference may depend on what you negotiate with your mortgage lender. Your lender may agree to forgive you for the shortfall, refuse to forgive you for the shortfall, require you to repay the shortfall, or say nothing about the shortfall. If the lender agrees to forgive you for the shortfall, make sure to get that agreement in writing and signed by the lender.
POSSESSION	You generally have the right to stay in your home during the foreclosure process which takes a minimum of about 4 or 5 months. If you do not leave after a trustee's sale of the property, the new owner may negotiate a cash-for-keys agreement with you, commence the eviction proceedings by serving you a 3-day notice to vacate, or take some other action.	You generally have the right to stay in your home until you close escrow on a short sale transaction. You may, however, be able to negotiate with your buyer for a longer or shorter stay.
PERSONAL CONCERNS	The foreclosure process does not take much effort on your part, but the wait can be agonizing and stressful for certain people. Although non-judicial foreclosure takes a minimum of about 4 or 5 months, you generally cannot dictate how quickly the lender proceeds with each step of the foreclosure process. You may also feel uncomfortable with what you may perceive as the shame or stigma associated with foreclosure, such as when a notice of trustee's sale is posted on your property or the sheriff comes to escort you and your family out of the property.	Doing a short sale may involve a lot of time, effort, and paperwork on your part to list and market your home, to get your lender's approval, and to consummate the sale with your buyer. Yet, during this process, you generally do not know whether you will succeed in closing your short sale transaction. Despite the hard work and uncertainty, you may prefer a short sale because it allows you to take a proactive approach to finalizing this chapter of your life so you can move on to the next one as quickly as possible.
ASSISTANCE	To assist you, a foreclosure consultant as defined under Cal. Civ. Code § 2945.45 must be registered with the California Department of Justice and bonded for $100,000. Real estate licensees are generally exempt from this requirement. To check whether someone is properly registered as a foreclosure consultant, call the California Attorney General's Office.	One big advantage of a short sale is you can hire a professional real estate agent to help you through what can otherwise be a complicated and difficult process. You may check whether someone is a real estate licensee at http://www2.dre.ca.gov/PublicASP/pplinfo.asp.

FORECLOSURE PREVENTION RESOURCES

Facing foreclosure can be overwhelming, but help may be just a phone call or a few computer clicks away. If you cannot make your mortgage payments, speaking with a housing counselor or other professional may help you determine what the consequences are and what your options may be. Other resources include local community programs, information online, or your neighborhood REALTOR®. Some of the available Foreclosure Prevention Resources are as follows:

- **HUD-Approved Housing Counselors:** The U.S. Department of Housing and Urban Development (HUD) sponsors housing counselors who can talk to you about your situation and help you decide what to do. HUD-approved housing counselors are prohibited from charging you a fee for foreclosure prevention counseling services. For the list, call HUD's interactive voice system at (800) 569-4287 or go to http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm.
- **HOPE NOW:** HOPE NOW Alliance is a cooperative effort by mortgage counselors, lenders, and others to help homeowners avoid foreclosure. HOPE NOW has a Homeowner's HOPE Hotline that provides foreclosure prevention counseling free of charge at (888) 995-HOPE or go to http://www.hopenow.com.
- **NeighborWorks America:** This is a nonprofit organization that administers housing counseling agencies funded through the National Foreclosure Mitigation Counsel Program. For its list of foreclosure counseling agencies, call (202) 220-2300 or go to www.nw.org.
- **Making Home Affordable:** The Making Home Affordable Program provides government-subsidized refinances and loan modifications for homeowners in distress. Under the Home Affordable Refinance, eligible borrowers of loans backed by Fannie Mae or Freddie Mac can take advantage of historically low interest rates by refinancing up to 125 percent of current market value. Under the Home Affordable Modification, eligible borrowers can obtain more affordable mortgage payments by modifying their existing loans. For more information, go to www.makinghomeaffordable.gov.
- **Office of the Comptroller of the Currency (OCC):** The OCC is the federal governmental agency that regulates all national banks. The Office of the Comptroller of the Currency has a number of resources for consumers, community groups, and bankers to help them preserve their home ownership, avoid foreclosure, and protect themselves against foreclosure and debt elimination scams. You may contact someone at the OCC Customer Assistance Group at (800) 613-6743 or go to the OCC's consumer website at www.helpwithmybank.gov.
- **Foreclosure Prevention Workshops:** You may attend a Foreclosure Prevention Workshop or other seminars or events to learn more about avoiding foreclosure. For a schedule of upcoming Foreclosure Prevention Workshops sponsored by community organizations, go to http://www.freddiemac.com/avoidforeclosure/workshops.html.
- **Other Resources:** There are many resources on foreclosure prevention. You may go to HUD's website at www.hud.gov/foreclosure or Fannie Mae's website at www.fanniemae.com. For tax information, go to www.irs.gov and www.ftb.ca.gov. For credit information, go to www.fico.com.

SHORT SALE PROCESS

As if selling a home is not hard enough, many California homeowners face the added challenge of selling short. To do a short sale, you have to find a buyer and convince your mortgage lender to accept a loan payoff of less than what you owe. A short sale can get thorny and complicated, but understanding the process will help you manage your expectations and improve your chances of success. To get you started, here's a brief overview of the typical, traditional short sale process:

STEPS	DESCRIPTION
1. Hire a REALTOR®	The first step in the short sale process is to hire a REALTOR® to represent you in selling your property and negotiating with your mortgage lender. Your REALTOR® may meet with you to preview your property, discuss your particular circumstances, and offer different strategies as how to best proceed.
2. Contact Your Lender	You may authorize your listing agent to contact your mortgage lender on your behalf to determine the lender's short sale requirements. Many lenders require that you enter into a contract to sell your property before submitting your short sale request, but there may be a growing trend for lenders to pre-approve short sales.
3. List Your Property For Sale	You may maximize your marketing efforts by listing your home for sale with your REALTOR®. Getting a good price and a good buyer for your property helps to ensure your lender will approve your short sale request. Your REALTOR® may help you to, among other things, get your property ready for showings, advertise and market your property for sale, conduct open houses, and interface with prospective buyers and their real estate agents.
4. Enter into Sales Contract	If a buyer is interested in purchasing your home, the buyer will write an offer to purchase which you may accept contingent upon, among other things, your mortgage lender's approval of a short sale.
5. Submit Request to Lender	You may prepare a short sale package for submission to your lender. A short sale package generally includes information about you, your financial situation, your property, and your sales transaction. Your lender may require you to submit a hardship letter explaining the reasons you are unable or unwilling to repay your mortgage loan. You may have to obtain a short sale approval from any creditor with a security interest in the property you are selling (such as first trust deed, second trust deed, judgment lien, or federal tax lien).
6. Obtain Short Sale Approval	After you've submitted your short sale request, the lender's response generally takes many weeks to many months. If your lender approves your short sale request, carefully review the terms and conditions of that approval. The short sale approval may have an expiration date. Also, some lenders may agree to release the real property as security for their loans, but not to release the seller from personal liability for the underlying unpaid debt.
7. Perform on Sales Contract	Depending on your agreement with your buyer, you may arrange to notify the buyer of the short sale lender's approval before the buyer starts to perform on the sales contract by, among other things, submitting the good faith deposit into escrow, getting the property inspected and appraised, obtaining financing, and proceeding to close escrow.
8. Close Escrow	Towards the end of your transaction, you will generally go into the escrow office to transfer title of the property to the buyer. In the meantime, the buyer goes into escrow to deliver the funds for the down payment and closing costs and sign loan documents for the funding of the buyer's loan if any. The sale is consummated and the escrow officer disburses all funds accordingly.

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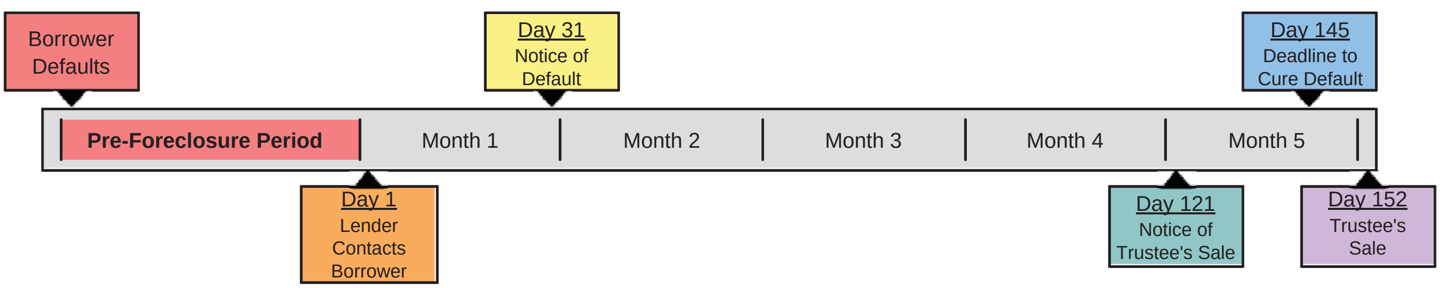
FORECLOSURE TIMELINE

If you're facing foreclosure, you may find it challenging just understanding the foreclosure procedures your lender will use to sell your property to satisfy your debt. Yet, you may want to beat the clock by selling your home yourself or pursuing another alternative to avoid foreclosure. So to help you prepare yourself for what's to come, here's a quick summary of the approximate minimum timeframe for the typical non-judicial foreclosure in California.

DAY	EXPLANATION
Pre-Foreclosure Period	If you stop making your mortgage payment, your lender may take about two, three, four, or more months before it commences foreclosure.
Day 1 : Lender Contacts	A lender must contact the borrower by phone or in person to assess the borrower's financial situation and explore options to avoid foreclosure. During the conversation, the lender must inform the borrower of the right to meet with the lender within 14 days and give the borrower a toll-free number for HUD-certified housing counselors. This requirement to contact borrowers only applies to certain owner-occupied residential loans made between 2003 and 2007.
Day 31 : Notice of Default	For most owner-occupied loans made from 2003 to 2007, a lender may file a notice of default 30 days after contacting the borrower to explore options to avoid foreclosure. The notice of default informs the borrower of the default. It must be filed in the county where the property is located and then mailed within 10 business days to the borrower and others who have requested notice.
Day 121 : Notice Trustee's Sale	Three months after the notice of default, the lender may record a notice of trustee's sale setting forth the date, time, and place of an upcoming trustee's sale. The notice of trustee's sale must be recorded, posted, mailed to the borrower and others, as well as published once a week for three consecutive weeks in a newspaper of general circulation.
Day 145 : Deadline Cure Default	Up to five business days before the trustee's sale, the borrower may reinstate the loan by paying the missed payments plus allowable costs. After the reinstatement period expires, the borrower still has the right to redeem the property by paying the entire debt, plus interest and costs (not just the arrearage) at any time before the bidding begins at the trustee's sale.
Day 152 : Trustee's Sale	Although California law allows a trustee's sale to take place 20 days after the posting of the notice of sale, lenders customarily wait 11 more days to help protect against federal tax liens. At the trustee's sale, the property is sold at a public auction to the highest bidder. Title is transferred to the successful bidder by a trustee's deed.



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HOMEOWNER LIABILITY AFTER FORECLOSURE

Foreclosure has many harsh realities. Even if you lose your home through foreclosure, you may still be personally responsible for the difference between your mortgage loan balance and what your property is worth. This difference owed to your lender is also called a deficiency judgment. California's anti-deficiency rules may protect you from personal liability, but it depends on your particular circumstances.

Determining whether California's anti-deficiency protections apply to your situation can get complicated. But it's a big deal. If your lender obtains a deficiency judgment against you, you will be legally obligated to pay that amount of money. If you don't pay, your lender may enforce the judgment by, among other things, garnishing your wages, levying your bank accounts, and attaching judgment liens against any real property you may own. Considering your personal liability after foreclosure is also critical when you're weighing the pros and cons of foreclosure as against your other options, such as selling your property, getting a loan modification, or filing bankruptcy.

To help you determine whether you are protected against personal liability, here are basic explanations for some of the major anti-deficiency protections, as well as situations where the protections do not apply:

I. Protections Against Personal Liability

You may be protected against a deficiency judgment if you fall within any of the circumstances below. However, you may not be protected if you also fall within any of the situations in Section II on the right:

Trustee's Sale: You are generally protected against a deficiency judgment from your lender if that lender elects to foreclose by a trustee's sale. California has two types of foreclosures -- judicial foreclosure through a civil lawsuit and non-judicial foreclosure using a trustee's sale. Most lenders in California opt to foreclose by trustee's sales.

Purchase-Money Loan: You are generally protected against a deficiency judgment if your lender forecloses on a mortgage loan that you originally obtained to purchase an owner-occupied dwelling of not more than four units. You may not be protected, however, if you refinanced the purchase-money loan.

Seller Financing: You are generally protected against a deficiency judgment for seller financing.

Short Sale: If you sell your property in a short sale transaction, you can protect yourself from personal liability (even for a wiped out junior lender) by successfully negotiating for your lender to accept a loan payoff for less than what's owed and to give you a written release from any personal liability for the shortfall.

II. Situations Where Protections Do Not Apply

You may not be protected against personal liability under any of the following circumstances:

Wiped Out Junior: If you have two mortgage loans and the senior lender forecloses by a trustee's sale, you may not be protected against a deficiency judgment brought by an unpaid junior lender whose security interest was wiped out by that foreclosure.

Loan Fraud: If you made any misrepresentations to your lender (e.g., overstated your income on your original loan application), you may be personally liable for loan fraud regardless of the anti-deficiency protections.

Bad Faith Waste: If you intentionally damage or destroy the property by action or inaction, you may be personally liable for committing bad faith waste, regardless of the anti-deficiency protections.

FHA and VA Loans: If you have a loan insured or guaranteed by Federal Housing Administration (FHA) or the Veteran's Administration (VA), you may be personally liable regardless of the anti-deficiency protections. Federal law governing FHA and VA loans may override California's anti-deficiency rules.

AVOIDING FORECLOSURE SCAMS

The best approach for avoiding foreclosure-related scams can be described in two words: Get tough. Being easy-going may work in social settings, but it's all wrong when you're facing foreclosure. Scam artists will intentionally seek you out. They hope to take advantage of you when you are distressed about possibly losing your home or unable to deal with the complicated issues surrounding foreclosures. As one homeowner who fell victim to a foreclosure-rescue scam said, "When you're down and out you'll believe anything." As difficult as it is to face foreclosure, it will be a lot worse if you get mixed up with unscrupulous people. So get tough by vigilantly watching out for scams. Here are some things to watch out for:

- **Appearing to be legitimate:** Outwardly, scam artists do not appear or act dastardly. On the contrary, scam artists may look nice and clean-cut, and they may seem to be kind, helpful, and trustworthy men and women. Scam artists often engage in "affinity marketing" which means they attempt to lure people by belonging to, or pretending to belong to, the same racial, religious, social or other group as their victims.

- **Asking for money upfront before providing any service:** One of the tell-tale signs of a possible scam is when someone makes a promise or representation, but asks you for money upfront before delivering on that promise. If you pay a scam artist, you're unlikely to see either your money or that scam artist again.

- **Making unqualified promises:** To lure you out of your money and home, a scam artist will often say whatever it is you want to hear in a very convincing manner. If you're facing foreclosure, the scam artist is likely to assure you that he or she can stop it, fix it, or make the problem go away. If it sounds too good to be true, it usually is.

- **Lacking credentials:** With certain exceptions, someone who charges you a fee to negotiate with your lender on your behalf must be licensed with the California Department of Real Estate. You can do a quick "License Status Check" at www.dre.ca.gov. You should also conduct further investigations before doing business with someone, such as checking public records, the Better Business Bureau, and the Internet, asking for and verifying references, and going to the business address to see if it actually exists.

- **Asking for you to do something immediately without delay:** Scam artists will push you to make quick decisions, often by making up fake deadlines. They don't want you to have a chance to mull things over, go over the paperwork, or discuss their scheme with your family, friends, lender, real estate agent, or anyone else.

- **Asking for your signature:** Whenever you sign a document, make sure you know what you are signing. Do not sign unless you have a chance to read and review the document. Do not sign if a document has lines left blank. Do not let someone con you by saying something in the document doesn't matter or doesn't mean what it says.

- **Asking you to do something improper or illegal:** Scam artists may ask you to participate in something improper or illegal. Proposing something a little improper may make their promises of stopping foreclosure more believable to you. Once you agree, you will be less likely to blow the whistle on the scam artist if you too are involved in the fraudulent scheme. Do not compromise your position by getting involved in anything underhanded.

- **Brushing aside your questions:** To help smoke out scam artists, ask a lot of questions, even if you know the answers. Be leery of doing business with someone who brushes aside your questions or gives the wrong answers. Indeed, an excellent way to protect yourself against scams is to learn as much as you can about foreclosure-related matters. Because scam artists prey upon ignorance, the more you know about foreclosures, the less likely you'll be duped.

CALIFORNIA ASSOCIATION OF REALTORS®

ALTERNATIVES TO FORECLOSURE

Facing the prospect of foreclosure can be overwhelming, but less so if you know your other options. Homeowners with distressed loans often ignore their alternatives to foreclosure until it's too late. Don't make that mistake. Consider your other options right away. The more time you have before you ultimately lose your home through foreclosure, the more viable your other options may be. Things may seem bleak, but now is not the time to falter. Knowledge and determination will give you the resolve you need to overcome the financial challenges you face.

WHAT IS FORECLOSURE? Foreclosure is the legal process for a mortgage lender to sell property to satisfy a defaulting borrower's debt secured by that property. Foreclosure can take quite a toll on homeowners, both emotionally and financially. Depending on your circumstances, foreclosure may force you and your family out of your home, damage your credit, increase your tax liability, and expose you to other personal liability.

Consider These Alternatives to Foreclosure:

1. Loan Workout: If you experience difficulty paying your mortgage, you should immediately contact your lender or a housing counselor to try to work something out. If you just need a little time to get back on your feet, your lender may agree to a loan workout plan to temporarily reduce or suspend your payments, allow you to repay what's past due in monthly installments, or provide some other type of relief.

2. Loan Modification: Even if your financial difficulties are severe and long term, you should contact your lender or a housing counselor to try to work something out. Your lender may agree to a loan modification to permanently change one or more of your loan terms. A loan modification may involve a reduction of your interest rate, an extension of your loan term to 40 years, a reduction in your loan balance, or other changes to the terms of your loan to make your mortgage payments more affordable. Your lender may participate in the government-subsidized Home Affordable Modification program which gives monetary incentives to both lenders and borrowers for modifying certain distressed loans. For more information about the Making Home Affordable program, go to http://makinghomeaffordable.gov/.

CONTACT A HOUSING COUNSELOR: For assistance with foreclosure avoidance, you may contact a qualified housing counselor. A housing counselor may discuss your situation with you as well as interface with your lender on your behalf. A list of housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) is available at http://www.hud.gov/offices/hsg/sfh/hcc/fc/.

3. Short Sale: Another way to handle a distressed loan is to sell your property. Selling, however, may be challenging if you're "upside down", which means your unpaid balance is more than your sales price. Even so, your lender may voluntarily agree to a short sale by accepting a loan payoff of less than what's owed. As with foreclosure, a short sale may affect your credit, tax liability, personal liability, and pose other consequences. With a short sale, however, you can avoid what some people perceive as a stigma of foreclosure. Doing a short sale also allows you to take a proactive approach to dealing with your distressed loan, rather than go through what can be an agonizing wait for the foreclosure process to run its course. For more information, contact your REALTOR® to get a better idea of your property's current market value and to find out about listing and selling your property.

(Please see page two)

Alternatives to Foreclosure (Cont'd):

4. Refinance: If you cannot do a loan workout or loan modification with your existing lender, you may still be able to refinance your loan with your lender or another lender. Although low FICO scores, low appraisals, and the lack of income are common obstacles to refinancing distressed loans, whether you qualify for a refinance depends on your individual circumstances. You may also be eligible for federal assistance through the Home Affordable Refinance program for up to 125% of the property's value if you currently have a Fannie Mae or Freddie Mac loan, or the Hope for Homeowner program for a FHA-insured fixed-rate refinance up to 96.5% of the property's value, but other terms apply.

5. Deed-in-Lieu of Foreclosure: A deed-in-lieu of foreclosure is a voluntary agreement between a borrower and lender for the borrower to give title to a property to the lender in full satisfaction of the loan secured by that property. Your lender may look favorably at a deed-in-lieu of foreclosure because it will not have to spend time and money pursuing foreclosure.

6. Bankruptcy: Bankruptcy is a federal court proceeding for settling your debts with your creditors under a judge's supervision. If you face foreclosure, the filing of a bankruptcy case may provide an "automatic stay" to temporarily stop the foreclosure proceedings. If, however, you file for liquidation under Chapter 7 of the Bankruptcy Code, the court may, in time, lift the automatic stay to allow the mortgage lender to resume its foreclosure proceedings. Alternatively, if you file under Chapter 13, you may be able to keep your property, but you must generally repay the overdue amount in a three-to-five year plan along with your regular mortgage payments. For more information on bankruptcy, you may go to http://www.uscourts.gov/bankruptcycourts/bankruptcybasics.html.

7. Other Alternatives: There are many other alternative to foreclosure. You may be able to borrow money from family or friends. You may be able to supplement your income by renting out a bedroom or getting a second job. You may have a struggling small business that qualifies for an interest-free, deferred-payment America's Recovery Capital (ARC) loan up to $35,000 from the U.S. Small Business Administration. If your lender fails to follow proper foreclosure procedures, you may be able to file an injunction to stop the process. If you have legitimate discrepancies in your loan documents, you may be able to sue your lender. You may also be able to come up with some other alternatives to foreclosure not mentioned here. For any of these alternatives to foreclosure, carefully consider their pros and cons, including possible credit, tax, legal, and other consequences.

Loan ALERT

INTRODUCTION OF FANNIE MAE UNEMPLOYMENT FORBEARANCE SERVICING GUIDE

If your loan is held or owned by Fannie Mae you may be able to get forbearance on your payments for six months and possibly longer. You need to check on this if you are unemployed and contact the servicer. When doing so you should cite the above title in case the person with whom you are speaking is unaware of the matter and be sure to note the date, time, phone number you called along with the name.

Fannie Mae is introducing an Unemployment Forbearance program which provides servicers the flexibility to assist borrowers who have a financial hardship due to unemployment. These new requirements are consistent with the mortgage loan servicing guidelines for Unemployment Forbearance established by the Federal Housing Finance Agency for Fannie Mae and Freddie Mac.
The Fannie Mae Unemployment Forbearance program simplifies and streamlines the use of forbearance options by incorporating the following features:

- Provides a viable alternative for borrowers who are unemployed (including borrowers facing imminent default);
- **Allows the borrower to receive a reduction or suspension of the monthly mortgage payment for a specific period of time;**
- **Prohibits the servicer from proceeding with foreclosure proceedings during the forbearance period;**
- Includes borrower requirements outlining their responsibility for communicating with the servicer and providing the necessary documentation;
- Uses standard processes, documents, and time frames.

The policies described in this Announcement will be added as a new subsection in Part VII, Chapter 403 of the *Servicing Guide* and supersede the sections related to forbearance for unemployed borrowers in Announcement SVC-2010-15: *Updates to Fannie Mae's Forbearance, Income Eligibility, and Home Affordable Modification Program Requirements.*
This Announcement provides guidance to Fannie Mae servicers for adoption and implementation of Unemployment Forbearance for Fannie Mae loans and covers the following topics:

- Effective Date
- Unemployment Forbearance
- Eligibility
- Unemployment Forbearance Terms
- Extending the Forbearance Term
- Documentation
- Borrower Solicitation and Follow-Up
- Mortgage Insurance
- Late Fees
- Reporting Requirements

Effective Date

Servicers are encouraged to adapt their processes to implement the Fannie Mae Unemployment Forbearance policies and procedures immediately; however, **SERVICERS ARE REQUIRED TO IMPLEMENT THESE POLICIES AND PROCEDURES NO LATER THAN MARCH 1, 2012,** for borrowers who become eligible for Unemployment Forbearance on or after that date.

Unemployment Forbearance

A mortgage loan is eligible for an Unemployment Forbearance if **all the following criteria** are met:

- The borrower must have a financial hardship due to unemployment.
- The borrower may be either delinquent or default is reasonably foreseeable.
- The property must be a principal residence. Second homes and investment properties are not eligible.
- The property cannot be vacant, condemned, or abandoned.
- The mortgage loan cannot be an FHA, VA, or Rural Housing mortgage loan.

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If the borrower is being considered for a forbearance extension, the following criteria must also be met in addition to those above:

- The borrower has performed as required on the current forbearance plan, unless the servicer has determined that there are extenuating circumstances.
- The borrower's cash reserves must not exceed 12 months of the borrower's monthly housing expense.

  NOTE: *The monthly housing expense is comprised of principal, interest, actual or estimated escrows for taxes and insurances (including mortgage insurance premiums), any escrow shortage payments included in the existing monthly mortgage loan payment, monthly homeowner's association/co-op fees, and ground rent.*
- The borrower's current monthly housing expense to income ratio (excluding unemployment benefits) must be greater than 31%.

A borrower who is currently performing on a Fannie Mae HAMP or Fannie Mae non-HAMP Trial Period Plan and becomes unemployed may seek consideration for Unemployment Forbearance. If the borrower does convert from a Trial Period Plan to an Unemployment Forbearance, the borrower may subsequently be eligible for a HAMP or non-HAMP modification upon successful completion of the Unemployment Forbearance and if eligible, must be placed on a new Trial Period Plan. The servicer, however, cannot require an unemployed borrower in a Trial Period Plan to convert to an Unemployment Forbearance plan.

Mortgage Loans in MBS Pools

For MBS mortgage loans, the maximum permitted duration of the Unemployment Forbearance period is based on the aggregated number of months in the Unemployment Forbearance without a full cure of the delinquency and is determined by the MBS pool issue date without regard to the servicing option or recourse arrangement under which the loans were purchased or securitized. Accordingly, a servicer must identify and distinguish the pool issue date under which an MBS mortgage loan was pooled and be familiar with the varying servicing requirements. In no event may an Unemployment Forbearance period extend past the last scheduled payment date of the mortgage loan.

- For mortgage loans with MBS pool issue dates from June 1, 2007 through December 1, 2008, a servicer may offer an Unemployment Forbearance for a maximum term of up to six months. Fannie Mae will not approve any request to extend the six-month maximum duration limit.
- For MBS mortgage loans with pool issue dates up to and including May 1, 2007, MBS mortgage loans with pool issue dates of January 1, 2009 and beyond, and for mortgage loans held in Fannie Mae's portfolio, a servicer may recommend Unemployment Forbearance for periods longer than six months. Servicers are reminded to submit to Fannie Mae Unemployment Forbearance plans with a recommended forbearance period greater than six months.

Unemployment Forbearance Terms

The servicer must follow the terms below for Fannie Mae's Unemployment Forbearance:

- The initial Unemployment Forbearance period is the lesser of six months or upon notification from the borrower of re-employment.
- All Unemployment Forbearance plans (initial and if extended) must be communicated in writing to the borrower. Servicers may use the relevant Evaluation Model Clauses available on eFannieMae.com for this communication. Use of the model clauses is optional; however, the model clauses reflect a minimum level of information that the servicer must communicate and illustrate a level of specificity that complies with the requirements of the Servicing Guide and this Announcement. The servicer that elects to use the model clauses must revise its letter as necessary to comply with applicable law.
- If there is a monthly mortgage payment due under the Unemployment Forbearance plan, it must be less than the amount of the borrower's regular monthly payment.
- When a payment is required under the Unemployment Forbearance plan, the servicer must receive the borrower's payment on or before the last day of the month in which it is due. If the borrower fails to make payments on a timely basis, the Unemployment Forbearance plan must be terminated. However, the servicer should use good business judgment in determining whether an Unemployment Forbearance payment was received in a timely manner or if mitigating circumstances caused the payment to be late. Exceptions must be documented by the servicer.
- As a reminder, forbearance periods may not extend past the last scheduled payment date of the mortgage loan.
- A borrower must be evaluated for all foreclosure prevention alternatives including HAMP following the Fannie Mae Workout Hierarchy at the earlier of re-employment or 30 calendar days prior to the expiration of the Unemployment Forbearance plan.
- Borrowers who are not eligible for Unemployment Forbearance must be evaluated for another foreclosure prevention alternative including HAMP following the Fannie Mae Workout Hierarchy. When evaluating for another foreclosure prevention alternative, the servicer must exclude from monthly gross income any unemployment benefits and any other temporary sources of income related to unemployment, such as severance payments.

The Unemployment Forbearance period must be terminated if:

- Any of the eligibility criteria and terms stated above are no longer met.
- The borrower advises the servicer that he or she has become employed or is no longer actively seeking employment.

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The servicer must establish written policies and procedures relating to Unemployment Forbearance plans that describe:

- Determining the borrower's employment status.
- Determining when an Unemployment Forbearance plan requires a payment and documenting how the payment amount is determined.
- Terminating any existing HAMP or non-HAMP Trial Period Plan when a borrower accepts an offer for an Unemployment Forbearance plan.
- Determining when to apply discretion or business judgment as outlined in this Announcement.
- Detailing communication with borrowers related to Unemployment Forbearance plans.
- Ensuring well-documented servicer system notes (including but not limited to date, names of contact person, and a summary of the conversation) will constitute appropriate documentation. Written correspondence must be retained in an accessible manner and made available upon request.
- Following the timelines for reviewing the Borrower Response Package, sending appropriate notices,

and other requirements as described in Announcement SVC-2011-08R.

Extending the Forbearance Term

If during the final month of the initial Unemployment Forbearance period, the borrower remains unemployed, the servicer must determine if the borrower is eligible for an extension of Unemployment Forbearance.

Documentation

Unemployment Forbearance

- The servicer may make a decision on the initial Unemployment Forbearance based on verbal information. The servicer must document its reasons for approving the initial Unemployment Forbearance in the mortgage loan file.
- If the borrower submitted a Borrower Response Package, the servicer must review the Borrower Response Package and evaluate the borrower for the initial Unemployment Forbearance consistent with Fannie Mae's evaluation requirements as indicated in Announcement SVC-2011-08R.

Extending Unemployment Forbearance

- To be considered for an extension of the initial Unemployment Forbearance term, the borrower must submit a Borrower Response Package prior to the end of the initial Unemployment Forbearance term. If the borrower submitted a complete Borrower Response Package at the time of the initial Unemployment Forbearance review, the servicer is only required to update the income and asset information that the borrower provided on the original Form 710. The servicer may update the income and asset information based upon verbal confirmation from the borrower and must document the servicing file with the updated information.
- The servicer must comply with all evaluation and notice requirements as indicated in Announcement 2011-08R for extended Unemployment Forbearance, regardless of whether the servicer receives a Borrower Response Package or uses verbal updates to an earlier Borrower Response Package.

by the terms of the Unemployment Forbearance.

Late Fees

Servicers are reminded that late charges may accrue while the servicer is determining borrower eligibility for an Unemployment Forbearance plan. However, the servicer must not accrue or assess late charges to the borrower during the forbearance period. Additionally, all accrued and unpaid late charges must be waived if the borrower receives a permanent Fannie Mae HAMP or Fannie Mae non-HAMP modification.

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Reporting to Treasury for Mortgage Loans that were in an Active Trial Plan

If the borrower is currently in a Fannie Mae HAMP Trial Period Plan and enters into an Unemployment Forbearance plan, the servicer must terminate the Fannie Mae HAMP Trial Period Plan with the Making Home Affordable® program administrator.

Reporting to Credit Bureaus

The servicer should continue to report a "full-file" status report to the four major credit repositories for each mortgage loan in an Unemployment Forbearance plan in accordance with the Fair Credit Reporting Act and credit bureau requirements as provided by the Consumer Data Industry Association. Full–file reporting must continue if the Unemployment Forbearance arrangement is extended and must continue to the end of the Unemployment Forbearance plan. *(ann. svc-2012-01)*