



AVOID FORECLOSURE. HELP IS HERE!

The Mortgage Forgiveness Debt Relief Act of 2007 creates a three-year window in which the IRS won't count as income any mortgage debt forgiven to a borrower by the lender in a loan modification, refinancing, short sale, or deed in lieu of foreclosure.

Call the national counseling hotline President Bush publicized. The number, @ 888-995-4673 (888-995-HOPE), is available on a 24/7 basis.

Calling the number puts them in contact with a HUD-approved counselor affiliated with the non-profit Homeownership Preserve Foundation.

Different Help for Different Borrowers

Troubled borrowers who call the Hope Now hotline, 888-995-4673 (888-995-HOPE), will find that their solution will depend on their situation.

Owners who are able to stay current even with a rate reset

SOLUTION: Counseling and refinancing. Lenders may be able to take these borrowers through a fast-track process into a more affordable loan.

POTENTIAL PITFALL: Prepayment penalty. Borrowers are encouraged to time their refinancing to after a rate reset, since penalties often apply only during the initial rate period.

Owners who face default after a rate reset

SOLUTION: Counseling and rate freeze of up to five years. To qualify, they must be ineligible for refinancing (e.g., have a loan-to-value ratio of greater than 97 percent), occupy the property as a primary residence, and have a credit score of less than 660 that hasn't improved more than 10 percent since the loan was originated.

POTENTIAL PITFALL: The rate freeze is temporary; borrowers still need to work out a long term solution.

Owners already in default

SOLUTION: Counseling and a loss-mitigation strategy, such as a short sale or deed in lieu of foreclosure. Under the mortgage debt forgiveness law signed by President Bush Dec. 20, borrowers who receive debt forgiveness as part of a loan workout over the next three years won't have to pay federal tax on the forgiven amount.

POTENTIAL PITFALL: Those who don't call in time may not be able to avoid foreclosure.

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