

ADDITIONAL PROTECTIONS FOR HOMEOWNERS FACING FORECLOSURE

A new Illinois law provides up to 90 days additional grace period.

A new law effective April 5, 2009, called the "Homeowner Protection Act" or "Foreclosure Grace Period Act," provides homeowners an extended grace period to catch up on payments or to work out a settlement with the mortgage lender.

What is the purpose of this new law?

The goal of the new law is to permit families to remain in their homes if at all possible, and to provide mortgage counseling to get the borrower's mortgage back on track. The new law is also intended to help protect homeowners facing foreclosure from exploitation by deceptive mortgage relief services.

Who is protected?

This new legislation applies to all homeowners not yet involved in foreclosure proceedings as of the date the law became effective, on April 5, 2009. There are no income, asset or credit requirements to receive the protections of this law.

How does it work?

Under the new law, the mortgage lender cannot file a foreclosure case within the first 30 days of delinquency. The mortgage lender must then advise borrowers of their rights under this new legislation, by sending the borrowers a notice by certified mail, and must offer the homeowners an additional period of 30 days to seek housing/mortgage counseling to get their loan back on track. If a borrower enters housing/mortgage counseling, the borrower will receive an additional 30-day grace period before suit is filed, to enter into a payment plan or to refinance.

How may borrowers find a reputable housing/mortgage counselor?

Borrowers may contact HUD or the Illinois Attorney General for referral to a reputable housing/mortgage counselor or to report suspected deceptive practices. You may also contact "Hope Now Alliance," www.hopenow.com or the Freddie Mac Mortgage Fraud Hotline at www.freddiemac.com (800-437-2838). Local HUD-certified counselors include Central Illinois Debt Management & Credit Education, Inc. at (888) 671-2227, METEC at (309) 676-3832, and Advocates for Access at (309) 682-3500.

What kind of counseling is offered?

Borrowers will have the opportunity to work with certified housing counselors to determine if they can develop a sustainable loan workout plan that will enable the borrower to stay current on mortgages for the foreseeable future, taking into account the borrower's income and existing and foreseeable debts. A sustainable loan workout plan may include a temporary suspension of payments; a lengthened loan term; a lowered or frozen interest rate; a principal write down; a repayment plan to pay the existing loan in full or refinancing into a new affordable loan.

It is important to know that this law does not guarantee any particular outcome for the borrower. It simply provides time and resources for a borrower to fairly negotiate a plan with their lender to stay in their home.