



## INFORMATION PACKET

# SHORT SALE

Please review the enclosed information and bring the requested documentation with you for your consultation and/or provide it to our Firm with your Retainer Agreement. Together we will review your financial status and/or candidacy for Short Sale and other financial solutions which may be available to you.

## **Client Information Intake Sheet**

The information requested on the following two pages is used by our Firm to learn about you and your situation as well as to have current contact information available to us for your file.

### ***YOUR INTAKE SHEET IS NOT THE SAME A RETAINER AGREEMENT.***

A RETAINER AGREEMENT IS A CONTRACT FOR SERVICES WHICH WILL BE SIGNED BY OUR ATTORNEY AND PROVIDED TO YOU UPON ACCEPTING YOUR CASE.

IF YOU DO NOT RECEIVE A COPY OF THE DULY SIGNED RETAINER AGREEMENT TO THE EMAIL ACCOUNT PROVIDED ON YOUR INTAKE SHEET AND/OR BY MAIL TO THE ADDRESS PROVIDED ON YOUR INTAKE SHEET, PLEASE CONTACT OUR OFFICE TO ENSURE YOUR CASE HAS BEEN ACCEPTED AND IS IN PROCESS.

WE ACCEPT SHORT SALE CLIENTS ON A CASE-BY-CASE BASIS ACCORDING TO OUR AVAILABILITY DUE TO CASE LOAD AND YOUR SITUATION AS DETERMINED WITH INFORMATION PROVIDED TO US BY YOU AND/OR YOUR REALTOR.

LAW OFFICES OF  
**G. RUSSELL DONALDSON, P.C.**  
ATTORNEYS AND COUNSELORS AT LAW

CLIENT INTAKE FORM

ALL MATTERS HANDLED BY THE LAW OFFICES OF G. RUSSELL DONALDSON, PC, ARE ACCEPTED ON A CASE BY CASE BASIS AS ASSESSED BY OUR ATTORNEYS & COUNSELORS. PLEASE BE HONEST AND ACCURATE IN YOUR COMPLETION OF THIS FORM AS THE INFORMATION CONTAINED HEREIN IS ESSENTIAL TO YOUR CASE CONSULTATION AND CONSIDERATION.

Date: \_\_\_\_\_

**PERSONAL INFORMATION:**

Last Name: \_\_\_\_\_ First: \_\_\_\_\_ Middle: \_\_\_\_\_ Suffix: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Social Security Number: \_\_\_\_\_

Telephone (Home): \_\_\_\_\_ Telephone (Work): \_\_\_\_\_

Telephone (Cell): \_\_\_\_\_

\*I may be most commonly reached at my Home/Work/Cell

\*I prefer not to be contacted at my Home/Work/Cell, if at all possible.

E-mail Address (Home): \_\_\_\_\_ E-mail Address (Work): \_\_\_\_\_

Instant Messenger Screen Name: \_\_\_\_\_ through Yahoo/AIM/MSN/Other:  
\_\_\_\_\_

**CASE INFORMATION:**

Brief/Summary Description of Nature of Matter (please limit to space provided):  
FOR SHORT SALE OR FORECLOSURE REPRESENTATION PLEASE INCLUDE THE NAME AND  
ADDRESS OF YOUR LENDER(S) AND ACCOUNT NUMBER AND CONTACT INFORMATION  
FOR YOUR LENDER(S).

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Brief/Summary Description of how this Matter has Affected You:

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Brief/Summary Description of your Preferred Outcome (i.e. suit for money, determine your rights under a contract, divorce, etc.):

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I understand that the Law Offices of G. Russell Donaldson, PC (the "Firm") does not normally give free consultations or case assessments and that the decision to waive consultation fees, if any, is made based on the completion of this form.

I understand that the Firm has not yet agreed to, nor is the Firm obligated to represent me based on the submission of this form. As well, I have no obligation to the Firm based on the submission of this form.

I understand that there may be legal deadlines for filing and answering claims, and that the Firm does not agree to advise me of such deadlines based on the information provided on this form, nor do they agree to do anything on my behalf at this time.

I understand that if the Firm agrees to handle this matter and I agree to engage them, a more detailed Engagement and Retainer Agreement form and an advance deposit may be required.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

***THIS FORM IS NOT A  
RETAINER AGREEMENT***

# LENDER AUTHORIZATION FORM

**\*If you are currently paying more than one mortgage, you will need to sign one  
Authorization for each Lender.\***

**This form will be required by your Lender to discuss your Mortgages with this Firm.**

LAW OFFICES OF  
**G. RUSSELL DONALDSON, P.C.**  
ATTORNEYS AND COUNSELORS AT LAW

2200 DEFENSE HIGHWAY • SUITE 309  
CROFTON, MARYLAND 21114  
410-451-7100 • 410-451-7238 FAX

## AUTHORIZATION

Lender Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

LOAN ACCOUNT NO.: \_\_\_\_\_

I/We, \_\_\_\_\_, do hereby authorize and request that  
\_\_\_\_\_ **its successors and/or assigns as their interests may appear**, (the "Lender") to  
whom either this original document, or a facsimile or photo static copy thereof, which shall be as valid as an original,  
is sent to, produce and release any information, reports, records or copies of any type, which may include, but are not  
limited to mortgage verification statements, payoff statements and/or escrow disbursement statements, which may be  
requested by my attorneys

**THE LAW OFFICES OF G. RUSSELL DONALDSON, PC.,**  
and/or its employees, agents and representatives, to include, but not be limited to:

**G. Russell Donaldson, Attorney**  
**Andrew Zesinger, Attorney**  
**Candes A.W. Daniels, Attorney**  
**Olivia M. Surge, Paralegal**

I/We have granted this authority to my attorney for and in my interest and to further my cause of whatever nature.  
**This authority is absolute and shall be deemed by all to be and remain in full force and  
effect until such time as I have terminated this authority in writing and conveyed the  
same.**

\_\_\_\_\_  
Signature

Printed Name: \_\_\_\_\_

\_\_\_\_\_  
Signature

Printed Name: \_\_\_\_\_

## **RETAINER AGREEMENT**

The attached Retainer Agreement is a Contract between you, the Homeowner, and The Law Offices of G. Russell Donaldson, PC.

We cannot represent you as Legal Counsel during negotiations of your Short Sale without being Retained by you for this purpose.

If you should have any questions or concerns before signing the Retainer, you should contact our office by phone or e-mail.

\*As previously mentioned, the Retainer Agreement is not binding until it has been signed by both parties. If you do not receive a copy of the Retainer Agreement signed by our office, please contact us to ensure that we have accepted your case.

## ENGAGEMENT AND RETAINER AGREEMENT

THIS ENGAGEMENT AND RETAINER AGREEMENT (hereinafter "Agreement") is made this \_\_\_\_th day of \_\_\_\_\_, 201\_\_ by and between The Law Offices of G. Russell Donaldson (hereinafter "Attorney"), 2200 Defense Highway, Suite 309, Crofton, Maryland, 21114, and \_\_\_\_\_ (hereinafter "Client") whose current mailing address is \_\_\_\_\_.

1. **SERVICES.** In exchange for Attorney's services, Client agrees to pay Attorney pursuant to the terms of this Agreement. Attorney will provide representation to Client for the purposes of assisting with the "short sale" of their property known as: \_\_\_\_\_ with the Client's mortgage Lender(s).

\_\_\_\_\_ It is specifically understood and agreed by the parties hereto that since the particulars of the negotiations, claims or representation cannot be fully determined without contact and discussion with the Clients' mortgage Lender(s), Attorney has made no promises or guarantees concerning and/or regarding the outcome of any such representation, negotiations or claims.

\_\_\_\_\_ It is specifically understood that the scope of negotiations is limited to Clients Deed(s) of Trust and/or Mortgage(s) secured by the above referenced real property. If additional liens and/or judgments are discovered subsequent to this Agreement, which liens and/or judgments require additional negotiation(s) to clear title and facilitate transfer of insurable title to prospective Buyer(s), the Agreement must be amended or replaced.

2. **FEES.** Attorney is providing all services for this matter at an hourly rate of \$375.00/hour, billed at fifteen minute increments, with a FEE CAP at \$4,500.00. These fees are applied to all time spent on a matter, including, but not limited to, initial orientation, examination of title and State and Federal Court records, preparing documents, drafting proposals and negotiations, and/or consultation by phone or in person with any party related to the matter. Client agrees to an hourly-rate arrangement, not to exceed \$4,500.00 for the representation of the short sale. The total fee expected to be paid by the Client for this representation shall not exceed \$4,500.00 and is independent from any other representation whatsoever.

3. **EXPENSES.** Attorney waives all of his expenses that are normally associated with this type of matter. However, Client agrees to pay for all expenses incurred by Attorney in providing services to Client, including, but not limited to, filing fees, court costs, deposition transcripts, witness fees, and expert witness fees, if any. Client is responsible for all such expenses whether or not the case is successful. Client understands that such fees may need to be paid in advance at certain stages.

4. **PAYMENT.** Attorney has agreed to bill \$1,500.00 at the time of intake/execution of the Retainer.

**4. PAYMENT (Con't)** Additional installments will be billed as time accrues in \$1,500.00 increments until such time as billable hours have reached/exceeded fee cap of \$4,500.00. Attorney has not, and can not make any guarantees that the negotiations will be successful and that Client will reach a satisfactory agreement with the Client's mortgage lender(s).

**5. TERMINATION.** Client shall have the right to terminate this agreement upon delivery of written notice to Attorney to the address set forth herein. If Client chooses to terminate this Agreement, Client understands that Attorney is entitled to compensation for the services rendered up until the point of termination. Such compensation shall be based on the Attorney's billable rate of \$375.00 per hour.

**6. COLLECTION.** If Client fails to pay Attorney pursuant to the terms of this Agreement, Client agrees to pay Attorney for all costs associated with collecting all sums due Attorney under this Agreement, including Attorney's time billed at the rate of \$375.00 per hour, all costs associated with the use of a collection agency and interest @ 1.5% per month after trial date, to secure payment hereunder, and reasonable attorney fees and litigation costs associated with the successful prosecution of a collection action against Client.

**7. ENGAGING OTHER ATTORNEYS AND PARAPROFESSIONALS.** Attorney shall have the right to engage other attorneys, paralegals and legal assistants to assist with this matter at his sole expense and at no additional cost to Client.

**8. DISCLOSURES.** By initialing each disclosure below, you acknowledge receipt and review of information which may be required by Local, State or Federal Authorities with regard to Mortgage Assistance Relief Services and/or Debt Counseling Services:

\_\_\_\_\_ The Law Offices of G. Russell Donaldson, P.C. ("Law Offices") is a for profit company and is not affiliated with any Local, State or Federal Government Agency or Mortgage Lender(s)/Servicer(s).

\_\_\_\_\_ The Law Offices provides Mortgage Assistance Relief Services as the *Practice of Law* in the representation of its Clients consistent with normal and customary legal representation in accordance with State Law provisions governing Attorney-Client relations..

\_\_\_\_\_ The Law Offices are licensed to Practice Law in the State where I/We live and/or in the State where my property is located. (Maryland or Florida)

\_\_\_\_\_ Representation and negotiations will be handled by Attorneys and/or Paralegals, under the supervision of Attorneys licensed to practice law in the State where I live or in the State where my property is located.

\_\_\_\_\_ The Law Offices do not qualify as a "Credit Services Business" pursuant to Maryland State Law.

\_\_\_\_\_ The Attorneys and Paralegals of the Law Offices do not qualify as "Foreclosure Consultants" pursuant to Maryland State Law.

\_\_\_\_\_ I/We are aware that any failure to make mortgage payments may result in derogatory credit reporting, regardless of Attorney representation.

\_\_\_\_\_ I/We are aware that any failure to make mortgage payments may result in FORECLOSURE of my/our property, regardless of Attorney representation.

\_\_\_\_\_ I/We have the right to refuse terms offered by my Lender(s)/Servicer(s).

\_\_\_\_\_ I/We have the right to contact the Mortgage Lender(s) at any time.

\_\_\_\_\_ In addition to a Short Sale, there may be other options available to assist me/us during this time of hardship. These options include, but may not be limited to:

- \_\_\_\_\_ Loan Modification
- \_\_\_\_\_ Deed-in-Lieu of Foreclosure
- \_\_\_\_\_ Bankruptcy

\_\_\_\_\_ There may be other/additional services available to assist me during this time of hardship, free of charge. These options include, but may not be limited to:

- \_\_\_\_\_ Lender/Servicer Direct Counseling/ Assistance
- \_\_\_\_\_ The US Department of Housing and Urban Development ([www.hud.gov](http://www.hud.gov))
- \_\_\_\_\_ The Federal Housing Administration ([www.fha.gov](http://www.fha.gov))
- \_\_\_\_\_ The Veterans Administration ([www.homeloans.va.gov](http://www.homeloans.va.gov))
- \_\_\_\_\_ The Homeownership Preservation Foundation ([www.hopenow.com](http://www.hopenow.com))
- \_\_\_\_\_ Fannie Mae ([www.fanniemae.com](http://www.fanniemae.com))
- \_\_\_\_\_ Freddie Mac ([www.freddie.mac.com](http://www.freddie.mac.com))
- \_\_\_\_\_ Maryland Department of Housing & Community Development ([www.mdhousing.org](http://www.mdhousing.org))

\_\_\_\_\_ Pursuant to Paragraph 5 of this Retainer, I/We are at liberty to terminate this Agreement at any time provided delivered written notice to Attorneys. Upon termination, any fees earned by Attorneys at that time shall be deemed due and payable by me. Upon receipt of payment for services rendered through the date of termination, a release will be issued to me and any 3rd party on Notice of Representation.

\_\_\_\_\_ Engaging an Attorney does not guarantee that the terms of my/our Mortgage will negotiated successfully.

\_\_\_\_\_ I/We have received a copy of the Federal Trade Commissions publication "FTC FACTS  
for Consumers"

\_\_\_\_\_ I/We have received a list of State and Federal Government resources for information  
related to my hardship.

8. **CHOICE OF LAW.** This Agreement is entered into in the State of Maryland and shall be governed  
by the laws of the State of Maryland.

By Client:

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

Date Signed: \_\_\_\_\_

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

Date Signed: \_\_\_\_\_

The Law Offices of  
G. Russell Donaldson, PC  
By:

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Date Signed: \_\_\_\_\_

The Law Offices of  
Candes A. W. Daniels, LLC  
By:

\_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Date Signed: \_\_\_\_\_

# DISCLOSURE REGARDING NEGOTIATION OF LIENS AND LIMITED SCOPE OF REPRESENTATION

I/We acknowledge that the scope of Attorney representation is limited to the Mortgage(s)/Deed(s) of Trust secured by my property.

I/We acknowledge a duty to disclose the existence of additional property related debts to Attorneys and Realtors.

I/We acknowledge responsibility to maintain any and all payments towards property related debts such as Homeowners/Condominium Owners Association Dues, Municipal Utilities (such as Water, Sewer, Wasterwater), Special Assessments/City Taxes, Front Foot Fees, Capital Facilities Fees, etc.

I/We acknowledge we have been informed that Short Sale Lender(s) may not allow for the collection and payment of any past due fees not directly related to my Mortgage Debt(s) and that these fees may be due from me at the time of closing.

I/We acknowledge that payments towards property related debts may affect the title to my property and delinquency may result in liens filed against me in Land Records and/or a Court of Law impacting my ability to transfer free and clear title to a Buyer and/or reducing my credit score.

I/We acknowledge that such liens filed against me could have a detrimental impact on my Short Sale negotiations, up to and including, the inability to complete a sale transaction, regardless of the terms negotiated with my Lender(s).

I/We will immediately inform Attorneys in the event of delinquency with regard to any property related debts in addition to my Mortgage Debt(s).

By Client:

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

Date Signed: \_\_\_\_\_

\_\_\_\_\_  
Printed Name: \_\_\_\_\_

Date Signed: \_\_\_\_\_

GENERAL SHORT SALE INFORMATION/  
DISCLOSURE

## SHORT SALE INFORMATION/DISCLOSURE

The basic explanation of a Short Sale is this: A Short Sale is the process by which a Mortgage Lender will accept a payment less than the amount owed by the Seller(s)/Borrower(s) as to satisfy and release a debt secured by a Note and Deed of Trust recorded against Real Property.

Short Sale transactions are not new, but they're being reintroduced to the Real Estate Market for the first time in decades and the process may be easily frustrated and/or complicated where there is no mutual understanding of how the process works.

This disclosure has been compiled for the benefit of Sellers, Buyers, Realtors, Title Companies and Buyer's Lenders alike. We hope that by arming you with some information, the process may be less daunting.

Everyone must understand two aspects: **What** (a Short Sale is) and **Who** (is involved in the sale and what their role is). We've already covered *what* a Short Sale is, and by the basic definition the process seems deceptively simple. Paying attention to *who* is involved at each level is a commonly overlooked or misunderstood element to the process which often leads to considerable frustration of purpose, and occasionally even animosity or unfounded or undeserved suspicion towards one another. Everyone's ultimate goal is the same: Complete the sale of Real Property!!

Here we have the **WHO**:

1. Seller(s)
2. Seller's Agent\*
3. Seller's Attorney and/or Financial Advisor(s)
4. Seller's Lender (The "Lender")
5. Buyer(s)
6. Buyer's Agent\*
7. Buyer's Lender
8. Buyer's Title Company

The involvement and cooperation of the Seller's Lender is the *most* important element in your transaction.

### Here are the facts:

**FACT: The Seller's Lender controls the transaction.** The concept that either the Seller or the Buyer are doing the Seller's Lender a favor or that they are somehow relieving the Seller's Lender of some burden by offering to sell and/or buy a property at any value less than the mortgage debt is *false*. ***BUT FOR THE LENDER'S AGREEMENT TO ACCEPT A ONE-TIME PAYMENT LESS THAN THE FULL VALUE OF THE DEBT RIGHTFULLY OWED TO THEM: THERE IS NO TRANSACTION.***

**FACT: The Seller's Lender controls the transaction.** The concept that the Seller's Lender should be or will be glad to receive and accept *any* offer that comes across because the Seller is currently in default or is in danger of default and the property may otherwise go to foreclosure is *false*. The Lender is looking to reduce their loss as much as possible. Recent market activity must be taken into account before settling on a listing price and/or before writing an offer to purchase a property subject to "Third Party Approval" or "Short Sale Approval". One of the primary pieces of information the Seller's Lender will review in their decision making process is *current market activity*. They will have the property independently appraised for value in comparison to the value of the offer irregardless of the price offered by the Buyer in relation to the balance of the mortgage and/or irregardless of the Seller's current or impending delinquency.

**FACT: The Seller's Lender controls the transaction.** The concept that a response will be or should be given by the Lender within a specific timeframe dictated to them by the Realtors, the Attorneys, the Buyers and/or the Sellers is *false*. The amount of time the Lender takes to review offers and issue decisions depends on multiple factors which may not be determined prior to Listing a property or prior to writing an offer. In all cases, Short Sale Applications cannot be submitted to the Lender until there is a Buyer and Seller executed Contract of Sale. The Contract will be submitted to the Seller's Lender along with a multitude of financial documentation including, but not limited to, pay stubs, tax returns and bank statements. Each Seller's situation is unique and each Lender's process is subjective. No two Short Sales are the same, so in all cases, **patience is a virtue.**

**FACT: The Seller's Lender controls the transaction.** Once a Short Sale Agreement has been issued, the Lender generally issues a "drop dead" date in the Agreement. This is the last date they will accept payment before the Agreement expires. Everyone involved *must jump* into action to ensure that closing occurs within the Lender's given timeline. Delays, if any, should be documented so that the Attorney's office may request an extension with evidence supporting that closing is imminent. Once a Short Sale Agreement has expired, the Seller's Lender may require the Seller to reapply with all new financial documentation and/or may require the Seller to pay additional amounts towards the payoff as a penalty. Disputes involving requests for the Seller to grant the Buyer additional financial consideration in the form of Seller paid repairs, Seller held escrows for the benefit of the Buyer, and/or additional Seller paid closing help may not be considered by the Seller's Lender. Any changes to the Contract should be immediately communicated to the Seller's Attorney. In the majority of cases, once the Short Sale Agreement is issued, the Lender will not consider additional negotiations to further reduce the payoff figure they've agreed to receive.

\*Below is an example Short Sale Transaction:

1. The debt owed against 123 Smith Street is \$355,000.00. The house has been on the market for nine months and is listed at \$395,000.00. The Seller, Mr. James, is having a hard time coming up with the money to pay the mortgage each month and really needs to sell the house, but in all this time, he hasn't received any offers and he knows he can't afford to lower the price because he'd have to *pay* money at settlement. Other homes in the area are finally selling, but the most recent sale closed at \$325,000.00.
2. Realizing there is a high chance that offers coming in, if any, will be too low for the Seller to accept *and* be able payoff the debt against the property, the Seller's Realtor, Mr. More, advises the Seller, Mr. James, to consult an Attorney and/or a Financial Advisor before they make any decisions about lowering the Listing Price or taking the house off the market. After a lengthy meeting, the Attorney, Mr. Law, advises the Seller that he may qualify for a Short Sale Agreement with his Mortgage Lender and Mr. More may lower the price of the house by \$55,000.00 adding the comments, "SUBJECT TO THIRD PARTY APPROVAL" and "SOLD AS-IS" to the MLS Listing. Both men should consult Mr. Law again before accepting any offers they receive.

3. Mr. and Mrs. Doe are looking for properties in the \$315,000.00 to \$320,000.00 price range. Their Realtor, Ms. Thompson, picks up Mr. More's listing after the price drop and adds the house to their Saturday tour list. The house needs some work, but the Doe's really like the neighborhood, so they decide to submit an offer to purchase the house for \$320,000.00 with \$9,600.00 Seller paid closing costs, a financing and appraisal contingency, and a home inspection contingency.

4. The Seller, Mr. James, and his Realtor, Mr. More, review the offer with Mr. Law and they all agree that Mr. James should accept it with a small counter per Mr. Law: "SUBJECT TO THIRD PARTY APPROVAL" "SOLD AS-IS" (No home inspection or Inspection for Information Only).

5. Ms. Thompson receives the counter-offer and advises Mr. and Mrs. Doe that this means Mr. James and his Attorney (identified in the counter-offer) will be sending a large packet of information to Mr. James' Mortgage Lender to request that the Lender reduce the debt he owes them to an amount low enough that Mr. James may sell the house to the Doe's "free and clear". She points out that the Mortgage Lender has the right to review the Contract of Sale and make their own counter-offer or reject the Contract altogether, which could mean that the Doe's will have to renegotiate with the Seller or even that they won't be able to purchase it. The Lender gets more time to make their decision because they review a significant amount of information before making a response. It may be weeks or *months* before anyone knows if there will really be a sale. Knowing this, Mr. and Mrs. Doe still want to buy the house and they ratify the Contract by signing off on Mr. James' counter-offer terms.

6. After the counter-offer is signed, Mr. James and Mr. Law meet to complete a Short Sale Package to submit to the Seller's Lender. Mr. Law's office will be responsible for communicating with the Lender to make sure the review process is moving forward. They will periodically inform the Realtors and Mr. James of progress and developments. Eventually, the Lender sends back a counter-offer. They will lower their payoff, but they would like various changes made. Mr. Law's office contacts the Realtors to give the verbal counter-offer. The Realtors, Mr. James and the Doe's agree to the Lender's terms and the Lender issues a written Short Sale Agreement Letter to Mr. Law's office. The Short Sale Agreement Letter becomes a part of the final Contract of Sale.

7. Mr. Law's office sends a copy of the Short Sale Agreement Letter to everyone involved, including the Buyer's Title Company, advising everyone in a cover-letter that there cannot be *any* additional changes affecting the Contract of Sale and the Short Sale Agreement Letter and that settlement should take place as quickly as possible.

8. The day of settlement, the Title Company prepares a settlement statement which is faxed to the Realtors, Mr. Law and the Seller's Lender. Once everyone, most importantly the Seller's Lender, approves the final numbers, they meet at closing and Mr. James sells the house to Mr. and Mrs. Doe. Mr. James receives no money at settlement and does not owe any money at settlement.

*All scenarios and characters appearing in this example are fictitious. Any resemblance to real persons, living or dead, is purely coincidental. The scenarios depicted are not meant to be followed as a model by any party whatsoever for any reason and are not meant to be perceived as "typical results".*

**WHAT NOT TO DO: Seller**

Do NOT apply for any new loans – personal, secured or otherwise while you're under review for Short Sale consideration;

Do NOT apply for additional credit cards or extended credit limits while you're under review for Short Sale consideration;

Do NOT pay off any significant debt such as car loans, student loans or credit cards while you're under review for Short Sale consideration;

Do NOT draw on retirement accounts, if any, while you're under review for Short Sale consideration;

Do NOT make large or extravagant expenditures/purchases – cars, vacations, furniture, etc., while you're under review for Short Sale consideration;

Do NOT correspond with your Lender for any reason outside of your Attorney's office or without your Attorney's prior notice and permission while you're under review for Short Sale consideration (Agreements for modifications or partial debt forgiveness **WILL** put your candidacy in jeopardy)

**You are requesting a significant benefit from your Lender. The Short Sale application process is designed to determine if you are experiencing *legitimate financial difficulties* which may lead to default, or will contribute to continued default to the extent the Lender may foreclose.**

**WHAT NOT TO DO: Buyer**

Do NOT apply for any new loans – personal, secured or otherwise while you're in a Contract under review for Short Sale consideration;

Do NOT apply for additional credit cards or extended credit limits while you're in a Contract under review for Short Sale consideration;

Do NOT pay off any significant debt such as car loans, student loans or credit cards while you're in a Contract under review for Short Sale consideration;

Do NOT draw on retirement accounts, if any, while you're in a Contract under review for Short Sale consideration;

Do NOT make large, extravagant expenditures/purchases – cars, vacations, furniture, etc., while you're in a Contract under review for Short Sale consideration

**You may not go to settlement for 60-90 days or more after you've entered into the Contract of Sale. This delay will make your Lender's job more difficult due to constant fluctuations in loan rates and program changes over an extended period of time. The rate or program you originally qualified for may not be available by the time the Short Sale Agreement is received. Don't do anything that may alter your qualifying ability or your ability to pay closing costs when settlement comes around.**

**WHAT NOT TO DO: Realtors**

**\*\*Listing Agents: Do NOT assume that your client is a qualified candidate for Short Sale consideration. Advise your client to seek legal counsel or financial advice from a third party as there may be certain other financial and legal ramifications which may include, but are not limited to, Deficiency Notes, deficiency judgments, income tax collections and/or penalties, etc. resulting from a Short Sale.\*\***

Do NOT make promises or imply results either verbally or in writing. You cannot assure your clients of a positive result. The Seller's Lender is a party to the Contract and may come back with a Short Sale Agreement which may alter the bottom line for the Seller or the Buyer, re-open negotiations between the parties, or cause the transaction to fail.

Do NOT assume that the Mortgage Lender will absorb the cost of home repairs, closing cost credits, fees or commissions, because they may not. Generally, neither the Buyer or Seller will receive cash back at the table. Do NOT assume that the commissions and/or administrative fees initially agreed to by the Seller through a Listing Agreement and/or offered as a Cooperative fee in MLS will be "paid as agreed". Mortgage Lenders may alter commissions in their efforts to reduce loss. The Brokers involved in the transaction may be required to re-negotiate their commission and the resulting "split" between them, however they cannot *refuse to participate* or refuse to allow their clients to continue with a settlement based on such changes, if any. The Contract of Sale is itself an agreement between the Buyer and the Seller *only*. The Listing Agreement is the agreement between the Seller and the Seller's Broker. The published MLS listing represents the agreement between the Seller's Broker and the Buyer's Broker.

This information and disclosure is hereby received and acknowledged as evidenced by their signatures hereto, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, the

\_\_\_\_\_  
Signature  
Printed Name: \_\_\_\_\_

\_\_\_\_\_  
Signature  
Printed Name: \_\_\_\_\_

## **SHORT SALES & YOUR ATTORNEY RELATIONSHIP**

Due to the high volume of applications being submitted each day, until you have a ratified Contract of Sale, no Short Sale application will be approved by any Lender. However, we can begin the process and save you from constant harassing phone calls and letters, by contacting your Lender(s) with a formal "Notice of Representation" letter informing them of our involvement and our intention to apply for Short Sale consideration as soon as a viable offer has been received.

We'll require documentation from you in advance of contacting your Lender in order be able to communicate a clear picture of your financial standing:

1. Client Intake Sheet
2. Lender Authorization(s) (For both 1st and 2nd Lenders if applicable);
3. Retainer Agreement;
4. Short Sale Disclosure;
5. MCBSA & PHIFA Disclosure;
6. Privacy Statement;
7. Most recent mortgage statement. (For both 1<sup>st</sup> and 2<sup>nd</sup> Lenders if applicable);
8. 2009 and 2010 Federal Income Tax Returns and W-2s;
9. Your most recent 3-months pay stubs;
10. Your most recent 3-months banking statements (Checking & Savings if applicable);
11. Retirement Account Statements (401ks, IRA's, CD's, etc.);
12. Financial Information Form
7. Hardship Letter explaining your current situation and how you arrived in your current financial position.

In general, the above items, along with a copy of a Contract of Sale, your Listing Agreement, and a Preliminary HUD-1 Settlement Statement will be required by your Lender in order for you to be considered for a Short Sale. You may, at any time, be required by your Lender to fill out additional or different financial forms, affidavits and/or special Contract Addendums. Depending on when you receive an offer, you may have to submit new or updated pay stubs and banking statements either before or during the Short Sale negotiation period. In every case where there is both a 1<sup>st</sup> and 2<sup>nd</sup> mortgage Lender, we will be required to request formal payoff statements from both Lenders as part of the application process. Most Lenders charge a fee for this service which may be anywhere from \$1.00 to \$50.00, or more.

Every Lender is different and their response time for Application review is subjective. There is no way for us to determine a time-line for a Short Sale Real Estate Settlement before or even sometimes *during* the Short Sale negotiation process.

The Law Offices of G. Russell Donaldson, PC cannot guarantee the results of your Short Sale application and negotiations, we can only guarantee that you will receive the highest level of professional services and the strongest representation we may offer to help guide you through this stressful and frustrating time.

▶ Loan I.D. Number \_\_\_\_\_ ▶ Servicer \_\_\_\_\_

BORROWER	CO-BORROWER
Borrower's name _____	Co-borrower's name _____
Social Security number _____ Date of birth _____	Social Security number _____ Date of birth _____
Home phone number with area code _____	Home phone number with area code _____
Cell or work number with area code _____	Cell or work number with area code _____

**I want to:**  Keep the Property  Sell the Property

**The property is my:**  Primary Residence  Second Home  Investment

**The property is:**  Owner Occupied  Renter Occupied  Vacant

Mailing address \_\_\_\_\_  
 Property address (if same as mailing address, just write same) \_\_\_\_\_ E-mail address \_\_\_\_\_

**Is the property listed for sale?**  Yes  No  
**Have you received an offer on the property?**  Yes  No  
 Date of offer \_\_\_\_\_ Amount of offer \$ \_\_\_\_\_  
 Agent's Name: \_\_\_\_\_  
 Agent's Phone Number: \_\_\_\_\_  
**For Sale by Owner?**  Yes  No

**Who pays the real estate tax bill on your property?**  
 I do  Lender does  Paid by condo or HOA

**Are the taxes current?**  Yes  No  
**Condominium or HOA Fees**  Yes  No \$ \_\_\_\_\_  
 Paid to: \_\_\_\_\_

**Have you contacted a credit-counseling agency for help?** Yes  No   
 If yes, please complete the following:  
 Counselor's Name: \_\_\_\_\_  
 Agency Name: \_\_\_\_\_  
 Counselor's Phone Number: \_\_\_\_\_  
 Counselor's E-mail: \_\_\_\_\_

**Who pays the hazard insurance premium for your property?**  
 I do  Lender does  Paid by Condo or HOA

**Is the policy current?**  Yes  No  
 Name of Insurance Co.: \_\_\_\_\_  
 Insurance Co. Tel #: \_\_\_\_\_

**Have you filed for bankruptcy?**  Yes  No If yes:  Chapter 7  Chapter 13 Filing Date: \_\_\_\_\_  
**Has your bankruptcy been discharged?**  Yes  No Bankruptcy case number \_\_\_\_\_

**Additional Liens/Mortgages or Judgments on this property:**

Lien Holder's Name/Servicer	Balance	Contact Number	Loan Number

**HARDSHIP AFFIDAVIT**

**I (We) am/are requesting review under the Making Home Affordable program.**  
**I am having difficulty making my monthly payment because of financial difficulties created by (check all that apply):**

My household income has been reduced. For example: unemployment, underemployment, reduced pay or hours, decline in business earnings, death, disability or divorce of a borrower or co-borrower.

My monthly debt payments are excessive and I am overextended with my creditors. Debt includes credit cards, home equity or other debt.

My expenses have increased. For example: monthly mortgage payment reset, high medical or health care costs, uninsured losses, increased utilities or property taxes.

My cash reserves, including all liquid assets, are insufficient to maintain my current mortgage payment and cover basic living expenses at the same time.

Other: \_\_\_\_\_

Explanation (continue on back of page 3 if necessary): \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**INCOME/EXPENSES FOR HOUSEHOLD<sup>1</sup>**

Number of People in Household: \_\_\_\_\_

Monthly Household Income		Monthly Household Expenses/Debt		Household Assets	
Monthly Gross Wages	\$	First Mortgage Payment	\$	Checking Account(s)	\$
Overtime	\$	Second Mortgage Payment	\$	Checking Account(s)	\$
Child Support / Alimony / Separation <sup>2</sup>	\$	Insurance	\$	Savings/ Money Market	\$
Social Security/SSDI	\$	Property Taxes	\$	CDs	\$
Other monthly income from pensions, annuities or retirement plans	\$	Credit Cards / Installment Loan(s) (total minimum payment per month)	\$	Stocks / Bonds	\$
Tips, commissions, bonus and self-employed income	\$	Alimony, child support payments	\$	Other Cash on Hand	\$
Rents Received	\$	Net Rental Expenses	\$	Other Real Estate (estimated value)	\$
Unemployment Income	\$	HOA/Condo Fees/Property Maintenance	\$	Other _____	\$
Food Stamps/Welfare	\$	Car Payments	\$	Other _____	\$
Other (investment income, royalties, interest, dividends etc.)	\$	Other _____	\$	Do not include the value of life insurance or retirement plans when calculating assets (401k, pension funds, annuities, IRAs, Keogh plans, etc.)	
<b>Total (Gross Income)</b>	<b>\$</b>	<b>Total Debt/Expenses</b>	<b>\$</b>	<b>Total Assets</b>	<b>\$</b>

**INCOME MUST BE DOCUMENTED**

<sup>1</sup>Include combined income and expenses from the borrower and co-borrower (if any). If you include income and expenses from a household member who is not a borrower, please specify using the back of this form if necessary.

<sup>2</sup>You are not required to disclose Child Support, Alimony or Separation Maintenance income, unless you choose to have it considered by your servicer.

**INFORMATION FOR GOVERNMENT MONITORING PURPOSES**

The following information is requested by the federal government in order to monitor compliance with federal statutes that prohibit discrimination in housing. **You are not required to furnish this information, but are encouraged to do so. The law provides that a lender or servicer may not discriminate either on the basis of this information, or on whether you choose to furnish it.** If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, the lender or servicer is required to note the information on the basis of visual observation or surname if you have made this request for a loan modification in person. **If you do not wish to furnish the information, please check the box below.**

<b>BORROWER</b>	<input type="checkbox"/> I do not wish to furnish this information	<b>CO-BORROWER</b>	<input type="checkbox"/> I do not wish to furnish this information
<b>Ethnicity:</b>	<input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino	<b>Ethnicity:</b>	<input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino
<b>Race:</b>	<input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White	<b>Race:</b>	<input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White
<b>Sex:</b>	<input type="checkbox"/> Female <input type="checkbox"/> Male	<b>Sex:</b>	<input type="checkbox"/> Female <input type="checkbox"/> Male

**To be completed by interviewer**

Name/Address of Interviewer's Employer

<b>This request was taken by:</b>	Interviewer's Name (print or type) & ID Number
<input type="checkbox"/> Face-to-face interview <input type="checkbox"/> Mail <input type="checkbox"/> Telephone <input type="checkbox"/> Internet	Interviewer's Signature      Date
	Interviewer's Phone Number (include area code)

**ACKNOWLEDGEMENT AND AGREEMENT**

*In making this request for consideration under the Making Home Affordable Program, I certify under penalty of perjury:*

1. That all of the information in this document is truthful and the event(s) identified on page 1 is/are the reason that I need to request a modification of the terms of my mortgage loan, short sale or deed-in-lieu of foreclosure.
2. I understand that the Servicer, the U.S. Department of the Treasury, or their agents may investigate the accuracy of my statements and may require me to provide supporting documentation. I also understand that knowingly submitting false information may violate Federal law.
3. I understand the Servicer will pull a current credit report on all borrowers obligated on the Note.
4. I understand that if I have intentionally defaulted on my existing mortgage, engaged in fraud or misrepresented any fact(s) in connection with this document, the Servicer may cancel any Agreement under Making Home Affordable and may pursue foreclosure on my home.
5. That: my property is owner-occupied; I intend to reside in this property for the next twelve months; I have not received a condemnation notice; and there has been no change in the ownership of the Property since I signed the documents for the mortgage that I want to modify.
6. I am willing to provide all requested documents and to respond to all Servicer questions in a timely manner.
7. I understand that the Servicer will use the information in this document to evaluate my eligibility for a loan modification or short sale or deed-in-lieu of foreclosure, but the Servicer is not obligated to offer me assistance based solely on the statements in this document.
8. I am willing to commit to credit counseling if it is determined that my financial hardship is related to excessive debt.
9. I understand that the Servicer will collect and record personal information, including, but not limited to, my name, address, telephone number, social security number, credit score, income, payment history, government monitoring information, and information about account balances and activity. I understand and consent to the disclosure of my personal information and the terms of any Making Home Affordable Agreement by Servicer to (a) the U.S. Department of the Treasury, (b) Fannie Mae and Freddie Mac in connection with their responsibilities under the Homeowner Affordability and Stability Plan; (c) any investor, insurer, guarantor or servicer that owns, insures, guarantees or services my first lien or subordinate lien (if applicable) mortgage loan(s); (d) companies that perform support services in conjunction with Making Home Affordable; and (e) any HUD-certified housing counselor.

Borrower Signature	Date
Co-Borrower Signature	Date

**HOMEOWNER'S HOTLINE**

*If you have questions about this document or the modification process, please call your servicer.  
 If you have questions about the program that your servicer cannot answer or need further counseling,  
 you can call the Homeowner's HOPE™ Hotline at 1-888-995-HOPE (4673). The Hotline can help with questions about  
 the program and offers free HUD-certified counseling services in English and Spanish.*

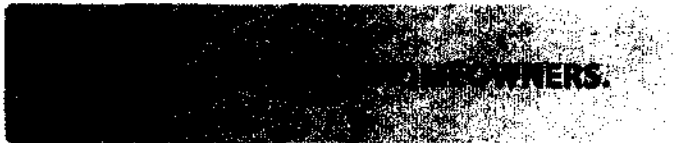


**NOTICE TO BORROWERS**

Be advised that by signing this document you understand that any documents and information you submit to your servicer in connection with the Making Home Affordable Program are under penalty of perjury. Any misstatement of material fact made in the completion of these documents including but not limited to misstatement regarding your occupancy in your home, hardship circumstances, and/or income, expenses, or assets will subject you to potential criminal investigation and prosecution for the following crimes: perjury, false statements, mail fraud, and wire fraud. The information contained in these documents is subject to examination and verification. Any potential misrepresentation will be referred to the appropriate law enforcement authority for investigation and prosecution. By signing this document you certify, represent and agree that: "Under penalty of perjury, all documents and information I have provided to Lender in connection with the Making Home Affordable Program, including the documents and information regarding my eligibility for the program, are true and correct."

If you are aware of fraud, waste, abuse, mismanagement or misrepresentations affiliated with the Troubled Asset Relief Program, please contact the SIGTARP Hotline by calling 1-877-SIG-2009 (toll-free), 202-622-4559 (fax), or [www.sig tarp.gov](http://www.sig tarp.gov). Mail can be sent to Hotline Office of the Special Inspector General for Troubled Asset Relief Program, 1801 L St. NW, Washington, DC 20220.





### Dodd-Frank Certification

The following information is requested by the federal government in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203). **You are required to furnish this information.** The law provides that no person shall be eligible to receive assistance from the Making Home Affordable Program, authorized under the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5201 *et seq.*), or any other mortgage assistance program authorized or funded by that Act, if such person, in connection with a mortgage or real estate transaction, has been convicted, within the last 10 years, of any one of the following: (A) felony larceny, theft, fraud or forgery, (B) money laundering or (C) tax evasion.

#### **Borrower**

- I have not been convicted within the last 10 years of any one of the following in connection with a mortgage or real estate transaction:
  - (a) felony larceny, theft, fraud or forgery,
  - (b) money laundering or
  - (c) tax evasion

#### **Co-Borrower**

- I have not been convicted within the last 10 years of any one of the following in connection with a mortgage or real estate transaction:
  - (a) felony larceny, theft, fraud or forgery,
  - (b) money laundering or
  - (c) tax evasion

In making this certification, I/we certify under penalty of perjury that all of the information in this document is truthful and that I/we understand that the Servicer, the U.S. Department of the Treasury, or their agents may investigate the accuracy of my statements by performing routine background checks, including automated searches of federal, state and county databases, to confirm that I/we have not been convicted of such crimes. I/we also understand that knowingly submitting false information may violate Federal law.

\_\_\_\_\_  
Borrower Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Co-Borrower Signature

\_\_\_\_\_  
Date



# Short Form Request for Individual Tax Return Transcript

Department of the Treasury  
Internal Revenue Service

▶ Request may not be processed if the form is incomplete or illegible.

**Tip:** Use Form 4506T-EZ to order a 1040 series tax return transcript free of charge.

<b>1a</b> Name shown on tax return. If a joint return, enter the name shown first.	<b>1b</b> First social security number on tax return
<b>2a</b> If a joint return, enter spouse's name shown on tax return.	<b>2b</b> Second social security number if joint tax return
<b>3</b> Current name, address (including apt., room, or suite no.), city, state, and ZIP code	
<b>4</b> Previous address shown on the last return filed if different from line 3	
<b>5</b> If the transcript is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number. The IRS has no control over what the third party does with the tax information.	
Third party name	Telephone number
Address (including apt., room, or suite no.), city, state, and ZIP code	
<b>6</b> <b>Year(s) requested.</b> Enter the year(s) of the return transcript you are requesting (for example, "2008"). Most requests will be processed within 10 business days.	

**Caution.** If the transcript is being mailed to a third party, ensure that you have filled in line 6 before signing. Sign and date the form once you have filled in line 6. Completing these steps helps to protect your privacy.

**Note.** If the IRS is unable to locate a return that matches the taxpayer identity information provided above, or if IRS records indicate that the return has not been filed, the IRS may notify you or the third party that it was unable to locate a return, or that a return was not filed, whichever is applicable.

**Signature of taxpayer(s).** I declare that I am either the taxpayer whose name is shown on line 1a or 2a. If the request applies to a joint return, either husband or wife must sign.

**Note.** This form must be received within 60 days of signature date.

<b>Sign Here</b>	Signature (see instructions)	Date	Telephone number of taxpayer on line 1a or 2a
	Spouse's signature	Date	

**Purpose of form.** Individuals can use Form 4506T-EZ to request a tax return transcript that includes most lines of the original tax return. The tax return transcript will not show payments, penalty assessments, or adjustments made to the originally filed return. You can also designate a third party (such as a mortgage company) to receive a transcript on line 5. Form 4506T-EZ cannot be used by taxpayers who file Form 1040 based on a fiscal tax year (that is, a tax year beginning in one calendar year and ending in the following year). Taxpayers using a fiscal tax year must file Form 4506-T, Request for Transcript of Tax Return, to request a return transcript.

Use Form 4506-T to request the following.

- A transcript of a business return (including estate and trust returns).
- An account transcript (contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed).
- A record of account, which is a combination of line item information and later adjustments to the account.
- A verification of nonfiling, which is proof from the IRS that you did not file a return for the year.
- A Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript.

Form 4506-T can also be used for requesting tax return transcripts.

**Automated transcript request.** You can call 1-800-829-1040 to order a tax return transcript through the automated self-help system. You cannot have a transcript sent to a third party through the automated system.

**Where to file.** Mail or fax Form 4506T-EZ to the address below for the state you lived in when that return was filed.

If you are requesting more than one transcript or other product and the chart below shows two different RAIVS teams, send your request to the team based on the address of your most recent return.

## Where to mail . . .

If you filed an individual return and lived in:	Mail or fax to the "Internal Revenue Service" at:
Alabama, Delaware, Florida, Georgia, North Carolina, Rhode Island, South Carolina, Virginia	RAIVS Team P.O. Box 47-421 Stop 91 Doraville, GA 30362 770-455-2335
Kentucky, Louisiana, Mississippi, Tennessee, Texas, a foreign country, or A.P.O. or F.P.O. address	RAIVS Team Stop 6716 AUSC Austin, TX 73301 512-460-2272
Alaska, Arizona, California, Colorado, District of Columbia, Hawaii, Idaho, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, Montana, New Hampshire, New Mexico, New York, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Vermont, Washington, Wisconsin, Wyoming	RAIVS Team Stop 37106 Fresno, CA 93888 559-456-5876
Arkansas, Connecticut, Illinois, Indiana, Michigan, Missouri, New Jersey, Ohio, Pennsylvania, West Virginia	RAIVS Team Stop 6705-B41 Kansas City, MO 64999 816-292-6102

**Signature and date.** Form 4506T-EZ must be signed and dated by the taxpayer listed on line 1a or 2a. If you completed line 5 requesting the information be sent to a third party, the IRS must receive Form 4506T-EZ within 60 days of the date signed by the taxpayer or it will be rejected.

Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. Sign Form 4506T-EZ exactly as your name appeared on the original return. If you changed your name, also sign your current name.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to establish your right to gain access to the requested tax information under the Internal Revenue Code. We need this information to properly identify the tax information and respond to your request. Sections 6103 and 6109 require you to provide this information, including your SSN. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506T-EZ will vary depending on individual circumstances. The estimated average time is: **Learning about the law or the form**, 9 min.; **Preparing the form**, 18 min.; and **Copying, assembling, and sending the form to the IRS**, 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506T-EZ simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where to file* on this page.

**INCOME TAX QUESTIONS:** As a Real Estate Law Firm, our office is not qualified to give tax advice and your questions should be addressed by a CPA or qualified Tax Attorney. You may contact your accountant to ask if your home/situation falls into the category of "qualified principal residence indebtedness" as defined by the "Mortgage Forgiveness Debt Relief Act of 2007." (H.R. 3648) This legislation is effective for discharges of mortgage debt on or after January 1, 2007 and before January 1, 2010 and was extended to December 31, 2012 as part of the Bailout Legislation passed on October 3, 2008 (H.R. 1424) – AND/OR - for more information, there are explanations about foreclosures and cancellation of debt in IRS Publications 523, Selling Your Home; 552, Taxable and Nontaxable Income; and 544, Sales and Other Dispositions of Assets at [www.irs.gov](http://www.irs.gov), but even the IRS gives a disclaimer that they're not responsible for the accuracy of the information they give to you – and that you should contact a qualified accountant.

LAW OFFICES OF  
**G. RUSSELL DONALDSON, P.C.**  
ATTORNEYS AND COUNSELORS AT LAW

For questions, concerns or status updates, please e-mail:

**[Olivia@grdonaldson.com](mailto:Olivia@grdonaldson.com)**  
**[Candes@grdonaldson.com](mailto:Candes@grdonaldson.com)**

**NOTICE REGARDING  
MARYLAND CREDIT SERVICES BUSINESS ACT  
("MCSBA")  
&  
THE PROTECTION OF HOMEOWNERS IN  
FORECLOSURE ACT  
("PHIFA").**

Maryland State Law protects Homeowners' in  
Default from predatory practices. Please review the attached  
Disclosure carefully.

NOTICE REGARDING  
MARYLAND CREDIT SERVICES BUSINESS ACT ("MCSBA")

&

THE PROTECTION OF HOMEOWNERS IN FORECLOSURE ACT ("PHIFA").

The Law Offices of G. Russell Donaldson, PC and Attorney G. Russell Donaldson are Members of the Maryland State Bar. G. Russell Donaldson is a Practicing Real Estate Attorney.

By retaining the Law Offices of G. Russell Donaldson, PC, you are electing to be represented by an Attorney providing Legal Counsel and Legal Representation for your benefit with regard to your property and mortgage loan(s). The services provided are "within the course and scope of the legal practice" of your Attorney according to his Certification and general, overall legal business practice.

The Law Offices of G. Russell Donaldson, PC is NOT a "Credit Services Business." Its Attorneys and/or Paralegal employees are not "Foreclosure Consultants", nor do we engage in the purchase of properties in foreclosure. The Firm, its employees, agents and/or assigns, do not require any separate and/or distinct licensing to carry-out its representation of you and/or your interests and is not prohibited from charging and/or collecting fees for the legal services provided to you.

**HOMEOWNERS' RIGHTS OF RECISSION UNDER PHIFA**

In addition to any other legal rights regarding cancellation or rescission of a contract, PHIFA provides Homeowners' with various rights of rescission, including, but not limited to, the following:

The Right to Rescind a Foreclosure Consulting Contract *at anytime* (i.e. an "unlimited right of rescission");

The Right to Rescind a Contract for the sale or transfer of a residence in default (a residence subject to a mortgage/deed of trust in with payments in default 60-days or more) within 5-days after the execution\* of the Contract. \*The Contract of Sale is "executed" at the time the Homeowner signs an offer submitted by a Buyer.\*

YOUR ENGAGEMENT & RETAINER AGREEMENT IS NOT A "FORECLOSURE CONSULTING CONTRACT". WE ARE NOT OFFERING TO PURCHASE YOUR HOME OR PAYOFF YOUR DEBT TO YOUR LENDER. WE ARE YOUR LAWYERS REPRESENTING YOU AND ADVISING YOU OF YOUR LEGAL RIGHTS REGARDING YOUR REAL PROPERTY, ITS SALE AND ANY DEBT AND LIEN OBLIGATION YOU HAVE TO YOUR LENDER. YOU HAVE RETAINED THE SERVICES OF AN ATTORNEY AND DO NOT HAVE "UNLIMITED RIGHTS OF RECISSION".

PURSUANT TO THE RETAINER AGREEMENT, YOU MAY CANCEL OUR REPRESENTATION BY WRITING AT ANY TIME, AT YOUR OPTION. ANY FEES FOR SERVICES RENDERED UP THROUGH THE TIME OF CANCELLATION ARE DUE AND PAYABLE TO THE LAW OFFICES ACCORDING TO OUR STANDARD HOURLY RATES. PAYMENT FOR SERVICES RENDERED IS OTHERWISE DUE AND PAYABLE, COLLECTED/PAID/RECEIVED AS INDICATED IN YOUR AGREEMENT.

*A copy of the February 20, 2009 Advisory Notice as published by the Commissioner of Financial Regulation for the State of Maryland is incorporated herewith.*

By signing below, you do hereby acknowledge receipt and review of this notice.

WITNESSTHIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_:

\_\_\_\_\_  
Homeowner Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Homeowner Signature

\_\_\_\_\_  
Date



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COMMISSIONER OF FINANCIAL REGULATION  
**ADVISORY NOTICE** 2-09

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Revised February 20, 2009

**LOSS MITIGATION CONSULTING, FORECLOSURE PREVENTION,  
MORTGAGE LOAN MODIFICATION, AND SIMILAR SERVICES UNDER  
THE MARYLAND CREDIT SERVICES BUSINESSES ACT (MCSBA) AND  
THE PROTECTION OF HOMEOWNERS IN FORECLOSURE ACT (PHIFA)**

**Purpose**

This Revised Advisory is intended to alert consumers interested in, and those businesses offering, or contemplating offering, “loss mitigation consulting,” “foreclosure prevention,” “mortgage loan modification,” or similar services, that the Maryland Credit Services Businesses Act (“MCSBA”)<sup>1</sup> and the Protection of Homeowners in Foreclosure Act (“PHIFA”)<sup>2</sup> potentially apply to those services. The original Advisory, dated September 8, 2008, discussed situations in which PHIFA applies to such services. This Revised Advisory includes the same discussion, and further elaborates that the MCSBA will often apply to such services as well.

**A New Business Model**

A recent development in the ongoing subprime mortgage and foreclosure crisis is the emergence of a new type of business which purports to offer loss mitigation consulting, foreclosure prevention, mortgage loan modification, or similar services. The Commissioner of Financial Regulation (“Commissioner”) has seen an increasing number of advertisements, direct-mail solicitations and other marketing materials offering Maryland consumers assistance in negotiating resolutions of their delinquent residential mortgage loans with lenders and servicers, or assistance in negotiating lower mortgage loan rates, in exchange for up-front fees. These marketing materials suggest that these businesses will help delinquent borrowers obtain payment plans, loan modifications, and/or short sales and deeds in lieu of foreclosure. Mortgage brokers themselves have been targeted by these businesses in hopes of obtaining referrals. The Commissioner has begun to receive consumer complaints regarding fees paid to third parties providing these services. The Commissioner has also received inquiries from persons interested in entering these new types of businesses.

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<sup>1</sup> MCSBA is codified in the Annotated Code of Maryland, Commercial Law Article (“CL”), § 14-1901 *et seq.*

<sup>2</sup> PHIFA is codified in the Annotated Code of Maryland, Real Property Article (“RP”), § 7-301 *et seq.*

Martin O'Malley  
Governor  
Anthony G. Brown  
Lt. Governor

Department of Labor, Licensing and Regulation  
Commissioner of Financial Regulation  
500 N. Calvert Street, Suite 402  
Baltimore, Maryland 21202-3651

Thomas E. Perez  
Secretary  
Sarah Bloom Raskin  
Commissioner

## Maryland Credit Services Businesses Act

### Applicability

Businesses which provide loss mitigation consulting, foreclosure prevention, mortgage loan modification, and/or similar services likely will be subject to the MCSBA. As the services provided by these businesses typically include the possibility of deferral of payment on consumers' mortgage loans, these businesses often will come under the definition of "credit services businesses" under the MCSBA. As such, they are required to be licensed as credit services businesses ("CSBs"), and they are subject to various investigatory, enforcement, and penalty provisions as licensees.<sup>3,4</sup>

### Consumer Protections

The MCSBA provides a number of important consumer protections, including, but not limited to, the following:

- **No Up-Front Fees:** Under the Act, a CSB may not charge or receive any up-front fees, or any other fees, before fully and completely performing all services on behalf of consumers.
- **Must Be Licensed:** Any individual or company offering credit repair services as described in the Act must be licensed by the Commissioner of Financial Regulation ("Commissioner").
- **Written Contract Required:** A CSB must enter into a written contract with each consumer. Among other provisions, such contracts must include a detailed description of the services to be performed and the results to be achieved by the CSB.
- **Written Disclosures Required:** A CSB must provide the consumer with a written information statement before entering into a contract and before receiving money or other valuable consideration. The information statement must include, among other things, specific statements related to the consumer's rights under the federal Fair Credit Reporting Act.
- **Right of Rescission:** The MCSBA provides that consumers have the right to cancel a contract with a CSB any time prior to midnight of the third business day after the date of the transaction.<sup>5</sup>

### Other Important Provisions of the MCSBA

- A CSB may not create, or assist a consumer in creating, a new credit identity by obtaining and using a different name, address, telephone number, Social Security Number, or employer tax identification number.

<sup>3</sup> Relevant statutes include, but are not limited to, the following: CL § 14-1903(b); Title 11, Subtitle 3 of the Financial Institutions Article; Title 2, Subtitle 1 of the Financial Institutions Article.

<sup>4</sup> For a list of individuals and entities which are excluded from being considered "credit services businesses" under the MCSBA, and which are thus exempt from the licensing and other MCSBA requirements, *see* CL § 14-1901(e)(3). Note that under subparagraph (e)(3)(vi), an individual admitted to the Bar of the Court of Appeals of Maryland is exempt only "when the individual renders services within the course and scope of practice by the individual as a lawyer and does not engage in the credit services business on a regular and continuing basis."

<sup>5</sup> If PHIFA is also implicated by particular loan modification services, PHIFA's "unlimited right of rescission" will apply instead (*see* discussion of PHIFA below).

- A CSB may not make, assist, or advise a consumer to make, any statement or other representation that is false or misleading to a consumer reporting agency, government agency, or person to whom the consumer applies or intends to apply for an extension of credit, regarding their creditworthiness, credit standing, credit capacity, or true identity.
- A CSB may not make or use any false or misleading representations in their offer of services to consumers.

### **Penalties for Violation**

Anyone violating the MCSBA may be subject to significant administrative, civil, and criminal penalties, including, but not limited to, fines up to \$5,000 or imprisonment up to 3 years, or both.

### **Review the MCSBA Carefully, including Licensing Requirements**

This Advisory Notice is not a comprehensive analysis of the applicability of the MCSBA to persons offering loss mitigation consulting, foreclosure prevention, mortgage loan modification, or similar services. All persons who may be, or who are contemplating, providing such services are urged to carefully review the MCSBA (including all licensing requirements) with their counsel to ensure compliance.

## **Protection of Homeowners in Foreclosure Act**

### **PHIFA Prohibits Up-Front Fees and Certain Other Payments**

PHIFA prohibits foreclosure consultants (defined below) from engaging in a number of different activities. Thus, among other things, foreclosure consultants are prohibited from the following:

- Claiming, demanding, charging, collecting, or receiving any compensation *until after the foreclosure consultant has fully performed each and every service the foreclosure consultant contracted to perform or represented that the foreclosure consultant would perform*;
- Claiming, demanding, charging, collecting, or receiving any interest or any other compensation for any loan that the foreclosure consultant makes to the homeowner that exceeds 8% per year;
- Receiving any consideration from any third party in connection with foreclosure consulting services provided to a homeowner unless the consideration:
  1. Is first fully disclosed in writing to the homeowner;
  2. Is clearly listed on any settlement documents; and
  3. Is not in violation of any provision of PHIFA;
- Receiving a commission, regardless of how described, for the sale of a residence in default that exceeds 8% of the sales price; and/or
- Receiving any money to be held in escrow or on a contingent basis on behalf of the homeowner.

Martin O'Malley  
Governor  
Anthony G. Brown  
Lt. Governor

Department of Labor, Licensing and Regulation  
Commissioner of Financial Regulation  
500 N. Calvert Street, Suite 402  
Baltimore, Maryland 21202-3651

Thomas E. Perez  
Secretary  
Sarah Bloom Raskin  
Commissioner

## Who is a “Foreclosure Consultant”?

If a person offers the services described below to a mortgage borrower who is at least sixty days in default, it is likely that the person will be a “foreclosure consultant” under PHIFA.<sup>6</sup> Thus a homeowner need not be in foreclosure for PHIFA to apply.

- “Foreclosure consultant” is defined under PHIFA as a person who:
  1. Solicits or contacts a homeowner in writing, in person, or through any electronic or telecommunications medium and directly or indirectly makes a representation or offer to perform any service involving any of the following:
    - a. Stopping, enjoining, delaying, voiding setting aside, annulling, staying, or postponing a foreclosure sale;
    - b. Obtaining forbearance from any servicer, beneficiary, or mortgagee;
    - c. Assisting the homeowner in exercising a right of reinstatement provided in the loan documents, or in refinancing a loan in foreclosure and for which notice of foreclosure proceedings has been published;
    - d. Obtaining an extension of the period within which the homeowner may reinstate the homeowner’s obligation or extend the deadline to object to the ratification;
    - e. Obtaining waiver of an acceleration clause contained in the mortgage on a residence in default or in any promissory note or contract secured by the mortgage;
    - f. Assisting the homeowner to obtain a loan or advance of funds;
    - g. Avoiding or ameliorating the impairment of the homeowner’s credit resulting from certain events related to the foreclosure;
    - h. Saving the homeowner’s residence from foreclosure;
    - i. Purchasing or obtaining an option to purchase the homeowner’s residence within 20 days of an advertised or docketed foreclosure sale; or
    - j. Arranging for the homeowner to become a lessee or renter entitled to continue to reside in the homeowner’s residence after a sale or transfer; or
  2. Systematically contacts owners of *residences in default* to offer *foreclosure consulting services*.
- “Residence in default” is defined, in part, as residential real property located in Maryland on which the mortgage is at least 60 days in default.
- “Foreclosure consulting service” includes any of the following:
  1. Receiving money for the purpose of distributing it to creditors in payment or partial payment of any obligation secured by a lien on a residence in default;
  2. Contacting creditors on behalf of a homeowner;
  3. Arranging or attempting to arrange for an extension of the period within which a homeowner may cure the homeowner’s default and reinstate the homeowner’s obligation;

<sup>6</sup> For a list of individuals and entities exempt from the provisions of PHIFA, see RP § 7-302.

4. Arranging or attempting to arrange for any delay or postponement of the sale of a residence in default;
5. Arranging or facilitating the purchase of a homeowner's equity of redemption or legal or equitable title.
6. Arranging or facilitation the sale of a homeowner's resident or the transfer of legal title, in any form, to another party as an alternative to foreclosure; or
7. Arranging for or facilitating a homeowner remaining in the homeowner's residence after a sale or transfer as a tenant, renter, or lessee under terms provided in a written lease.

Therefore, if a service provider systematically contacts owners of Maryland residences whose mortgage loans are at least 60 days in default or in foreclosure for the purpose of offering to contact creditors on their behalf, the service provider is acting as a foreclosure consultant under PHIFA. This will cover many persons offering loss mitigation consulting, foreclosure prevention, mortgage loan modification, or similar services.

Likewise, if for a fee a person refers an owner of a residence at least 60 days in default or in foreclosure to a third party foreclosure consultant who ends up violating PHIFA, the referring party may also be found liable for the violation because of the referrer's involvement as an accomplice in the transaction giving rise to the violation.

### **Homeowners' Rights of Rescission under PHIFA**

In addition to any other legal rights regarding cancellation or rescission of a contract, PHIFA provides homeowners with various rights of rescission,<sup>7</sup> including, but not limited to, the following:

- The right to rescind a foreclosure consulting contract at any time (i.e. an "unlimited right of rescission").
- The right to rescind a contract for the sale or transfer of the residence in default within 5 days after the execution of the contract.

### **Civil and Criminal Penalties**

A person who violates PHIFA is guilty of a misdemeanor and on conviction is subject to imprisonment not exceeding 3 years or a fine not exceeding \$10,000, or both.

The Attorney General or the Commissioner may seek an injunction to prohibit a person who has engaged or is engaging in a violation of PHIFA from engaging or continuing to engage in the violation. Additionally, the court may enter any order or judgment necessary to:

1. Prevent the use of any prohibited practice by a person;
2. Restore any money or real or personal property acquired by means of any prohibited practice to an injured person; or
3. Appoint a receiver in case of willful violation of PHIFA.

<sup>7</sup> Under PHIFA, homeowners will continue to maintain certain debts and other financial obligations even after rescission, although their rights of rescission cannot be conditioned on the repayment of any funds.

In any action brought by the Attorney General or the Commissioner under PHIFA, the Attorney General or Commissioner is entitled to recover the costs of the action for the use of the State.

A violation of PHIFA is an unfair and deceptive trade practice within the meaning of Title 13 of the Commercial Law Article, and is subject to the enforcement and penalty provisions contained therein.

Moreover, PHIFA provides for a private right of action. Therefore, in addition to any action by the Attorney General or the Commissioner, a homeowner may bring an action for damages incurred as the result of a practice prohibited by PHIFA. A homeowner who brings an action under PHIFA and who is awarded damages may also seek, and the court may award, reasonable attorney's fees. If the court finds that the defendant willfully or knowingly violated PHIFA, the court may award damages equal to three times the amount of actual damages.

### **Review PHIFA Carefully**

This Advisory Notice is not a comprehensive analysis of the applicability of PHIFA to persons offering loss mitigation consulting, foreclosure prevention, mortgage loan modification, or similar services. In addition to the prohibition on up-front fees, PHIFA contains many other consumer protections. Such requirements and restrictions relate to issues such as foreclosure consulting contracts, mandatory written disclosures, and a general prohibition on activities known as "foreclosure rescue transactions."

All persons who may be, or who are contemplating, providing loss mitigation consulting, foreclosure prevention, mortgage loan modification, or similar services are urged to carefully review PHIFA with their counsel to ensure compliance.

### **The Commissioner Will Investigate Complaints Regarding the MCSBA or PHIFA**

The Commissioner will investigate complaints alleging MCSBA and/or PHIFA violations relating to persons offering loss mitigation consulting, foreclosure prevention, mortgage loan modification, or similar services, and will pursue appropriate remedies. Consumers who wish to file a complaint with the Commissioner may call 888-784-0136 or 410-230-6097.

Martin O'Malley  
Governor  
Anthony G. Brown  
Lt. Governor

Department of Labor, Licensing and Regulation  
Commissioner of Financial Regulation  
500 N. Calvert Street, Suite 402  
Baltimore, Maryland 21202-3651

Thomas E. Perez  
Secretary  
Sarah Bloom Raskin  
Commissioner

# FTC FACTS for Consumers

ftc.gov

FOR THE CONSUMER

FEDERAL TRADE COMMISSION

1-877-FTC-HELP

## Mortgage Payments Sending You Reeling? *Here's What to Do*



**T**he possibility of losing your home because you can't make the mortgage payments can be terrifying. Perhaps you're having trouble making ends meet because you or a family member lost a job, or you're having other financial problems. Or maybe you're one of the many consumers who took out a mortgage that had a fixed rate for the first two or three years and then had an adjustable rate - and you want to know what your payments will be and whether you'll be able to make them.

Regardless of the reason for your mortgage anxiety, the Federal Trade Commission (FTC), the nation's consumer protection agency, wants you to know how to help save your home, and how to recognize and avoid foreclosure scams.

### **KNOW YOUR MORTGAGE**

Do you know what kind of mortgage you have? Do you know whether your payments are going to increase? If you can't tell by reading the mortgage documents you received at settlement, contact your loan servicer and ask. A loan servicer is responsible for collecting your monthly loan payments and crediting your account.

Here are some examples of types of mortgages:

- **Hybrid Adjustable Rate Mortgages (ARMs):** Mortgages that have fixed payments for a few years, and then turn into adjustable loans. Some are called 2/28 or 3/27 hybrid ARMs: the first number refers to the years the loan has a fixed rate and the second number refers to the years the loan has an adjustable rate. Others are 5/1 or 3/1 hybrid ARMs: the first number refers to the years the loan has a fixed rate, and the second number refers to how often the rate changes. In a 3/1 hybrid ARM, for example, the interest rate is fixed for three years, then adjusts every year thereafter.
- **ARMs:** Mortgages that have adjustable rates from the start, which means your payments change over time.
- **Fixed Rate Mortgages:** Mortgages where the rate is fixed for the life of the loan; the only change in your payment would result from changes in your taxes and insurance if you have an escrow account with your loan servicer.

If you have a hybrid ARM or an ARM and the payments will increase – and you have trouble making the increased payments – find out if you can refinance to a fixed-rate loan. Review your contract first, checking for prepayment penalties. Many ARMs carry prepayment penalties that force borrowers to come up with thousands of dollars if they decide to refinance within the first few years of the loan. If you're planning to sell soon after your adjustment, refinancing may not be worth the cost. But if you're planning to stay in your home for a while, a fixed-rate mortgage might be the way to go. Online calculators can help you determine your costs and payments.

### **IF YOU'RE BEHIND ON YOUR PAYMENTS**

If you are having trouble making your payments, contact your loan servicer to discuss your options

as early as you can. The longer you wait to call, the fewer options you will have.

Many loan servicers are expanding the options available to borrowers — it's worth calling your servicer even if your request has been turned down before. Servicers are getting lots of calls: Be patient, and be persistent if you don't reach your servicer on the first try.

You may qualify for a loan modification under the Making Home Affordable Modification Program (HAMP) if:

- your home is your primary residence;
- you owe less than \$729,750 on your first mortgage;
- you got your mortgage before January 1, 2009;
- your payment on your first mortgage (including principal, interest, taxes, insurance and homeowner's association dues, if applicable) is more than 31 percent of your current gross income; and
- you can't afford your mortgage payment because of a financial hardship, like a job loss or medical bills.

If you meet these qualifications, contact your servicer. You will need to provide documentation that may include:

- information about the monthly gross (before tax) income of your household, including recent pay stubs.
- your most recent income tax return.
- information about your savings and other assets.
- your monthly mortgage statement.
- information about any second mortgage or home equity line of credit on your home.
- account balances and minimum monthly payments due on your credit cards.

- account balances and monthly payments on your other debts, like student loans or car loans.
- a completed **Hardship Affidavit** describing the circumstances responsible for the decrease in your income or the increase in your expenses.

For more information, see [www.makinghomeaffordable.gov/modification\\_eligibility.html](http://www.makinghomeaffordable.gov/modification_eligibility.html)

If you're interested in refinancing to take advantage of lower mortgage rates, but are afraid you won't qualify because your home value has decreased, you may want to ask if you qualify for the Home Affordable Refinance Program (HARP) or the HOPE for Homeowners (H4H) program. For more information, see [www.hud.gov/foreclosure/](http://www.hud.gov/foreclosure/).

### **AVOIDING DEFAULT AND FORECLOSURE**

If you have fallen behind on your payments, consider discussing the following foreclosure prevention options with your loan servicer:

**Reinstatement:** You pay the loan servicer the entire past-due amount, plus any late fees or penalties, by a date you both agree to. This option may be appropriate if your problem paying your mortgage is temporary.

**Repayment plan:** Your servicer gives you a fixed amount of time to repay the amount you are behind by adding a portion of what is past due to your regular payment. This option may be appropriate if you've missed a small number of payments.

**Forbearance:** Your mortgage payments are reduced or suspended for a period you and your servicer agree to. At the end of that time, you resume making your regular payments as well as a lump sum payment or additional partial

payments for a number of months to bring the loan current. Forbearance may be an option if your income is reduced temporarily (for example, you are on disability leave from a job, and you expect to go back to your full time position shortly). Forbearance isn't going to help you if you're in a home you can't afford.

**Loan modification:** You and your loan servicer agree to permanently change one or more of the terms of the mortgage contract to make your payments more manageable for you. Modifications may include reducing the interest rate, extending the term of the loan, or adding missed payments to the loan balance. A modification also may involve reducing the amount of money you owe on your primary residence by forgiving, or cancelling, a portion of the mortgage debt. Under the Mortgage Forgiveness Debt Relief Act of 2007, the forgiven debt may be excluded from income when calculating the federal taxes you owe, but it still must be reported on your federal tax return. For more information, see [www.irs.gov](http://www.irs.gov). A loan modification may be necessary if you are facing a long-term reduction in your income or increased payments on an ARM.

Before you ask for forbearance or a loan modification, be prepared to show that you are making a good-faith effort to pay your mortgage. For example, if you can show that you've reduced other expenses, your loan servicer may be more likely to negotiate with you.

**Selling your home:** Depending on the real estate market in your area, selling your home may provide the funds you need to pay off your current mortgage debt in full.

**Bankruptcy:** Personal bankruptcy generally is considered the debt management option of last resort because the results are long-lasting and far-reaching. A bankruptcy stays on your credit report for 10 years, and can make it difficult to

get credit, buy another home, get life insurance, or sometimes, get a job. Still, it is a legal procedure that can offer a fresh start for people who can't satisfy their debts.

If you and your loan servicer cannot agree on a repayment plan or other remedy, you may want to investigate filing Chapter 13 bankruptcy. If you have a regular income, Chapter 13 may allow you to keep property, like a mortgaged house or car, that you might otherwise lose. In Chapter 13, the court approves a repayment plan that allows you to use your future income toward payment of your debts during a three-to-five-year period, rather than surrender the property. After you have made all the payments under the plan, you receive a discharge of certain debts.

To learn more about Chapter 13, visit [www.usdoj.gov/ust](http://www.usdoj.gov/ust); it's the website of the U.S. Trustee Program, the organization within the U.S. Department of Justice that oversees bankruptcy cases and trustees.

If you have a mortgage through the Federal Housing Administration (FHA) or Veterans Administration (VA), you may have other foreclosure alternatives. Contact the FHA ([www.fha.gov](http://www.fha.gov)) or VA ([www.homeloans.va.gov](http://www.homeloans.va.gov)) to talk about them.

### **CONTACTING YOUR LOAN SERVICER**

Before you have any conversation with your loan servicer, prepare. Record your income and expenses, and calculate the equity in your home. To calculate the equity, estimate the market value less the balance of your first and any second mortgage or home equity loan. Then, write down the answers to the following questions:

- What happened to make you miss your mortgage payment(s)? Do you have any documents to back up your explanation

for falling behind? How have you tried to resolve the problem?

- Is your problem temporary, long-term, or permanent? What changes in your situation do you see in the short term, and in the long term? What other financial issues may be stopping you from getting back on track with your mortgage?
- What would you like to see happen? Do you want to keep the home? What type of payment arrangement would be feasible for you?

Throughout the foreclosure prevention process:

- Keep notes of all your communications with the servicer, including date and time of contact, the nature of the contact (face-to-face, by phone, email, fax or postal mail), the name of the representative, and the outcome.
- Follow up any oral requests you make with a letter to the servicer. Send your letter by certified mail, "return receipt requested," so you can document what the servicer received. Keep copies of your letter and any enclosures.
- Meet all deadlines the servicer gives you.
- Stay in your home during the process, since you may not qualify for certain types of assistance if you move out. Renting your home will change it from a primary residence to an investment property. Most likely, it will disqualify you for any additional "workout" assistance from the servicer. If you choose this route, be sure the rental income is enough to help you get and keep your loan current.

### **HOUSING AND CREDIT COUNSELING**

You don't have to go through the foreclosure prevention process alone. A counselor with

a housing counseling agency can assess your situation, answer your questions, go over your options, prioritize your debts, and help you prepare for discussions with your loan servicer. Housing counseling services usually are free or low cost.

While some agencies limit their counseling services to homeowners with FHA mortgages, many others offer free help to any homeowner who is having trouble making mortgage payments. Call the local office of the U.S. Department of Housing and Urban Development ([www.hud.gov](http://www.hud.gov)) or the housing authority in your state, city, or county for help in finding a legitimate housing counseling agency nearby. Or consider contacting the Homeownership Preservation Foundation (HPF) at 888-995-HOPE or [www.hopenow.com](http://www.hopenow.com). HPF is a nonprofit organization that partners with mortgage companies, local governments, and other organizations to help consumers get loan modifications and prevent foreclosures.

When choosing a counselor, beware of anyone charging large up-front fees or guaranteeing you a loan modification or other solution to stop foreclosure. They shouldn't be charging you high fees or making any guarantees. Take your business elsewhere.

### **CONSIDER GIVING UP YOUR HOME WITHOUT FORECLOSURE**

Not every situation can be resolved through your loan servicer's foreclosure prevention programs. If you're not able to keep your home, or if you don't want to keep it, consider:

**Selling Your House:** Your servicers might postpone foreclosure proceedings if you have a pending sales contract or if you put your home on the market. This approach works if proceeds

from the sale can pay off the entire loan balance plus the expenses connected to selling the home (for example, real estate agent fees). Such a sale would allow you to avoid late and legal fees and damage to your credit rating, and protect your equity in the property.

**Short Sale:** Your servicers may allow you to sell the home yourself before it forecloses on the property, agreeing to forgive any shortfall between the sale price and the mortgage balance. This approach avoids a damaging foreclosure entry on your credit report. Under the Mortgage Forgiveness Debt Relief Act of 2007, the forgiven debt on your primary residence may be excluded from income when calculating the federal taxes you owe, but it still must be reported on your federal tax return. For more information, see [www.irs.gov](http://www.irs.gov), and consider consulting a financial advisor, accountant, or attorney.

**Deed in Lieu of Foreclosure:** You voluntarily transfer your property title to the servicers (with the servicer's agreement) in exchange for cancellation of the remainder of your debt. Though you lose the home, a deed in lieu of foreclosure can be less damaging to your credit than a foreclosure. You will lose any equity in the property, although under the Mortgage Forgiveness Debt Relief Act of 2007, the forgiven debt on your primary residence may be excluded from income when calculating the federal taxes you owe. However, it still must be reported on your federal tax return. For more information, see [www.irs.gov](http://www.irs.gov). A deed in lieu of foreclosure may not be an option for you if other loans or obligations are secured by your home.

### **BE ALERT TO SCAMS**

Scam artists follow the headlines, and know there are homeowners falling behind in their mortgage payments or at risk for foreclosure. Their

itches may sound like a way for you to get out from under, but their intentions are as far from honorable as they can be. They mean to take your money. Among the predatory scams that have been reported are:

- **The foreclosure prevention specialist:** The “specialist” really is a phony counselor who charges high fees in exchange for making a few phone calls or completing some paperwork that a homeowner could easily do for himself. None of the actions results in saving the home. This scam gives homeowners a false sense of hope, delays them from seeking qualified help, and exposes their personal financial information to a fraudster.

Some of these companies even use names with the word HOPE or HOPE NOW in them to confuse borrowers who are looking for assistance from the free 888-995-HOPE hotline.

- **The lease/buy back:** Homeowners are deceived into signing over the deed to their home to a scam artist who tells them they will be able to remain in the house as a renter and eventually buy it back. Usually, the terms of this scheme are so demanding that the buy-back becomes impossible, the

homeowner gets evicted, and the “rescuer” walks off with most or all of the equity.

- **The bait-and-switch:** Homeowners think they are signing documents to bring the mortgage current. Instead, they are signing over the deed to their home. Homeowners usually don’t know they’ve been scammed until they get an eviction notice.

### **FOR MORE INFORMATION**

To learn more about mortgages and other credit-related issues, visit [www.ftc.gov/credit](http://www.ftc.gov/credit) and [MyMoney.gov](http://MyMoney.gov), the U.S. government’s portal to financial education.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

**Federal Trade Commission**  
Bureau of Consumer Protection  
Division of Consumer and Business Education

August 2009

# **LAW FIRM PRIVACY POLICY**

Regardless of our decision to accept or decline your case, any information you provide to our office is subject to the terms contained in our Privacy Policy.

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LAW OFFICES OF  
**G. RUSSELL DONALDSON, P.C.**  
ATTORNEYS AND COUNSELORS AT LAW

2200 DEFENSE HIGHWAY • SUITE 309  
CROFTON, MARYLAND 21114  
410-451-7100 • 410-451-7238 FAX

## **Privacy Policy**

The Law Offices of G. Russell Donaldson, PC recognizes the importance of privacy and the sensitivity of personal information. As lawyers, we have a professional obligation to keep your information confidential and we believe that making you aware of how we use your non-public personal information ("Personal Information"), and to whom it is disclosed, will form the basis for a relationship of trust between us. This Privacy Statement provides that explanation.

We collect information only by lawful and fair means, and not in an unreasonably intrusive way. Wherever possible we collect your Personal Information directly from you, both at the start of a retainer and in the course of our representation. **In the course of our business, we may also collect Personal Information about you from the following sources:**

- Applications or other forms we receive from you or your authorized representative;
- Your transactions with, or from the services being performed by us, our affiliates, or others;
- Internet web-sites;
- Public Records maintained by Governmental entities that we have either obtained directly from those entities, or from our affiliates or others;
- Your employer, if we are acting for you, at your request;
- Your accountant; and
- Consumer and/or other reporting agencies.

### **Our Policies Regarding the Protection of the Confidentiality and Security of Your Personal Information.**

We maintain physical, electronic and procedural safeguards to protect your Personal Information from unauthorized access or intrusion. We limit access to your Personal Information only to those employees who need such access in connection with providing our services to you.

We take reasonable precautions to ensure that your personal information is kept safe from loss, unauthorized access, modification and disclosure. Among the steps taken to protect your information are:

- Premises Security;
- Restricted file access;
- Technological Safeguards such as software and firewalls to prevent hacking or unauthorized computer access; and
- Internal Password and Security Policies

### **Our Policies and Practices Regarding the Sharing of Your Personal Information.**

In most cases, we shall ask you to specifically consent, if we collect, use or disclose your Personal Information. Generally, we ask for your consent in writing, but in some circumstances, we may accept your oral consent. Sometimes, your consent may be implied through your conduct with us.

**Initials** \_\_\_\_\_

fraudulent or criminal activities. We also may disclose your Personal Information when otherwise permitted by applicable privacy laws such as, for example, when disclosure is needed to enforce our rights arising out of any agreement, transaction or relationship with you.

### **Updating your Personal Information**

Since we use your Personal Information to provide legal services to you, it is important that the information we maintain be accurate and up-to-date.

If during the course of the retainer, any of your information changes, please inform us so that we may make any necessary changes.

### **Rights to Access your Personal Information and Ability to Correct Errors or Request Changes or Deletion.**

Certain states afford you the right to access your personal information and, under certain circumstances, to find out to whom your Personal Information has been disclosed. Also, certain states afford you the right to request correction, amendment or deletion of your Personal Information. However, these rights to access are not absolute and we may deny access when:

- required or authorized by law;
- to do so would reveal confidential commercial information, and the Personal Information cannot be severed from the record;
- to do so could reasonably be expected to threaten the life or security of another individual, and the Personal Information cannot be severed from the record; and
- the information was generated in the course of a formal dispute resolution process.

If we deny your request for access to, or refuse a request to correct information, we shall explain why. We do not use your Social Security Number as a way of identifying or organizing the information we maintain. We reserve the right, where permitted by law, to charge a reasonable fee to cover the costs incurred in responding to any request.

All requests for access must be made in writing to the following address:

The Law Offices of G. Russell Donaldson, P.C.  
2200 Defense Highway, Suite 309  
Crofton, MD 21114

OR

By electronic mail at [Olivia@grdonaldson.com](mailto:Olivia@grdonaldson.com)

*You should be aware that e-mail is not a completely secure medium for communication prior to sending Personal Information.*

### **Multiple Products or Services**

If we provide you with more than one product or service for you, you may receive more than one privacy notice from us. We apologize for any inconvenience this may cause you.

*The Law Offices of G. Russell Donaldson, PC regularly reviews its policies and procedures. We hereby reserve the right to make changes to our Privacy Policy from time to time in keeping with Federal, State and Local privacy laws.*

**PLACES TO FIND CONSUMER INFORMATION  
REGARDING MORTGAGE HARDSHIPS**

Given the scope of the mortgage crises in our Country today, the availability of information and advice to Homeowners facing financial hardship is just as broad, and some information may not be reliable or accurate.

These websites are provided for your information only and are not inclusive of all possible information resources and/or service providers. However, the negotiation of Mortgages by 3rd Parties— Realtors, Businesses, and Attorneys' alike—is being very closely monitored by Local, State and Federal Governments to protect your rights and interests.

We believe that the information obtained from State and Federal Government Agencies such as the Federal Trade Commission and the State Attorney General's Office, and Nationally recognized Agencies which cooperate with State and Federal Government Agencies, such as the American Bar Association, the State Bar Association and the Lawyers' Committee for Civil Rights Under Law, provide the most reliable and up-to-date information for Homeowners.

We welcome you to take the time to explore these sites to learn more about the assistance available to you.

The US Department of Housing and Urban Development ([www.hud.gov](http://www.hud.gov))

The Federal Housing Administration ([www.fha.gov](http://www.fha.gov))

Making Home Affordable ([www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov))

The Veterans Administration ([www.homeloans.va.gov](http://www.homeloans.va.gov))

The Homeownership Preservation Foundation ([www.hopenow.com](http://www.hopenow.com))

Fannie Mae ([www.fanniemae.com](http://www.fanniemae.com))

Freddie Mac ([www.freddiemac.com](http://www.freddiemac.com))

The Federal Trade Commission ([www.ftc.com](http://www.ftc.com))

Maryland Department of Housing & Community Development ([www.mdhousing.org](http://www.mdhousing.org))

Florida Housing Help ([www.myfloridacfo.com/FloridaHousingHelp](http://www.myfloridacfo.com/FloridaHousingHelp))

Florida State Bar ([www.floridabar.org](http://www.floridabar.org))

Lawyers' Committee for Civil Rights Under Law ([www.preventloanscams.org](http://www.preventloanscams.org))

The Internal Revenue Service ([www.irs.gov](http://www.irs.gov))



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