

*Underbid:* When the amount demanded at the foreclosure sale by the trustee pursuant to the instruction of the lender or its servicing agent is less than the total debt (the full balance due and payable) owed by the homeowner to the lender or an assignee of the lender.

*Upside Down:* When the value of the home is less than the full balances due and payable to the lenders pursuant to the mortgage loans or liens recorded against the home (the security property).

*Waste:* An intentional or unintentional act of a borrower of a mortgage loan that results in physical damage or injury to the property described in the deed of trust. A homeowner may be liable for any waste of the property created or suffered during the period of ownership.

NOTES: In this booklet, the terms “borrower” and “homeowner” are interchangeable and the terms “property,” “security property,” or “home” are also interchangeable. In addition, the phrases “promissory note” and “deed of trust” also mean the “mortgage loan.”

## Facing Foreclosure

Should you face the possibility of foreclosure, you are not alone. Foreclosure is not a personal attack on you or your home. Thousands of financially distressed homeowners face similar circumstances. Processing a high number of homeowner defaults (including foreclosures) has been overwhelming to lenders and their servicing agents. When homeowners are unable or unwilling to repay their mortgage loans, lenders take action to limit their losses and to recover the balance owed.

Typically, the most effective way to avoid losses is to keep the homeowner in the home. As a result, lenders and their servicing agents may be willing to help struggling homeowners avoid foreclosure by addressing their mortgage loan delinquencies. The federal government and the State of California each have rules and regulations which can be helpful to homeowners in addressing mortgage loan issues including modification of the loan terms or cooperating in achieving a short sale.

