FORECLOSURE EXIT BLUEPRINT

THE EQUITY
EXIT BLUEPRINT

How to leave a foreclosure with your money
instead of a suitcase.

Most homeowners in foreclosure are not losing a house.
They are about to lose a large amount of their own money.

Those are two different problems — and the second one is fixable.

Navigate. Protect. Recover.

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Navy Veteran | 39-Year USPS Retiree | Foreclosure Survivor
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ForeclosureExitBlueprint.com

Before You Begin

DISCLAIMER — PLEASE READ THIS FIRST

This guide is educational and informational only. It is not legal advice and it is not financial advice. It does not guarantee any outcome.

Every foreclosure situation is different. Foreclosure laws, timelines, and procedures vary significantly by state and by loan type. Nothing in this guide should be relied on in place of advice from a licensed professional who knows your specific situation.

Always consult a licensed real estate professional and a real estate attorney before making decisions about your property.

This guide is not a mortgage assistance relief service, and buying it does not create any client relationship or obligate anyone to act on your behalf.

FREE HELP EXISTS, AND YOU SHOULD USE IT

HUD-approved housing counseling is free, government-funded, and available to every homeowner in the country. They do not work on commission and they are not selling you anything. Call 800-569-4287 or visit hud.gov/counseling.

If this year has taken more from you than a house: 988 Suicide & Crisis Lifeline. Call or text 988. Veterans, press 1. Free, confidential, 24 hours a day. I mean that.

How to use this guide

You do not have to read it front to back. Here is the short version of how to move through it:

- If you have not run your numbers yet, go straight to Chapter 3. Everything else depends on that one figure.
- If someone has already knocked on your door with an offer, read Chapter 7 tonight.
- If you have a VA loan, Chapter 9 has options that do not exist for anyone else.
- If you cannot get a straight answer out of your mortgage company, Chapter 6 is the reason you bought this. Six letters, ready to send.
- If you already walked away from the property, read Chapter 12 before you assume it is over.

Keep the free worksheet next to you. This guide explains the why; the worksheet is where you write it down.

NOT AFFILIATED WITH ANY GOVERNMENT AGENCY

Peter Pedro is a U.S. Navy veteran and a retired employee of the United States Postal Service. Foreclosure Exit Blueprint is a private business and is not affiliated with, endorsed by, sponsored by, or acting on behalf of the U.S. Department of Veterans Affairs, the United States Postal Service, the U.S. Department of Housing and Urban Development, or any other federal, state, or local government agency. References to military and postal service describe personal work history only.

Contents

> ***One person's painful chapter can become another person's map.***
>
> — what this guide is

CHAPTER 1

Why I Wrote This

The short version: I did not learn this from a course.

I am a Navy veteran. I spent 39 years with the United States Postal Service. I raised my son on my own. I bought my home and thought — finally, life is working.

Then something started happening to me that I did not have a name for. I would lie in bed for days. Miss work. Pull away from everyone I loved. My heart would race for no reason. I could not focus. I could not keep up with the bills. I thought I just needed to push through — that is what the Navy taught me.

What I did not know was that anxiety and depression had quietly taken over my life. And by the time I finally admitted I needed help and walked into the VA, I was already in foreclosure. No one handed me a roadmap. No one said "here is what your options are, here is who to call, here is what to do right now." I had nothing.

I ended up in a one-bedroom apartment with my son. Rock bottom. I will not sugarcoat it — there was a moment I considered not being here anymore. I chose to stay. For him.

IF YOU ARE IN THAT PLACE RIGHT NOW

Call or text 988. Veterans, press 1. It is free, it is confidential, it is 24 hours a day, and it is the call I wish I had made a lot sooner than I did.

Everything else in this guide will still be here afterward. None of it matters more than you making that call.

I got into counseling at the VA. One-on-one sessions. Group therapy every Tuesday and Thursday. And slowly, day by day, I started to heal.

Then something else happened. I met someone.

> ***She was a single parent too. I helped raise her son. She helped raise mine. Every day I came home to her was a good day — and one more day closer to getting better. Her presence alone was my medication. She was not just support. She was one of my rocks. Twenty-five years later, we are still together and going strong.***

With my son, my wife, and my recovery behind me, I decided to understand the thing that had taken me down.

I educated myself in real estate. I studied for the real estate exam — did not pass, went back anyway. I joined real estate investment clubs. I birddogged for investors. I learned from people who built real wealth in foreclosures, lis pendens filings, and short sales.

I partnered with licensed real estate agents and started knocking on doors, finding distressed homeowners in lis pendens filings. People exactly where I had been. Scared. Overwhelmed. No idea what their options were.

I learned the real process. I worked directly with banks. And here is the part that still gets me: some of those same homeowners came back around a few years later — credit rebuilt, lives stabilized — and bought brand new homes. Full circle.

> **WHY I AM TELLING YOU THIS**
>
> Not to sell you anything. Because I need you to know that the person who wrote this guide has sat in the chair you are sitting in, with the same letter on the same kitchen table, and did not know what any of it meant either.
>
> I have been on both sides of this. This guide is the tool I never had. Now it exists. Let us get you through it.

CHAPTER 2

Where You Actually Stand

A foreclosure notice is not a verdict. It is a starting gun.

What a Lis Pendens really means

When a bank files a Lis Pendens against your property, it means a legal action has begun. Translated from Latin it means "suit pending." The bank is putting the public — and you — on notice that foreclosure proceedings have started.

Here is what most homeowners do not realize: a Lis Pendens filing does NOT mean the bank has taken your home. It means the clock has started. Depending on your state and your loan type, you may still have months — sometimes years — before the process completes and the property goes to sale.

> **THE PART NOBODY TELLS YOU**
>
> Some Lis Pendens filings sit active for three, four, even five years before the bank takes back the property. During that entire time you are still the legal owner. That means you still have options, and it means the equity is still yours.

I have knocked on the doors of homeowners who had moved away thinking their house was already gone — only to tell them they still legally owned the property. I found them by cross-referencing county records for a forwarding address. More on that in Chapter 12.

The lesson: do not assume it is too late until you have verified the status of your filing at your county records office. It is a phone call. It is free.

But the clock is faster than it used to be

Here is the honest counterweight. In the first half of 2026 there were 227,548 properties with a foreclosure filing in the United States — up 21% from the year before and 28% from 2024. And the average time from first notice to completion has dropped to roughly 563 days: the shortest it has been since 2013.

So both things are true. You almost certainly have more time than you think you do. And you have less time than someone in your position had five years ago. That is not a reason to panic. It is a reason to find out your actual date instead of guessing at it.

TWO CALLS THAT ANSWER THIS

1. Your county clerk or recorder’s office. Ask: "What is the current status of the Lis Pendens filed on my property?" Write down exactly what they say.

2. Your mortgage servicer. Ask: "Is there a foreclosure sale date scheduled on my property, and what is it?" Then ask them to confirm it in writing — see Chapter 6.

CHAPTER 3

Your Equity Position

The number nobody told you, and the reason everything else in this guide exists.

If you read only one chapter, read this one.

The math has changed since 2009

In the fourth quarter of 2009, at the bottom of the crash, about 26% of American homeowners with a mortgage owed more on the house than the house was worth. One in four. That is the foreclosure most people still picture in their heads, because that is the one that was on the news for five straight years.

Today that figure is roughly 2.2%. The average American homeowner with a mortgage is sitting on somewhere around $295,000 in equity. Nationally, homeowners hold something on the order of $35 trillion in home equity, roughly half of it tappable.

> ***Most homeowners in foreclosure today are not underwater. They are equity-rich and information-poor. That combination is exactly what the person knocking on your door is counting on.***

Run your number

Get this on paper before you talk to anyone. It takes about twenty minutes and two phone calls.

A **What is your home worth today?**
Zillow and Redfin will get you in the neighborhood. A licensed agent will run you a comparative market analysis for free, with no obligation, and it will be far more accurate. Ask for the CMA.

B **What is your total mortgage payoff?**
Call your servicer and ask for the current payoff figure — not the principal balance. The payoff includes arrears, fees, and interest, and it is the number that actually matters at closing.

C **What else is attached to the property?**
Second mortgage, HELOC, tax liens, judgments, unpaid HOA dues, contractor liens. A title company can pull this for you and will often do it as part of earning your business.

D **A – B – C = YOUR EQUITY**

This is the number the person at your door already looked up before he knocked.

What your number means

IF D IS POSITIVE — YOU ARE IN AN EQUITY PROTECTION SITUATION

You are not in a short sale situation. Your job is to exit without giving that money away.

And here is the part that almost nobody explains: if a sale would cover what you owe, you do not need the bank's approval for anything. You list the property. It sells. At closing the loan is paid off in full out of the proceeds, and you keep the difference.

No hardship letter. No two years of tax returns. No bank negotiator. No approval. The bank is not a party to the decision — they just get paid.

IF D IS NEGATIVE — YOU MAY BE UNDERWATER

You may be among the roughly 2% who owe more than the property is worth. A short sale may genuinely be your best path, and unlike a traditional sale it does require the bank's approval. Chapter 10 covers that process in full.

IF YOU DO NOT KNOW — THIS IS THE MOST COMMON ANSWER

It is also the most dangerous one. Every decision in front of you depends on a number you have not looked up yet. Any licensed agent will run a CMA for free with no obligation.

Make that call before you speak to anyone offering to buy your house.

CHAPTER 4

Your Four Exits

Three of them you choose. One of them happens to you.

Almost every foreclosure ends one of four ways. Most guides in this space compare only two of them — short sale versus foreclosure — and declare a winner. That is comparing two bad outcomes while ignoring the one that is right for most people.

01

KEEP THE HOUSE

Reinstatement (pay the arrears and the loan goes back to current), a repayment plan, forbearance, a loan modification — or, if you have a VA loan, the VA partial claim covered in Chapter 9.

Right when: your income has recovered or is about to, and staying is what you want. Always ask about this first.

02

TRADITIONAL SALE — THE EQUITY EXIT

You list the home and sell it on the open market. At closing the loan is paid off in full out of the proceeds and you keep every dollar above what was owed. It is an ordinary sale that happens to be on a deadline.

Right when: your number in Chapter 3 is positive. This is most homeowners, and almost nobody tells them.

03

SHORT SALE

The bank agrees to let you sell for less than you owe and, in most cases, writes off the difference. This one does require the bank's approval, a complete package, and patience.

Right when: your number is negative. Roughly 2 in 100 homeowners.

04

FORECLOSURE / REO

The bank completes the process, takes the property, and the sheriff controls the timing and the terms. Any equity above what was owed becomes surplus funds — money that is legally yours but that you now have to chase, often while people who found your name in public records offer to "recover" it for a cut.

Right when: never. This is simply what happens if you do nothing.

THE ORDER TO WORK THROUGH THEM

Ask about Exit 1 first — always. Even if you think you cannot afford to stay, make the servicer tell you in writing what you were evaluated for. Chapter 6 shows you how to force that answer.

If staying is not realistic, your number from Chapter 3 decides between Exit 2 and Exit 3. It is not a judgment call. It is arithmetic.

Exit 4 is not a choice. It is the default that happens while you are deciding.

CHAPTER 5

Inside the Bank's Machine

The bank is not your enemy and it is not your friend. It is arithmetic.

Once you understand what a defaulted loan actually costs a bank, the whole conversation changes. You stop pleading and start negotiating.

What happens after you miss a payment

DAY 1–36	**Soft touch.** The first missed payment flags automatically. Federal rules require your servicer to make contact within 36 days. Robo-calls, letters, email. The bank is not panicking. Your file is sitting in Collections.
DAY 37–45	**The most valuable letter you will throw away.** By day 45, federal rules require your servicer to send written notice of the loss mitigation options available to you. Most homeowners discard it because it looks like more collection mail. Go find yours.
DAY 90	**Notice of Default.** Three missed payments. Your file moves internally from Collections to the Loss Mitigation Department — a different team with a different mandate. Their job is to minimize the bank's loss. Knowing that is not cynical; it tells you which argument works.
DAY 120	**The federal green light.** Foreclosure generally cannot legally begin until you are 120 days delinquent. That is a four-month buffer most homeowners never knew they had.
DAY 121+	**Attorney or trustee referral.** Your file leaves the hands of someone with discretion and enters bulk legal processing. The bank's cost meter accelerates sharply here.
REO	**The bank takes the house.** Maintenance, taxes, insurance, liability, carrying costs, and a non-performing asset on the balance sheet. Financially, this is the outcome the bank likes least.

What it costs them

Industry figures put the cost of servicing a performing mortgage at roughly $176 a year. For a non-performing loan, that figure is roughly $1,573.

> ***The day you fell behind, your loan became about nine times more expensive for them to carry. That is not sympathy. That is leverage.***

And it gets worse for them from there. In a completed foreclosure a bank is looking at legal and attorney fees that can run from $15,000 to well over $50,000 depending on the state, maintenance on a vacant property at $1,500 to $3,000 a month, property taxes, hazard insurance on an empty house, vandalism and deferred maintenance, regulatory capital tied up against a bad loan, and balance-sheet drag until the thing finally sells. Analysis from Moody’s has put losses on foreclosures at roughly 15% higher than losses on short sales.

The NPV test — the calculator behind the curtain

Before deciding what to do with your file, major servicers run a Net Present Value calculation. In plain English, they model it three ways:

- Modify the loan — what does the bank net?
- Accept a short sale — what does the bank net?
- Foreclose — what does the bank net?

Whichever number is highest wins. It is arithmetic, not mercy, and it is run by people who have never met you.

> **THE EXCEPTION THAT MATTERS MOST**
>
> The NPV test only governs outcomes that require the bank’s approval.
>
> A traditional sale by a homeowner with equity never enters the calculation at all — because the loan gets paid in full at closing. There is nothing for the bank to model and nothing for them to approve.
>
> If your number in Chapter 3 was positive, the machine described in this chapter is not standing between you and the door.

CHAPTER 6

The Paper Trail

How to make your mortgage company answer you — in writing, on a federal deadline.

Ask anyone who has been through this what the worst part was and you will hear a version of the same four sentences. They lost my paperwork. Every representative told me something different. I got denied and nobody would say why. I have no proof of anything I did.

There is a fix, it is free, and almost nobody uses it.

Two letters, one clock

Under RESPA and its implementing rule, Regulation X, you have the right to send your servicer a Notice of Error or a Request for Information. When you do:

- They must acknowledge your letter within 5 business days.
- They must substantively respond within 30 business days.
- They can extend that by 15 business days only if they notify you and explain the delay before the original window closes.

A Notice of Error says: you did something wrong, fix it. A Request for Information says: send me the records. In practice you will often use both, and it is fine to send them separately.

> ***This is how you turn a phone call nobody remembers into a federal deadline somebody has to meet.***

THE 37-DAY RULE — THE STRONGEST PROTECTION IN THIS CHAPTER

Separately from the letters above, Regulation X provides that if you submit a COMPLETE loss mitigation application more than 37 days before a scheduled foreclosure sale, the servicer generally shall not move for a foreclosure judgment or order of sale, or conduct the sale, unless specific conditions are met. Within 30 days of receiving a complete application they must evaluate you for all available options and tell you in writing what they will offer.

Submitted 37 days or less before the sale, those specific protections do not apply the same way. The date is not a suggestion. It is a cliff.

If you have a sale date, work backward from it right now and write the 37-day mark on your calendar in ink.

How to send every letter in this chapter

- Send to the address your servicer designates for notices of error or information requests — not the payment address. It is on your statement or their website. If you cannot find it, use Letter 3 to ask for it.
- Certified mail, return receipt requested. Keep the green card. Take a photo of it.
- Keep a copy of everything you send, with the date written on your copy.
- Include your full name, the property address, and your loan number on every page.
- One issue per letter. Clean, specific letters get clean, specific answers.

> **WHAT TO EXPECT**
>
> A good response arrives in writing, references your loan number, answers the specific question you asked, and encloses documents where you asked for them.
>
> A bad response is a form letter that does not address your question. That is worth noting in your log — a pattern of non-responses is itself useful if this ever ends up in front of an attorney.
>
> These letters are a right you exercise yourself. They do not guarantee any outcome and they are not a substitute for legal advice.

Letter 1 — They Lost My Documents

WHAT IT DOES: Forces the servicer to state, in writing, exactly what they received from you and when.

USE IT WHEN: You have sent the same paperwork two or three times and nobody can confirm they have it.

```
[Your full name]
[Your mailing address]
[City, State ZIP] [Phone] [Email]

[Date]

[Servicer name]
[Servicer address designated for Notices of Error]

RE: Loan number [XXXXXXXX]
Property: [property address]

NOTICE OF ERROR — 12 C.F.R. 1024.35

To whom it may concern:

I am submitting this Notice of Error regarding the servicing of the
above-referenced mortgage loan.

ERROR: Your company has failed to acknowledge receipt of documents I
submitted in connection with my loss mitigation application, and has
requested the same documents more than once.

On the following dates I submitted the documents listed:

[date] — [documents sent, and how: fax / upload / mail]
```

```
[date] — [documents sent, and how]
[date] — [documents sent, and how]

Please provide me, in writing:

1. A complete list of every document your company has received from
me in connection with this loan, with the date each was received.
2. A complete list of any document you still consider outstanding.
3. The name and direct contact information of the person or
department assigned to my file.

I understand that under Regulation X you must acknowledge this notice
within 5 business days and respond within 30 business days.

Sincerely,

[Signature]
[Printed name]
```

HOW TO SEND IT

Attach copies of any fax confirmations, upload screenshots, or certified mail receipts you still have. You do not need all of them — send what you have.

Letter 2 — You Denied Me and Will Not Say Why

WHAT IT DOES: Forces the servicer to disclose the specific reason for a denial and the figures behind it.

USE IT WHEN: Your modification or loss mitigation request was denied with no explanation, or an explanation that does not make sense.

```
[Your full name]
[Your mailing address]
[City, State ZIP] [Phone] [Email]

[Date]

[Servicer name]
[Servicer address designated for Notices of Error]

RE: Loan number [XXXXXXXX]
Property: [property address]

NOTICE OF ERROR — 12 C.F.R. 1024.35

To whom it may concern:

On [date] I received notice that my request for [loan modification /
forbearance / other option] was denied. The notice did not state the
specific reason for the denial or the figures used to reach it.

Please provide me, in writing:

1. The specific reason my request was denied.
```

```
2. The monthly gross income figure your company used in the
evaluation, and the source of that figure.
3. The monthly housing expense figure used, and how it was
calculated.
4. The property value your company used, the date of that
valuation, and the method used to obtain it.
5. If a net present value or similar test was applied, the inputs
used and the result.
6. Confirmation of which loss mitigation options I was evaluated
for, and the outcome of each.
7. The deadline and procedure for appealing this denial.

I believe the evaluation may have relied on inaccurate information
about my income and expenses. My correct figures are:

Gross monthly income: $[amount]
Monthly housing expense: $[amount]

I understand that under Regulation X you must acknowledge this notice
within 5 business days and respond within 30 business days.

Sincerely,

[Signature]
[Printed name]
```

HOW TO SEND IT

If you have an appeal deadline, note it on your calendar the day the denial arrives. Appeal windows are short and they do not restart because you asked a question.

Letter 3 — Send Me the Numbers

WHAT IT DOES: Gets you the full payment history, the reinstatement figure, the payoff figure, and the address to send future letters to.

USE IT WHEN: You are deciding between exits and need real numbers instead of estimates. Start here if you only send one letter.

```
[Your full name]
[Your mailing address]
[City, State ZIP] [Phone] [Email]

[Date]

[Servicer name]
[Servicer address designated for Notices of Error]

RE: Loan number [XXXXXXXX]
Property: [property address]

REQUEST FOR INFORMATION — 12 C.F.R. 1024.36

To whom it may concern:
```

```
Please provide the following information regarding the
above-referenced loan:

1. A complete payment history for the life of the loan, itemizing
principal, interest, escrow, and all fees and charges assessed.
2. The current REINSTATEMENT amount — the total required to bring
the loan fully current — itemized, and the date through which
that figure is good.
3. The current PAYOFF amount — the total required to satisfy the
loan in full — itemized, and the date through which it is good.
4. An itemization of all fees, corporate advances, and charges
added to the account in the last 24 months.
5. The identity of the owner or assignee of my loan.
6. Whether a foreclosure sale date has been scheduled and, if so,
the date.
7. The address your company designates for Notices of Error and
Requests for Information under Regulation X.

I understand that under Regulation X you must acknowledge this
request within 5 business days and respond within 30 business days.

Sincerely,

[Signature]
[Printed name]
```

HOW TO SEND IT

Item 3 is the number you need for Chapter 3, box B. Item 2 is what it would take to keep the house. Item 7 makes every letter after this one easier to address.

Letter 4 — Your Representatives Keep Contradicting Each Other

WHAT IT DOES: Converts a pile of conflicting phone calls into one written statement of where you actually stand.

USE IT WHEN: You have been told three different things by three different people and you no longer know what is true.

```
[Your full name]
[Your mailing address]
[City, State ZIP] [Phone] [Email]

[Date]

[Servicer name]
[Servicer address designated for Notices of Error]

RE: Loan number [XXXXXXXX]
Property: [property address]

NOTICE OF ERROR — 12 C.F.R. 1024.35

To whom it may concern:
```

```
I have received conflicting information from your representatives
regarding the status of my loan and my loss mitigation options.

[date] — [rep name / ID] — told me: [what they said]
[date] — [rep name / ID] — told me: [what they said]
[date] — [rep name / ID] — told me: [what they said]

These statements cannot all be correct. Please confirm in writing:

1. The current status of my loan and the number of payments due.
2. The current status of any loss mitigation application on file,
including the date it was received and whether it is complete.
3. If it is incomplete, every document still outstanding.
4. Whether a foreclosure sale date has been scheduled, and the
date.
5. Which loss mitigation options I have been evaluated for and the
result of each evaluation.

Going forward I am requesting that all substantive communication
regarding this loan be provided to me in writing.

I understand that under Regulation X you must acknowledge this notice
within 5 business days and respond within 30 business days.

Sincerely,

[Signature]
[Printed name]
```

HOW TO SEND IT

This letter only works if you kept a call log. Start one today: date, time, representative name, ID number, what you asked, what they said, what they promised, and the follow-up date. The free worksheet has a page for it.

Letter 5 — I Inherited This House and You Will Not Talk to Me

WHAT IT DOES: Establishes you as a confirmed successor in interest so the servicer can legally discuss the loan with you.

USE IT WHEN: A parent or spouse died, you inherited or are inheriting the property, and the servicer says "you are not on the loan."

```
[Your full name]
[Your mailing address]
[City, State ZIP] [Phone] [Email]

[Date]

[Servicer name]
[Servicer address designated for Notices of Error]

RE: Loan number [XXXXXXXX]
Property: [property address]
```

```
REQUEST FOR INFORMATION / SUCCESSOR IN INTEREST
12 C.F.R. 1024.36 and 1024.32(c)

To whom it may concern:

I am writing regarding the above-referenced loan. The borrower,
[full name of deceased], died on [date]. I am [relationship] and I
have acquired an ownership interest in the property.

I am requesting that your company confirm my status as a SUCCESSOR IN
INTEREST with respect to this loan.

Please provide:

1. A description of the documents your company requires to confirm
my identity and my ownership interest in the property.
2. Written confirmation once my successor in interest status has
been established.
3. Upon confirmation, the full account information for this loan,
including payment history, reinstatement amount, and payoff.
4. Whether a foreclosure sale date has been scheduled, and the
date.
5. What loss mitigation options are available to a confirmed
successor in interest on this loan.

Enclosed are copies of: [death certificate] [will / probate filing]
[deed] [affidavit of heirship] [other].

I understand that under Regulation X you must acknowledge this
request within 5 business days and respond within 30 business days.

Sincerely,

[Signature]
[Printed name]
```

HOW TO SEND IT

"Successor in interest" is the phrase that changes the conversation. Use those exact words. Once you are confirmed, the servicer can discuss the loan with you and you can generally apply for loss mitigation — even though your name was never on the note. If title is tangled, a probate filing or an affidavit of heirship recorded with the county clerk is usually how the ownership interest gets established. This is worth twenty minutes with a probate attorney.

Letter 6 — I Am a Veteran With a VA Loan

WHAT IT DOES: Forces the servicer to state which VA-specific options you have actually been evaluated for.

USE IT WHEN: You have a VA-guaranteed loan and you are being told the VA has nothing for you.

```
[Your full name]
[Your mailing address]
[City, State ZIP] [Phone] [Email]
```

```
[Date]

[Servicer name]
[Servicer address designated for Notices of Error]

RE: Loan number [XXXXXXXX]
Property: [property address]

REQUEST FOR INFORMATION — 12 C.F.R. 1024.36
VA-GUARANTEED LOAN — LOSS MITIGATION

To whom it may concern:

The above-referenced loan is a VA-guaranteed loan. Please confirm in
writing which VA loss mitigation options I have been evaluated for,
and the result of each evaluation, specifically including:

1. Repayment plan
2. Special forbearance
3. Loan modification
4. VA Partial Claim
5. Compromise sale (VA short sale)
6. Deed in lieu of foreclosure

If I have not been evaluated for any option listed above, please
state that, and state the reason.

Please also confirm:

7. Whether your company is currently accepting VA Partial Claim
submissions, and if not, the date you expect to begin.
8. The name and contact information of your VA loan specialist or
the department that handles VA loss mitigation.
9. Whether a foreclosure sale date has been scheduled, and the
date.

I understand that under Regulation X you must acknowledge this
request within 5 business days and respond within 30 business days.

Sincerely,

[Signature]
[Printed name]
[Branch and years of service — optional, but I always include it]
```

HOW TO SEND IT

Item 7 is the one that matters right now. See Chapter 9 for why. Also call VA Loan Servicing directly at 877-827-3702 — the VA has its own technicians who can look at your file independently of your servicer.

ONE MORE HABIT, AND IT COSTS NOTHING

Start a call log today. Every call: date, time, representative name, ID number, what you asked, what they said, what they promised, and when they said it would happen.

The letters in this chapter are far more powerful when you can quote three dated calls back to the company that made them.

CHAPTER 7

The Offer at Your Door

Some of the people who call are legitimate. Some are not. Here is how to tell.

Lis Pendens filings are public records. Within days of yours being filed, your name and address went onto lists that get bought and sold. That is not a conspiracy — it is how public records work. But it means the mail, the calls, and the knocks are about to start.

I want to be fair here. Plenty of investors are honest, and for some people in some situations, a fast cash sale is genuinely the right answer. The problem is not that someone is offering to buy your house. The problem is being asked to decide before you know what the house is worth.

> **DO NOT SIGN A DEED TODAY**
>
> A quit claim deed transfers your ownership — and every dollar of equity attached to it — to someone else. It takes one signature, it often happens at a kitchen table, and it is very hard to undo.
>
> No legitimate offer requires you to sign today. None. If the urgency is coming from the buyer rather than from your sale date, that is information.

The five sentences

None of these are illegal to say. All of them are designed to get you to move before you have run the numbers in Chapter 3.

- "I can close this week — but I need you to sign today."
- "The bank is going to take it anyway, so anything you get is better than nothing."
- "Don’t bother with a realtor, they’ll just take a commission out of your pocket."
- "Just sign this deed and I’ll take care of the rest with the bank for you."
- "You won’t qualify for anything else. This is your only option."

The one question that ends the conversation

> ***"What is your offer as a percentage of my current market value?"***
>
> A legitimate buyer will answer this. Write down what they say — or what they do instead.

After a foreclosure: surplus funds

If a foreclosure sale brings more than what is owed, the extra money — called surplus funds, excess proceeds, or an overage — goes to junior lienholders and then to you, the former owner. It is your money.

There is an entire industry built on finding those people and charging them a large percentage to claim money they could claim themselves. State attorneys general and legal aid organizations publish warnings about it. They target two groups in particular: people who just lost a home, and heirs of someone who died.

> **IF YOU GET ONE OF THOSE LETTERS**
>
> Call the court, the trustee, or the county directly and ask whether surplus funds exist on your case and what the process is to claim them. Ask your legal aid office. In many places you can file the claim yourself.
>
> Nobody should be taking a third of your money to fill out a form you can fill out.

CHAPTER 8

The Team You Need

You should not do this alone. But not every professional is equal.

Why the title company matters more than you think

Most homeowners never learn this: not all title companies are the same. The difference that matters is whether they have a real estate attorney in-house.

STANDARD TITLE COMPANY

- Handles closings and title searches
- No attorney on staff
- Cannot give legal guidance
- Cannot deal directly with bank legal
- May not understand distressed files

ATTORNEY-BASED TITLE COMPANY

- Real estate attorney in-house
- Can review your legal documents
- Direct lines to bank underwriters
- Understands the negotiation legally
- Catches issues before they kill a deal

An attorney-based title company has a real estate attorney on staff who can review contracts, communicate directly with a bank's legal department, and catch problems a standard title company might miss entirely. On a distressed file, that can be the difference between a deal that closes and one that dies in somebody's inbox.

HOW TO FIND ONE

When you interview agents, ask directly: "Does your title company have a real estate attorney in-house?" If the answer is no, ask why, and whether they work with one that does. An experienced distressed-sale agent will already have that relationship built.

Who you actually need

A licensed real estate agent with real distressed experience

Ask how many distressed sales they have closed — not listed, closed. Ask them to run you a free comparative market analysis. On a traditional sale their commission comes out of closing proceeds, not your pocket; in most short sales it is typically paid by the bank at closing.

An attorney-based title company

Reviews the legal documents and talks to bank legal teams directly. Ask about this before you sign a listing agreement, not after.

A HUD-approved housing counselor — free

Government-funded, no commission, no product. They will walk through your options with you and they answer to you. 800-569-4287. Use them even if you use nobody else on this list.

A CPA or tax professional

A sale — particularly a short sale with forgiven debt — can have tax consequences. Ask before closing, not after.

A real estate attorney, at least once

Especially if there is a probate issue, a title problem, a second lien, or a sale date inside 60 days. One consultation is cheap compared to what is on the table.

CHAPTER 9

For Veterans

Options that do not exist for anyone else — and a window that closes in November.

If you do not have a VA loan, you can skip this chapter. If you do, read it twice.

The question underneath every other question

"If they take my house, do I lose my VA loan benefit forever?"

That is the fear I hear more than any other from veterans, and almost nobody addresses it directly. The term you want is entitlement restoration. Ask the VA about it using that exact phrase, write down what they tell you, and do not take a front-line servicer representative's word for it — call the VA yourself at 877-827-3702.

The VA Partial Claim, and the window we are in right now

The old VASP program stopped taking submissions on May 1, 2025. Its replacement was created by the VA Home Loan Program Reform Act, signed July 30, 2025. The new VA Partial Claim opened for submissions on June 15, 2026. Servicers have until November 28, 2026 to finish building it into their systems, and the program is authorized through July 30, 2030.

> **WHAT THAT ACTUALLY MEANS FOR YOU TODAY**
>
> The program exists right now. Many servicers have not finished implementing it.
>
> That means veterans are being told "we don't have that program" by front-line representatives whose systems are simply behind — not because the veteran does not qualify, but because the person answering the phone cannot see it yet.
>
> If you hear that: get the representative's name and ID number, ask for a supervisor, and then send Letter 6 from Chapter 6. Item 7 in that letter asks them to state in writing whether they are accepting Partial Claim submissions and, if not, when they will be.

How the partial claim works: the VA advances funds to cover your missed payments. Instead of those arrears being added onto your loan balance at whatever today's interest rate is, the amount becomes a separate subordinate lien — no monthly payment and no interest. It can cover up to 25% of the loan balance, or up to 30% if you already used a COVID-era partial claim.

Your other VA options

- Repayment plan — spread the arrears across future payments.
- Special forbearance — a temporary pause or reduction while you get back on your feet.

- Loan modification — permanently change the terms.
- Compromise sale — the VA's version of a short sale, if you are underwater and cannot stay.
- Deed in lieu — a last resort, but still better than a completed foreclosure.

TWO NUMBERS, AND ONE PIECE OF ADVICE

VA Loan Servicing: 877-827-3702. The VA has its own loan technicians who can review your file independently of your servicer. This is free and most veterans do not know it exists.

Veterans Crisis Line: call or text 988, then press 1.

I walked into the VA already in foreclosure because I waited until I could not function. If you take one thing from a fellow veteran in this guide, let it be this: make the call earlier than I did.

CHAPTER 10

If You Are Underwater

The short sale process, start to finish — for the roughly 2 in 100 who need it.

If your number in Chapter 3 came back negative, this chapter is yours. If it came back positive, you can skim it — you do not need any of this, because you do not need the bank's permission to sell.

What a short sale actually is

The bank agrees to let you sell the property for less than the loan balance and, in most cases, writes off the remaining difference. You walk away without a completed foreclosure on your record.

SHORT SALE	FORECLOSURE / REO
Shows on credit as a short sale	Shows as a foreclosure
You control the exit and the timing	The sheriff controls both
Bank typically writes off the balance	Bank may pursue a deficiency judgment
Shorter wait to finance again	Longer wait, harder qualification
Dignity in the process	Public eviction, little warning

The short sale package

Once you have decided to proceed, your agent assembles a package and submits it to the lender. It typically includes:

- A hardship letter — a written explanation of why you can no longer pay
- A financial statement — income, expenses, assets, liabilities
- Two years of tax returns
- Recent pay stubs or proof of income, or proof of the lack of it
- Two to three months of recent bank statements
- The listing agreement, showing the property is properly marketed
- A completed purchase contract, once you have a buyer

After submission the bank assigns a negotiator to your file. This is where an attorney-based title company earns its keep — their relationships with bank underwriting departments make a measurable difference in how fast a file moves.

THE HONEST PART

The bank has the final say. They review the package, evaluate the property, and decide. Your job is to have everything complete, organized, and submitted on time, with nothing missing. Incomplete packages are the single most common reason files stall.

And remember the 37-day rule from Chapter 6. If a sale date exists, a complete loss mitigation application submitted more than 37 days before it carries protections that the same application submitted later does not.

CHAPTER 11

The Bank Appraisal

This matters more than most people think, and you have more influence than you expect.

After a short sale package is submitted, the bank sends an independent appraiser or broker to evaluate the property in its current condition. This person is a neutral third party hired by the bank. They are not there to help you and they are not there to hurt you. They are there to determine current market value.

Their number becomes the bank's baseline for approving a sale price. If the value comes back below what you owe, the bank will typically approve at that value and write off the difference.

How to prepare before they arrive

Keep the property livable

It does not need to be perfect. It needs to be occupiable. A property in severe disrepair signals a lower value.

Make sure the systems work

Water heater, sinks, bathrooms, electrical, plumbing. If something is broken, disclose it — but fix what you reasonably can.

Keep the utilities on

The appraiser needs access and needs to be able to evaluate the property properly. A dark, cold house appraises like a dark, cold house.

Document repairs you have made

Keep a simple written record of anything you have fixed or maintained. Hand them a copy. It supports a fair valuation.

Be present, be calm, be brief

Answer questions honestly. Do not follow them around narrating. Do not argue about value. Hand them your repair list and let them work.

> **IF YOU HAVE EQUITY, THIS CHAPTER IS NOT ABOUT YOU**
>
> A traditional sale uses a normal appraisal ordered by the buyer's lender, on a normal timeline, like any other sale. There is no bank valuation to win.

CHAPTER 12

Already Walked Away?

Check the records before you assume it is over. I have been wrong about this in people's favor more than once.

Not every case involves someone still living in the property. Some of the most important work I have done involved tracking down homeowners who had already left — sometimes years earlier — believing the bank had taken the house.

> ***I have found Lis Pendens filings that were three, four, even five years old, with the homeowner long gone at a different address, and the property still legally in their name. I cross-referenced county records to find the forwarding address and knocked on the door to tell them: you still own that property.***

If that might be you, here is what to do. Go to the county recorder or clerk's office where the property sits and look up the deed. Until the deed has actually transferred out of your name on record, that property is still legally yours — and so is whatever equity is in it.

What is different about these files

The process is the same, but the property condition is usually significantly worse: no utilities, natural deterioration, sometimes squatters. The bank will still send an appraiser. Depending on condition, they may approve a sale as-is, or increasingly they will rehab it themselves before putting it back on the market to recover more.

THREE THINGS TO CHECK TODAY

1. Is the deed still in your name at the county? Search "[your county] clerk of court" or call the recorder's office.

2. If the property did sell at foreclosure, did it sell for more than you owed? If so, there may be surplus funds that belong to you. Ask the court or trustee directly — see Chapter 7.

3. Is there still a Lis Pendens sitting open with no action on it? That is not a guarantee of anything, but it is worth knowing before you assume the worst.

CHAPTER 13

The Road Back

This is not the end of your story. I have watched too many people come full circle to believe otherwise.

I have watched homeowners go through this process and come back around a few years later — credit rebuilt, life stabilized — and buy a brand new home. It happens. It is hard work and it is not fast, but it happens.

TIMELINE	ACTION	WHY IT MATTERS
Day 1	The sale closes	A short sale or traditional sale reads better than a completed foreclosure
Month 1–3	Pull all three credit reports	Know exactly what you are working with. They are free.
Month 1–12	Pay down outstanding debts	Reduce your debt-to-income ratio
Month 1–24	No unnecessary new credit	Keep the profile clean and stable
Month 12–24	Build positive history	On-time payments, every month, rebuild the score
Month 24+	Re-check your position	Talk to a lender about what you now qualify for
Year 2+	Apply again	Full circle. It is genuinely possible.

AN HONEST NOTE ON THE NUMBERS

Specific credit-score thresholds and waiting periods for FHA and VA financing change over time, and lenders apply overlays of their own. Do not plan around a number you read in any guide, including this one. Ask a lender what today's requirements actually are when you get close.

The thing I want you to hold onto is this: a resolved situation reads differently than an abandoned one. Lenders can see that you took action, engaged with the process, and handled it. That matters when you apply again.

CHAPTER 14

Free Help, and How to Spot a Predator

Everything in this chapter costs nothing.

HUD-approved housing counseling — free

Government-funded, no commission, no product to sell you. They will walk through your options and they answer to you. hud.gov/counseling or 800-569-4287.

VA Loan Servicing — free, for veterans

The VA has its own loan technicians who can review your file independently of your servicer. 877-827-3702. Ask about the partial claim and about entitlement restoration.

Consumer Financial Protection Bureau

consumerfinance.gov/housing. Plain-language explanations of your rights, plus a complaint process if a servicer is not responding. Filing a complaint is free and it creates a record.

Your county clerk or recorder

Search "[your county] clerk of court." Look up your Lis Pendens, confirm the status, check whether the deed is still in your name.

Your state attorney general

Search "[your state] attorney general consumer complaint." Report anyone pressuring you to sign a deed or demanding money up front to save your home.

Legal aid in your state

Many states have free legal aid organizations with housing units that handle foreclosure. If you are low-income, elderly, or a veteran, ask specifically — there are often dedicated programs.

988 Suicide & Crisis Lifeline

Call or text 988. Veterans press 1. Free, confidential, 24 hours a day. If this year has taken more from you than a house, start here and let the rest of it wait.

> **TWO RULES THAT WILL KEEP YOU OUT OF MOST TROUBLE**
>
> 1. Nobody who is legitimately helping you needs your signature today.
>
> 2. Be very careful with anyone who wants a large fee up front to stop your foreclosure or negotiate with your lender. There are federal and state rules in this area for exactly that reason. Free HUD counseling exists. Use it before you pay anyone.

FINAL NOTE

You Are Not Out of Options

If you are reading this, you found it in time.

I lost my home. I hit rock bottom. I came back. And then I went back into those same neighborhoods and helped other people come back too.

This is not easy. It takes action, paperwork, patience, and the right people. But it is survivable — and on the other side of it there is a path back, if that is what you want.

THE THREE THINGS I NEED YOU TO DO

1. Find out what your house is worth. Today. Everything depends on that number.
2. Send one letter from Chapter 6. Start the paper trail this week.
3. Call someone free — a HUD counselor, the VA, legal aid. You do not have to carry this alone.

> ***"One person’s painful chapter can become another person’s map."***
>
> This is your map. Use it. — Peter

Navigate. Protect. Recover.

ForeclosureExitBlueprint.com

Peter Pedro | Navy Veteran | 39-Year USPS Retiree | Equity Protection Specialist

This guide is educational information only. It is not legal or financial advice and it does not guarantee any outcome.
It is not a mortgage assistance relief service, and purchasing it does not create a client relationship or obligate anyone to act on your behalf.
Foreclosure laws, timelines, and procedures vary by state and by loan type. Always consult a licensed real estate professional and an attorney.

Free HUD-approved housing counseling: 800-569-4287 | 988 Suicide & Crisis Lifeline: call or text 988, veterans press 1.