

The military community is not immune from the problems confronting our national economy, and many military families are facing severe problems due to foreclosures. The range of persons affected is broad, and includes home owners, renters, and families. Fortunately, there are several important resources available to help.

First, if a military member is facing financial problems, one of the first calls should be to the Fort Belvoir Financial Readiness Program, which is part of Army Community Services, (703) 805-4590. The Financial Readiness Program is staffed with professionals that can help families create budgets, in order to live within their means. Here is a link to the ACS website: <http://www.belvoirmwr.com/acs/index.html>

Next, homeowners in trouble should start gathering as much information as possible regarding the details of their cases. At a minimum, they should obtain all of their loan documents and billing statements from their lenders, and should thoroughly review the contents of a website devoted to keeping families in their homes: [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) This site provides a succinct summary of the programs available to homeowners in distress, and advice on how to move forward.

If the homeowner cannot solve his problems through financial planning, and is facing the prospect of defaulting on the mortgage, the lender should be contacted. Borrowers should submit hardship letters, and explore options for loan modifications or refinancing. If the borrower is unable to work out a resolution directly with the lender, several organizations can provide free assistance. One such organization is the Homeownership Foundation, a nonprofit organization that provides free advice and help to those facing foreclosures. This organization can review loan documents, advise homeowners, and help negotiate resolutions with lenders, all for free. You can call their toll-free hotline at 1-888-995-HOPE (4673), available in English and Spanish. The telephone lines are staffed 24 hours a day, seven days a week with counselors who can help homeowners develop a budget or explore loan work-out options. You can also get information at [www.995HOPE.org](http://www.995HOPE.org).

Military members should also reach out to their local Legal Assistance Office for help at the earliest opportunity to review the specifics of their case. Certain laws, unique to the military community, might be especially helpful in foreclosure actions. For example, the Servicemembers' Civil Relief Act, a Federal law, states that a bank may not foreclose on a property that was purchased before the period of the member's military service, without a court order. This section of the law may have significant ramifications for mobilized reservists with properties in Virginia, as Virginia law normally does not require a court order to sell a property at foreclosure. Soldiers should call (703) 805-2856 to schedule an appointment with a Fort Belvoir Legal Assistance Attorney. The Fort Belvoir Legal Assistance Website provides more information on the Foreclosure process, and informs eligible clients how to schedule appointments with an attorney. Here's a link: <http://www.belvoir.army.mil/sja/newsite/lad.asp>

Homeowners who sell their homes for less than what they owe with the bank's consent (sometimes called a "Short Sale") can face the additional problem of paying a tax on the difference if the bank forgives the debt. Fortunately, the "Mortgage Forgiveness Debt Relief Act and Debt Cancellation" provides direct relief from this potential liability. The IRS has summarized this law on their website: <http://www.irs.gov/individuals/article/0,,id=179414,00.html> as follows:

*The Mortgage Debt Relief Act of 2007 generally allows taxpayers to exclude income from the discharge of debt on their principal residence. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, qualifies for the relief.*

*This provision applies to debt forgiven in calendar years 2007 through 2012. Up to \$2 million of forgiven debt is eligible for this exclusion (\$1 million if married filing separately). The exclusion does not apply if the discharge is due to services performed for the lender or any other reason not directly related to a decline in the home's value or the taxpayer's financial condition. More information, including detailed examples can be found in [Publication 4681](#), Canceled Debts, Foreclosures, Repossessions, and Abandonments. Also see IRS news release [IR-2008-17](#).*

Additional help for homeowners is on the horizon. OSD is in the process of implementing a provision of the economic stimulus package into the DOD's Military Housing Assistance Program (MHAP) that helps military members that have suffered a short sale or foreclosure. Apparently, \$555 million has been set aside to fund this program, but certain conditions will apply. For example, it appears that the protections will only apply to primary residences (not rentals) that were purchased before 1 July 2006. As of March 2009, we do not know when the details of the new MHAP will be published.

As indicated above, military renters have also suffered in this economy. For those military families that are forced to move out of their rented residences because the landlord is in foreclosure, many banks which purchase properties at foreclosures are offering financial incentives for existing renters to move out by a particular date. The Fort Belvoir Legal Assistance Office has posted a sample "Move Out Agreement" that the renter can use to negotiate the best terms available with the bank. Please review the document on our website, under "Resources" <http://www.belvoir.army.mil/sja/newsite/lad.asp>. Additionally, the Joint Federal Travel Regulation was recently amended to cover the moving expenses of families that are displaced due to landlords in foreclosure. (For a link to the full amendment, go to the Fort Belvoir Legal Assistance Website, and find it on our "Resources" page.) The regulation now provides in relevant part:

***Effective 30 July 2008***

*3. Armed Forces Member Vacates Private Sector Housing Incident to Foreclosure Action Against the Landlord. An Armed Forces member who relocates from, or whose dependent relocates from, leased or rented private housing, by reason of a foreclosure action against the landlord is authorized a short distance move. **This provision does not apply if a member and/or dependent is the homeowner.** The HHG move is to another dwelling from which the member is to commute daily to the PDS (or at a location at which the dependent resides).*