



S.B.S. TRUST DEED NETWORK
SIMPLY BETTER SERVICE

STEP BY STEP INTRODUCTION TO CALIFORNIA FORECLOSURE

STEP ONE- GETTING STARTED: Before any action can be taken, you must supply SBS Trust Deed Network (SBS) with the Note, Modifications to the Note, Deed of Trust and any Assignments pertaining to the delinquent loan. We will prepare the default papers as soon as we have the documents and information listed. There are a few documents that we will prepare for the signature of the beneficiary, during Step 1. They are (1) Declaration of Default (the request to commence foreclosure proceedings). In most cases it will also be necessary to execute a (2) Substitution of Trustee to authorize SBS to act as your trustee. The (3) Notice of Default and Election to Sell is usually prepared and signed by our office but in certain circumstances we might request that it be signed by the beneficiary, the foreclosure officially starts when the Notice of Default is filed with the County Recorder's office. This begins the three-month period.

SPECIAL REMINDERS: Under no circumstances should you accept any funds outside the foreclosure without consulting our office first. If the incorrect amount is collected it may invalidate your foreclosure. It is a good idea to place a "foreclosure hold" on any collection accounts you might have on your note, or inform the collection agent to contact us immediately if they are in receipt of funds. These steps will help us to eliminate any errors in the process.

STEP TWO-THREE MONTH: During the three month period, the property owner (Trustor) has the right to pay all of the delinquent debts, plus the fees and expenses of the foreclosure, without requiring payment of that portion of principal and interest which would not be due had no default occurred.

There are several parties who are entitled to receive a copy of the Notice of Default within this three-month period. The first scheduled mailing is within ten business days of the recording of the notice to all persons who have recorded a Request for Notice. We will also send a copy to the property owner at his last known address, and any address showing on the Deed of Trust. Because this step is of great importance, we require that you provide us with every last known address for the owner whether it is still a current address or not. Within one month of recording, we then notify other persons having a vested interest in the property.

If the loan is reinstated during the period allowed by law, the trustee will prepare a Notice of Rescission that will take the Notice of Default off the record.

STEP THREE-PUBLICATION: If default is not cured within three months following the recording of the Notice of Default, a Trustee's Sale may be scheduled upon your authorization. Within three weeks preceding the end of the three-month period, we will forward to you a request for Authorization to Publish Notice of Trustees Sale. After the execution and return of this form to our office we will then prepare the Notice of Trustee's Sale which will be published in a newspaper in the judicial district in which the property is located, once a week for three consecutive weeks. The property is posted with a copy of the Notice of Sale, as well as at least one public place in the city where the sale will take place. The final step is to mail a copy of this Notice of Sale to each person who received a copy of the Notice of Default.

The beneficiary will be asked to sign and return two additional items prior to the date of the Trustee's Sale. These are (1) Authorization to Bid, which will authorize SBS to place

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the initial opening bid for you at the sale. Usually this amount will be the total amount of the debt secured by the Deed of Trust, including principal, interest, advances, late charges and foreclosure costs. And (2) the Declaration of Non-Military Service pertaining to the current record owner of the property.

STEP FOUR-TRUSTEE'S SALE: The date of the Trustee's Sale is decided upon after you have signed the Authorization to Publish. It usually falls within 30 days after the end of the three-month period. The exact date is influenced by the location of the sale and by the frequency of publication of the newspaper, which we are required to use.

The trustor or any other party who holds an interest in the property may reinstate up to 5 business days before the date of sale. After that time, the full amount of the principal balance and all interest due becomes due and payable. You may, at your option, allow them to redeem the property by paying only the delinquent installments, plus fees and costs attributable to the foreclosure. We do caution you to consult your legal counsel for any agreements that are to change the original schedule of the note. Forbearance Agreements are a common solution to assist the borrower in restructuring his payments, however these agreements should not be executed without legal guidance.

The sale is an open public auction at which the opening bid is made on your behalf. You needn't be present for us to open your bid, although if you wish to bid competitively, you are required to have enough money to pay the difference between the amount of your debt and the final bid. All amounts bid must be in the form of Cashiers check, Certified check, or drawn on a State or Federal Savings Institution. The sale is completed when the highest bid has been received and the auctioneer accepts that bid as final. If no one bids at the sale, the property reverts back to the beneficiary(s) of record. Funds received at the Trustee's Sale are disbursed to parties of interest, only after clearance from our bank. Any surplus funds are distributed amongst junior lienholders as they appear in title priority, and finally to the trustor if there are additional funds after junior liens have been satisfied.

POSTPONEMENT: There are various reasons why a Trustee's Sale may be postponed. A bankruptcy or other legal proceeding may prevent us from holding the sale on a scheduled date. The borrower and Lender may jointly request a postponement or the Lender without consent of the borrower may request a postponement. If the sale is not conducted within 1 year of the original sale date the trustee is required to publish a new Notice of Trustee's Sale.

STEP FIVE-AFTER THE SALE: A Trustee's Deed Upon Sale will be prepared after the sale has been completed. The Deed must be signed by the trustee and sent to the recorder's office. After recording, it is forwarded to the purchaser at the Trustee's Sale. Unlike some types of sales, there is no right of redemption after a Trustee's Sale is made pursuant to a non-judicial foreclosure, and the purchaser is entitled to immediate possession. The one exception is the right of the federal government to redeem if a federal tax lien affects the property. In the event there is a Federal Tax Lien attached to the property behind your Deed of Trust, the Internal Revenue Service (IRS) retains the right to redeem the property within 120 days of the Trustee's Sale. Should they choose to do so, your debt will be paid in full and the IRS will take title to the property.

BANKRUPTCY OR LEGAL ACTION: There is a possibility that the property owner may choose to file for protection under the bankruptcy code of the United States. It has been our experience that aggressive bankruptcy counsel can save months of unnecessary delay. Once a bankruptcy has been filed by the debtor, the foreclosure is stayed from further activity. An injunction or temporary restraining order will also put an immediate halt to the process, and could likely require the assistance of an attorney. We at SBS will work directly with the attorney of your choice to assist them in obtaining "Relief from Stay" for the bankruptcy in the most expedient manner possible

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