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REALTORS

Steps to Take: When You Can't Pay Your Mortgage

1. Contact your lender as soon as you have a problem

Many people avoid calling lenders about money troubles because we:

- Feel embarrassed discussing money problems with others
- Believe that if lenders know we are in trouble, they will automatically rush to a collection agency or foreclosure (seize property for failure to pay a mortgage debt).

But lenders want to help borrowers keep their homes because:

- Foreclosure is expensive for lenders, mortgage insurers and investors.
- HUD and private mortgage insurance companies and investors like Freddie Mac and Fannie Mae require lenders to work aggres ively to help borrowers facing money problems.

Lenders have workout options (choices) to help you and:

- These options work best when your loan is only one or two payments behind.
- The farther behind you are on your payments, the fewer options are available.

Don't assume that your problems will quickly correct themselves:

- Don't lose valuable time being overly optimistic.
- Contact your mortgage lender to discuss your circumstances as soon as you realize that you're unable to make your payments.
- Look forward to your lender being willing to explore many possible solutions, without guaranteeing any one particular solution.

Finding your lender
Check the following sources to contact your lender:

- Your monthly mortgage billing statement.
- Your payment coupon book.

Information to have ready when you call

- Your loan account number.
- A brief explanation of your circumstances.
- Recent income documents:
- Pay stubs.
- Benefit statements from Social Security, disability, unemployment, retirement, or public assistance.
- Tax returns or a year-to-date profit and loss statement, if self-employed.
- A list of household expenses.

Expect to have more than one phone conversation with your lender. Typically, your lender will mail you a "loan workout" package. This package contains information, forms and instructions. If you want to be considered for assistance you must complete the forms fully and truthfully and return them to your lender quickly. Your lender will review the complete package before talking about a solution with you.
CALL YOUR LENDER TODAY! The sooner you call, the sooner help is available.

2. Don't ignore mail from your lender

If you don't get in touch with your lender, your lender will try to contact you by mail and phone soon after you stop making payments. It is very important that you respond to mail and phone calls offering help. If your lender doesn't hear from you, they will have to start legal action leading to foreclosure. This will greatly increase the cost to bring your loan current.
Information for families with FHA-insured loans
The FHA provides many alternatives and ways for borrowers to get help. These may include mortgage modifications (changes), special forbearances (allowances), and other actions you can take to avoid foreclosure.

FHA works closely with customers who have FHA-insured loans. (800) CALL-FHA.

3. Talk to a housing counselor

If you don't feel comfortable talking with your lender, you should immediately contact a housing counseling agency and make an appointment with a counselor. Most FHA counselors are free or cost very little. A counselor can help you:

- Review your financial situation, determine what options are available to you, and negotiate with your lender.
- Learn which of the various workout arrangements lenders consider makes the most sense for you and your family, based on your circumstances.
- Call the lender with you or on your behalf to discuss a workout plan.
- Protect you from future credit problems before you get too far behind on mortgage payments.
- Give you information on services and programs in your area that provide financial, legal, medical or other assistance.

A good counselor will help you create a monthly budget plan to ensure you meet all your monthly expenses, including your mortgage payment. Your personal financial plan will clearly show how much money you have available to make the mortgage payment. This analysis will help you and your lender determine whether a reduced or delayed payment schedule could help you.

Many of these local housing counseling agencies are connected with national and regional housing counseling intermediaries (mediators). The website for HUD-approved National and Regional Housing Counseling Intermediaries describes the full range of assistance offered and provides maps showing their member's locations.

4. Prioritize your debts (rank them by importance)

You will need a new, tightened budget if you lose a job. Prioritize your bills and pay those most necessary for your family: food, utilities and shelter.

Failing to pay any of your debts can seriously affect your credit rating, but if you stop making your mortgage payments you could lose your house. Try these suggestions to keep your home:

- Whenever possible, use any income available after paying for food and utilities to pay your monthly mortgage payments.
- If your employment income has stopped or been reduced, first consider getting rid of or cutting back on other expenses (such as dining out, entertainment, cable, or even telephone services).
- If you still do not have enough income, consider cashing out other financial resources like stocks, savings accounts, or personal property that may have value like a boat or second car.
- Take any responsible action that will save cash.

Besides speaking with your lender, you may want to contact a nonprofit consumer credit counseling agency that specializes in helping restructure credit payments. Credit counselors can often reduce your monthly bills by negotiating lower payments or long-term payment plans with your creditors. Trustworthy credit counseling agencies provide their services free of charge or for a small monthly fee tied to a repayment plan. Beware of credit counseling agencies that offer counseling for a large upfront fee or donation.

When you call a credit counseling agency, they will ask you to provide current information about your income and expenses. Make sure you ask if the agency has a charge before you sign any documents!

Preserve your good credit

Do not underestimate (misjudge) how important it is to keep your good credit. Your future ability to purchase items, rent or buy a home, and do other things often requires a credit check. Consumer credit agencies and your lender can help you explore solutions to keep your credit rating from getting blemished.

Maintaining good credit is even important for job hunters. When you apply for a job, the employer probably will check your credit report to determine whether:

- You have been sued.
- You have filed for bankruptcy.
- You have trouble paying your bills.

5. Explore loan workout solutions with your lender

First and foremost, if you can keep your mortgage current, do so.

But if you find you are unable to make your mortgage payments, you might qualify for a loan workout option. Check with your lender to see which option may be available. Some options may not apply to your loan if it is not insured by FHA.

If your problem is temporary - call your lender to discuss these possibilities:

- Reinstatement: Your lender is always willing to discuss accepting the total amount owed in a lump sum by a specific date. Forbearance may accompany this option.
- Forbearance: Your lender may allow you to reduce or suspend payments for a short period of time and then agree to another option

to bring your loan current. A forbearance option is often combined with a reinstatement when you know you will have enough money to bring the account current at a specific time. The money might come from a hiring bonus, investment, insurance settlement, or tax refund.

- Repayment plan: You may be able to get an agreement to resume making your regular monthly payments, plus a portion of the past due payments each month until you are caught up.

6. If it appears that your situation is long-term or will permanently affect your ability to bring your account current - call your lender to discuss options:

- Mortgage modification: If you can make payments on your loan, but don't have enough money to bring your account current or you can't afford your current payment, your lender may be able to change the terms of your original loan to make the payments more affordable. Your loan could be permanently changed in one or more of the following ways:
    - Adding the missed payments to the existing loan balance.
    - Changing the interest rate, including making an adjustable rate into a fixed rate.
    - Extending the number of years you have to repay.
- Partial Claim: If your mortgage is insured, your lender might help you get a one-time interest-free loan from your mortgage guarantor to bring your account current. You may be allowed to wait several years before repaying this loan. You qualify for an FHA partial claim if:
    - Your loan is between 4 and 12 months delinquent.
    - You are able to begin making full mortgage payments again.

When your lender files a partial claim, HUD will pay your lender the amount necessary to bring your mortgage current. You must sign a promissory note, and a lien will be placed on your property until the promissory note is paid in full.

The promissory note is interest-free and is due when you pay off the first mortgage or when you sell the property.

If keeping your home is not an option – contact a certified Loss Mitigation Realtor:

- Sale: If you can no longer afford your home, your lender will usually give you a specific amount of time to find a purchaser and pay off the total amount owed. You will be expected to use the services of a real estate professional who can aggressively market the property.
- Pre-foreclosure sale or short payoff: If you can't sell the property for the full amount of the loan, your lender may accept less than the amount owed. Financial help may also be available to pay other lien holders and/or help towards some moving costs.

  You may qualify if:
    - The loan is at least 2 months delinquent.
    - You (or your real estate professional) can sell the house within 3 to 5 months.
    - A new appraisal (obtained by your lender) shows that the value of your home meets HUD program guidelines.
    - Assumption: A qualified buyer may be allowed to take over your mortgage, even if your original loan documents state that it is non-assumable.
- Deed-in-lieu of foreclosure: As a last resort, you "give back" your property and the debt is forgiven. This will not save your house, but it is less damaging to your credit rating. This option might sound like the easiest way out, but it has limitations:
    - You usually have to try to sell the home for its fair market value for at least 90 days before the lender will consider this option.
    - This option may not be available if you have other liens, such as other creditor judgments, second mortgages, and IRS or state tax liens.

Resources for finding a certified Loss Mitigation Specialist and selling your home

If you need to sell your home, you'll have to answer many questions. You'll need to find how much your house is actually worth, and you'll need to find a certified Loss Mitigation Specialist. Carol Jones Realtors has 38 experienced and certified Loss Mitigation Specialists that are ready to help you with all aspects of home retention or marketing your property through the short sale or deed-in-lieu process.

If you have an FHA-insured loan and your lender is not responsive

Your lender has to follow FHA servicing guidelines and regulations for FHA-insured loans. If your lender is not cooperative, contact FHA's National Servicing Center at toll free (888) 297-8685 or via email hsg-lossmit@hud.gov. HUD does not oversee VA or conventional loans.