

What Should You Do?

If you have difficulty paying your mortgage, here are a few tips:

START EARLY

The sooner you take action, the more likely you will be able to save your home. You have more time to explore options if you contact the bank that services your mortgage when you first have financial difficulty, rather than waiting until you receive a notice of foreclosure.

SEEK HELP

Although it is possible to get a mortgage modification by yourself, it's best to work with an expert who can help you. Free help for homeowners is available from federally approved housing counseling agencies and nonprofit legal services organizations. Be wary of scams offering help for a fee.

STICK WITH IT

Persistence is key. The mortgage modification process should be quick and straightforward but in reality it can take many months to complete. Keep a copy of everything you send in, because banks may require you to submit the same documents several times. Don't give up hope, and stay in contact with your housing counselor or lawyer.



Negotiating a Mortgage Modification with Your Bank

If you are having difficulty paying your mortgage, you can request a mortgage modification or a “workout” agreement from the bank that services your mortgage. The goal is to reduce your monthly payment to an affordable amount. The process of negotiating a mortgage modification can be frustrating, and for this reason you should consider seeking the assistance of a federally approved housing counselor or a lawyer who will advocate on your behalf.

Banks often are willing to modify mortgages for qualified homeowners as an alternative to foreclosure. Government programs, such as the Making Home Affordable Program, also provide incentives for banks to modify mortgages. A mortgage modification is preferable to foreclosure because you keep your home. If you can achieve an affordable loan modification, it is usually the best option.

Here are the main kinds of workout agreements your bank may offer you:

Forbearance. Forbearance is a short-term agreement that allows homeowners to postpone their payments temporarily without risking foreclosure. In a forbearance, the missed payments are postponed, not forgiven. At the end of your forbearance, you still will need to work out another agreement, such as a modification or repayment plan, to get caught up on your loan.

Repayment plan. In a repayment plan, your bank divides the past due amount you owe over a number of months. You then pay this repayment amount each month in addition to your regular payment. These plans only work for a small number of homeowners who had a short disruption in income and have recovered enough to be able to afford to pay extra each month.

Modification. In a loan modification, the bank changes some of the terms of your loan to bring you current and make your payment more affordable. This can include adding your past due payments back into the loan, lowering your interest rate, reducing or deferring part of your loan balance or extending your loan over a longer period of time. Over the long term, homeowners benefit the most from reductions in the principal amount owed on their mortgages and from interest rate reductions. Less generous mortgage modifications include those that simply add the missed payments to the loan balance or extend the term of the mortgage for additional years.

Negotiating a mortgage modification requires persistence. Your bank may give you conflicting information or request that you submit the same paperwork multiple times. Different mortgage modification programs have different requirements. For example, some programs require the homeowner to document a financial hardship. You may be granted a temporary modification that will become permanent after a trial period. Stick with it and seek help from a federally approved housing counselor.

PROTECTING YOUR HOME FROM FORECLOSURE

For many working families, their home is their largest financial asset. But for a growing number of us, our home is only a paycheck away from being threatened by foreclosure. Millions of homeowners are struggling with mortgages that began with low “teaser” interest rates that now are resetting. Millions of workers have lost their jobs because of the Wall Street financial crisis and economic recession.

For these reasons, many homeowners are at risk of foreclosure. They simply cannot afford their mortgage payments. Loss of income is the leading reason homeowners seek mortgage modifications. Refinancing would have provided a solution for many families not long ago, but in recent years real estate prices have fallen and many homeowners now owe more money on their mortgages than their homes are worth, making refinancing unavailable.

If you can't pay your monthly mortgage payment, you are at risk of losing your home to foreclosure. But it's important to know you are not alone. Many homeowners are having the same problems. You may be having trouble paying the mortgage because of unemployment, illness, disability, divorce, a death in the family or a predatory loan. These challenges should not cost you your home. Whatever the particular difficulty that has caused your family to fall behind, there are actions you can take now to help save your home.



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Protecting Your Rights in Foreclosure

If you are facing foreclosure, you have several options. If you still have enough income and equity in your home, you may be able to refinance your mortgage. It also is possible to negotiate a mortgage modification after the foreclosure process has started. Alternatively, your bank may agree to a short sale of your home or to accept your home's deed in lieu of foreclosure. In a short sale or a deed in lieu of foreclosure, however, you still lose your home. If you lose your home through foreclosure or a short sale, your credit rating also may be reduced.

Living in your home through the foreclosure process allows you to save money to get back on your feet. In many cases, the bank will not start the foreclosure process until several months after you fall behind in your payments. Depending on your state's laws, the foreclosure process can take up to a year or longer after you receive a foreclosure notice. In addition, filing for Chapter 13 bankruptcy temporarily stops your foreclosure and may allow you to enter into an agreement to save your home. In some states, homeowners also have the right to pay off the amount owed at the end of the foreclosure process to keep their homes.

If you are facing foreclosure, seek help to protect your rights. Many stories have surfaced recently of banks improperly processing foreclosure documents. For example, in a practice known as "robo-signing," bank executives signed thousands of legal documents without properly verifying the accuracy of the necessary information. Your bank also may pressure you to move out of your home before you are legally required to do so. For these reasons, you should seek help from a federally approved housing counselor or a lawyer.

If You Rent Your Home

The Protecting Tenants at Foreclosure Act gives renters the right to stay in their homes for at least 90 days after foreclosure. You may have additional rights under state or local law. If you need legal advice regarding your rights as a tenant, contact a legal aid center in your community, a tenants' rights nonprofit organization or your local bar association for a referral to a lawyer.

Avoid Scams— Help is Available for Free

Foreclosure prevention counseling services are provided free of charge by nonprofit housing counseling agencies working in partnership with the federal government and by legal services organizations. Be wary of scams that ask for a fee to help you modify your mortgage. You can find a list of federally approved housing counselors by contacting the U.S. Department of Housing and Urban Development.

**U.S. Department of
Housing and Urban
Development**
800-569-4287
www.makinghomeaffordable.gov

Whom Should I Contact for Help?



Housing Counselors

A federally approved housing counselor can help you figure out the best course of action for you and your family. Here are a few federally approved housing counseling programs that can help you contact the bank that services your mortgage to request a modification:

The Union Plus Save My Home Hotline

866-490-5361

www.unionplus.org/home-mortgage-programs/mortgage-foreclosure-help

The Union Plus Save My Home Hotline, provided through the nonprofit Money Management International, provides free counseling in person or by phone for union members facing foreclosure.

Affordable Housing Centers of America

888-409-3557

www.ahcoa.org/

Affordable Housing Centers of America's Home Equity Loss Prevention Program has established relationships with 43 major lenders and has provided counseling to more than 65,000 families to help them restructure their mortgages to save their homes.

Neighborhood Assistance Corporation of America

888-404-6222

www.naca.com/

Neighborhood Assistance Corporation of America's Home Save Program has agreements with all the major lenders, covering more than 90 percent of homeowners, to achieve affordable mortgage payments.



Legal Assistance

If you suspect you have been the victim of predatory lending, get legal advice regarding your situation. Were you misled about the terms of your loan or pressured into a high-cost loan you cannot afford? Talk to your federally approved housing counselor about your situation. He or she may be able to help or refer you to a free or low-cost lawyer. These organizations offer referrals to lawyers who can provide you with legal advice regarding your rights:

Legal Services Corporation

www.lsc.gov/map/index.php

The Legal Services Corporation provides a directory of legal aid organizations that provide free legal assistance to low-income individuals, including help resolving landlord-tenant disputes, preventing foreclosures, renegotiating home loans, assisting renters with eviction notices when their landlords are being foreclosed on and helping people maintain federal housing subsidies when appropriate.

National Association of Consumer Advocates

naca.networkats.com/members_online/members/directory.asp?token

The National Association of Consumer Advocates can help you find a free or low-cost legal representative. This organization is focused on enabling consumers to get legal help advocating for their rights.

American Bar Association

www.abanet.org/legalservices/lris/directory/

The American Bar Association maintains a lawyer referral directory of state and local resources to help you find a qualified lawyer.

