



Charting Your Course to Home Ownership

Prevent Foreclosure

Neglecting to pay your credit card payments hurts your credit score, but failure to pay your home mortgage loans can lead to foreclosure. If you have fallen on hard times, you can do certain things to prevent foreclosure and keep your home. If you ever have a problem that could make your home mortgage payments late, don't wait! Follow these steps to save your home and your credit rating.

- 1. Address the problem.** It is natural to hope a problem will solve itself. But, if you want to save your home, you must not put it off. The further behind you become, the harder it will become to reinstate your loan, and the more likely you will be to lose your home.
- 2. Contact your lender as soon as you realize you have a problem.** Get your facts together and contact your lender about your problems. Many people avoid calling lenders because they feel embarrassed discussing money problems or fear that lenders will rush to seize their property. Realize that lenders want to help borrowers keep their homes. Foreclosure is expensive for lenders, and they have options to help you keep your home. Before contacting your lender, think about the questions you may be asked. Make notes to help answer them – this will impress your lender that you are prepared and sincere.

These notes should include your income, expenses and the amount of equity you have in your home. Be sure to include all dependable sources of income including salary or wages, disability benefits, welfare payments, VA benefits, Social Security benefits and your spouse's or children's income. Savings accounts, insurance policies or other assets against which you may borrow money should also be included.

List your expenses and debts. They may include monthly food cost, average monthly utility bills, monthly payments on other loans, monthly payments due on credit cards, annual insurance premiums (home, auto, medical and any other), alimony or child support payments, unpaid past and future medical expenses and other obligations.

Discuss with your lender

- Circumstances that made you miss your mortgage payments and efforts you have made to try to resolve the problem.
- If your problem is temporary, long-term or permanent.
- What you would like to see happen: Do you want to keep the home? What type of payment arrangement would be workable for you?



Be sure to

- Keep notes of all communications with the lender, including date and time of contact, nature of the contact, name of person you spoke to and outcome.
 - Follow up on any oral requests that you made with a letter to the lender. Send the letter by certified mail “return receipt requested” to document that the letter was received.
 - Meet all deadlines the lender gives you.
 - Stay in your home during the process.
- 3. Open and respond to all mail from your lender.** If you do not get in touch with your lender, your lender will try to contact you by mail and phone soon after you stop making payments. The first notices you receive will offer vital information about foreclosure-prevention options that can help you ride out your financial problems. Later mail may include important notices of pending legal action leading to foreclosure. This will greatly increase the cost to bring your loan current. Your failure to open the mail will not be an excuse in foreclosure court.
 - 4. Know your mortgage rights.** Find your loan documents and read them so you know what your lender may do if you can’t make your payments. Learn about foreclosure laws in your state.
 - 5. Examine foreclosure prevention options.** You and your lender may be able to work out a new repayment plan you can afford. If your problem is **temporary**, discuss the possibility of reinstatement, forbearance or repayment plans with your lender. **Reinstatement** may be possible when you are behind in your payments but can promise a lump sum to bring payments current by a specific date. **Forbearance** allows borrowers to suspend or reduce payments for a short period of time, with the understanding that another option will be used afterward to bring the account current. A **repayment plan** is an agreement to resume making your regular monthly payments, plus a portion of the past-due payments each month, until you are caught up.

If it appears that your situation is **long-term or permanent**, discuss mortgage modification or partial claim. If you can make your regular payment now but cannot catch up the past-due amount, the lender might agree to **mortgage modification** – changing the terms of your original loan to make the payments more affordable. **Partial claim** allows insured mortgages to 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.

If you are sure you cannot begin making regular monthly mortgage payments within a reasonable period, your lender may discuss these options:

- **Sale** – the lender may give you a specific period 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.
- **Short sale** – if you can’t sell the property for the full amount of the loan, your lender may accept less than the amount owed.
- **Assumption** – a qualified buyer may be allowed to take over your mortgage.

- **Deed in lieu of foreclosure** – the lender allows you to give back your property and forgives the debt. It does have a negative impact on your credit record, but not as much as foreclosure.
6. **Contact a HUD-approved housing counselor.** The U.S. Department of Housing and Urban Development (HUD) funds free or very low-cost housing counseling. Housing counselors can help you understand the law and your options, organize your finances and represent you in negotiations with your lender if you need this assistance. To find a HUD-approved housing counselor near you call (800) 569-4287 or TTY (800) 877-8339 or check <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
 7. **Prioritize your spending.** After health care, keeping your house should be your next priority. Review your finances and see where you can cut spending in order to make your mortgage payment. Look for optional expenses like cable TV, memberships, entertainment and even certain telephone services that can be eliminated. Delay or make minimum payments on credit cards and other “unsecured” debt until you have paid down your mortgage.
 8. **Use your assets.** Do you have assets – a second car, boat, jewelry, whole life insurance policy – that you can sell for cash to help reinstate your loan? Can family members get an extra job or work extra hours to bring in additional income? Even if these efforts don’t significantly increase your income, they demonstrate to your lender that you are willing to make sacrifices to keep your home.
 9. **Avoid foreclosure-prevention companies.** There is no need to pay fees for foreclosure-prevention help – use that money to pay the mortgage instead. Many for-profit companies will contact you offering to negotiate with your lender. Although these may be legitimate businesses, they will charge you a hefty fee for information your lender or a HUD-approved housing counselor will provide free if you contact them.
 10. **Don’t lose your house to predatory-lending or foreclosure-recovery scams.** If a “business” claims it can prevent your foreclosure immediately if you sign a document appointing them to act on your behalf, you may be signing over the title of your property and becoming a renter in your own home. To avoid being “taken” by a scam artist, avoid any operation that:
 - Guarantees to stop the foreclosure process – no matter what your circumstances
 - Instructs you not to contact your lender, lawyer or credit or housing counselor
 - Collects a fee before providing you with any services
 - Accepts a payment only by cashiers check or wire transfer
 - Encourages you to lease your home so you can buy it back over time
 - Tells you to make your mortgage payments directly to it, rather than to your lender
 - Tells you to transfer your property deed or title to it
 - Offers to buy your house for cash at a fixed price that is not set by the housing market at the time of sale
 - Offers to fill out paperwork for you

- Pressures you to sign paperwork you haven't had a chance to read thoroughly or that you don't understand.

If you think you have been a victim of foreclosure fraud, contact the Federal Trade Commission, the Attorney General's Office and your local Better Business Bureau.

More Sources of Help

You may be able to find other sources of help. Many communities have agencies or groups that will help you get your feet back on the ground in tough times. Ask around and look for them.

- The LSU AgCenter's Cooperative Extension Service can provide you with information and educational assistance in household financial management.
- Check to see if your local government or United Way agencies sponsor organizations which offer credit counseling or other assistance.
- Nonprofit credit counseling organizations are available in many cities. Their services are usually free.
- Your credit union, labor union and some religious or social service agencies may offer sources of help and counseling.
- If you are unable to work out a repayment plan, a local legal aid service may be a source of free legal advice on your options for your particular situation.

You may have to pay a small fee for some of the services provided by nongovernment agencies, but with their assistance, you may be able to avoid foreclosure and the long-lasting damage it can have on your credit history.

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