

Steps to Prevent Foreclosure

If you are unable to make your mortgage payment:

1. Don't ignore the problem.

The further behind you become, the harder it will be to reinstate your loan and the more likely that you will lose your house. Open and respond to all your mail, and read the legal notices carefully.

2. Contact your lender as soon as you realize that you have a problem.

Lenders do not want your house. They have options to help borrowers through difficult financial times.

3. 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.

4. Understand foreclosure prevention options.

Valuable information about foreclosure prevention (also called loss mitigation) options can be found on the internet at www.fha.gov/foreclosure/index.cfm.

5. Contact a housing counselor.

HUD-certified 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. In McHenry County, contact Consumer Credit Counseling Services of McHenry County at 815.338.5757.

6. Prioritize your spending.

After healthcare, keeping your house should be your first priority. Review your finances and see where you can cut spending in order to make your mortgage payment. Look for optional expenses-cable TV, memberships, entertainment-that you can eliminate. Delay payments on credit cards and other "unsecured" debt until you have paid your mortgage.

7. Use your assets.

Do you have assets-a second car, jewelry, a whole life insurance policy-that you can sell for cash to help reinstate your loan? Can anyone in your household get an extra job to bring in additional income? Even if these efforts don't significantly increase your available cash or your income, they demonstrate to your lender that you are willing to make sacrifices to keep your home.

8. Avoid foreclosure prevention companies and foreclosure recovery scams!

Consumer Credit Counseling Services of McHenry County is a HUD-certified, legitimate counseling agency that will provide free services to help you work through the best possible outcome on your home. There is no quick or easy fix from agencies offering industry "secrets."

Original Source: www.hud.gov/foreclosure/index.cfm

Contacts:

Consumer Credit Counseling Services of McHenry County

1-815-338-5757

Alternatives to Foreclosure

Special Forbearance

Your lender may be able to temporarily reduce or suspend your payments for a fixed period of time. At the end of that time, you must make a lump sum payment or enter into a long term repayment plan to pay back the reduced or suspended amount. Forbearance may be a good option when the cause of your default is specific and temporary and it is reasonable to assume you will be able to resume making payments at the end of the forbearance period.

Repayment Plan

Your lender may be able to arrange a simple repayment plan whereby you make your mortgage payment plus an amount of the total in default. The plan could be a few months long, or may extend to a year. At the end of the time period, you would have paid off the past due amount and your payments go back to the original payment amount. Your lender or servicer may require a good faith payment upfront to begin the plan. A repayment plan may be a good option when the situation that caused your default is resolved. For example, the default may have occurred because you were unemployed for a period of time, but you have now become employed again.

Mortgage Modification

You may be able to refinance the debt and extend the term of your mortgage loan. This will help you catch up by possibly reducing the monthly payments to a more affordable level. You may qualify if you've recovered from a financial problem but your net income is less than it was before the default.

Partial Claim

Your lender may be able to work with you to obtain an interest-free loan from HUD to bring your mortgage current, if you qualify.

Pre-Foreclosure Sale

This will allow you to sell your property and pay off your mortgage loan to avoid foreclosure and damage to your credit rating. If you're unable to afford the house long-term, you may sell the house yourself before the foreclosure sale and save some of your equity.

Deed-in-lieu of foreclosure

As a last resort, you may be able to voluntarily "give back" your property to the lender. This won't save your house, but may help your chances of getting another mortgage loan in the future.