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## HOME's Mission

*"Ensuring equal access to housing for all people"*

All homeowners are subject to events beyond their control that may make it difficult to maintain their mortgage obligations. If you fall behind on your mortgage it is **very** important that you call or write your lender and clearly explain your situation. This would also be the right time to contact a HUD-Approved Housing Counseling Agency such as HOME.



Default counseling services are funded by HOME, U.S. Dept. of Housing and Urban Development, and the City of Richmond's Dept. of Community Development



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# HOW TO AVOID FORECLOSURE OF YOUR HOME



## When you fall behind...

At HOME, a counselor will be glad to discuss your situation with you and inform you of your options. We believe that knowledge is power. The more informed you are, the better the decision you can make regarding your situation. Please note that not all alternatives are available to all homeowners. It is important to concentrate only on those alternatives for which you qualify.

Our goal is to help you avoid possible foreclosure action by resolving your delinquency through one of several alternatives to foreclosure that may be provided by your mortgage company.

### First you should ask yourself several questions:

*Is my crisis temporary or long term?*

*Can I make my mortgage payment along with my other monthly expenses?*

*Can I increase my income or reduce my expenses?*

*Do I want to maintain my home or sell it?*

Keep in mind, you can only keep your home if you can afford to maintain payments on your mortgage. If you want to qualify for alternatives that will allow you to keep your home, you must show that your monthly income meets or exceeds your monthly expenses.

Sit down and prepare a budget. Total your monthly net income and subtract your monthly expenses. Where do you stand? If you have money left over, you are in a good financial position. However, if your bills total more than your monthly income, attempt to reduce unnecessary expenses or increase your income.



## What should I do?

### 30 to 60 days past due

Your options depend on how past due you are, the amount you are delinquent, and your loan type. (e.g. FHA, VA, Conventional) When you are 30 to 60 days past due, your alternatives may be limited to those offered through the collection department.

### 60+ days past due

If you are 60+ days past due and unable to bring your loan current, you should contact the Loss Mitigation Department at your mortgage company and request a loan workout package. All loss mitigation options must be approved by your mortgage company.

- **Repayment Plan** - Involves making up the amount past due over a period of months by paying a full payment plus a partial payment until the past due amount is paid.
- **Forbearance Plan** - The reduction or suspension of payment for a period of time followed by a period of time during which the deferred payments are made up, similar to the repayment plan.
- **Loan Modification** - The change of the original terms of the mortgage through one or more of the following methods: an adjustment of the interest rate, addition of the delinquent interest amount to the current unpaid principal balance, and/or an extension of the term (life) of the mortgage. A loan modification fee will be charged and a cash contribution toward any loss to the investor may be required.
- **Partial Claim** - This is when money is advanced and loaned to you by FHA or whoever holds your Private Mortgage Insurance. This money is used to bring your mortgage current.

## What are my options?

If you do not qualify for alternatives previously mentioned, it may be necessary to give up ownership of your home. You may still avoid foreclosure through:

- **Sale of the property**
- **Pre-foreclosure sale**  
Entails selling the property prior to a foreclosure sale at less than Fair Market Value. In some cases, this may be less than the amount owed on the property.
- **Deed in lieu of foreclosure**  
Involves returning the property to the lender prior to sale. This alternative is only granted as a last resort usually if the homeowner is unable to sell the property.

### Anything else I should do?

Yes, beware of scams! There are people who may try to take advantage of your financial difficulty. These people or companies claim to be counseling agencies that can help you. Often times these companies will ask you to pay large sums of money up front in exchange for services. They may also try to rush you through the process and make promises they cannot keep! Remember, if it sounds too good to be true, it probably is not true. BE SMART! If you have doubts, contact HOME before you pay anyone or sign anything. There is no charge for HOME's services.