

IF YOU ARE A HOMEOWNER WITH A MORTGAGE, AND YOU ARE FACING FINANCIAL DIFFICULTIES — WHETHER THEY ARE SHORT OR LONG TERM — START EXPLORING YOUR OPTIONS TODAY.



For those homeowners who want to do everything possible to remain in their home, you may be eligible to refinance or modify your mortgage loan, lowering your payment and making it more affordable. Or, if you've missed payments and find yourself buried under late fees and past-due amounts, you may qualify for a temporary (or permanent) solution to help you get your finances back on track and avoid foreclosure.

Homeowners who are struggling with their mortgage payments are facing tough choices — do you stay in a home you may no longer be able to afford or should you try to leave? While it may be difficult to think about leaving your home and making this decision, for some it may be the best option financially, if other solutions to keep you in your home are no longer viable.

HERE'S AN OVERVIEW OF POSSIBLE OPTIONS TO HELP YOU STAY IN YOUR HOME AND AVOID FORECLOSURE:

- **Refinance:** A new loan — with new terms, interest rates and monthly payments — that completely replaces your current mortgage. Even if your home's value has decreased or you owe more than your home is worth, you may be able to refinance your loan as part of the government's *Home Affordable Refinance Program*.

Advantages – Makes your payment more affordable by lowering your interest rate or adjusting the terms of your loan, creates no negative activity on your credit history, and you stay in your home and avoid foreclosure.

- **Repayment or Workout Plan:** An agreement between you and your mortgage company that lets you pay the past due amount — added on to your current mortgage payment — over a specified time period to bring your mortgage current.

Advantages – Resolves your delinquency, allows you to catch up on your past due payments over an extended period of time, is less damaging to your credit score than a foreclosure, and you stay in your home and avoid foreclosure.



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- **Forbearance:** An offer by your mortgage company to temporarily suspend or reduce your monthly mortgage payments for a specified period of time.

Advantages – You have time to improve your financial situation and get back on your feet; is less damaging to your credit score, and; you stay in your home and avoid foreclosure.

- **Modification:** An agreement between you and your mortgage company to change the original terms of your mortgage — such as interest rate, length of loan, etc., with the goal of lowering your payments. Each lender has their own Loss Mitigation department that handles their Modification programs; you may also be eligible for the government's *Home Affordable Modification Program (HAMP)* created to help struggling homeowners.

Advantages – May reduce your monthly mortgage payments to a more affordable amount, is less damaging to your credit score than foreclosure, and you stay in your home and avoid foreclosure.



Nicole B.,
Quality Assurance

- **Other:** Depending on where you live, there are other programs that may be available to you such as:
 - Funds available through the government's **Hardest Hit** fund;
 - Funds available through HUD's Emergency Homeowner's Loan Program;
 - Special programs for the unemployed;
 - Rescue funds available through your state and or county;
 - Repayment programs to help you with delinquent property taxes.

Eligibility for these programs will be determined by your servicer. It's also recommended that you seek assistance from a housing counselor.

HERE'S AN OVERVIEW OF POSSIBLE OPTIONS WHEN YOU CAN NO LONGER STAY IN YOUR HOME BUT WANT TO AVOID FORECLOSURE:

- **Sell the Home:** Work with a realtor to sell the property and relocate to housing that fits your affordability range. It may be to a rental, or you may consider purchasing another home. The key here is understanding how much, if any, equity you have in the property. Without enough proceeds from the sale, you'll find it difficult to pay-off the existing mortgage(s), as well as the real estate commission.
- **Short Sale:** A short sale is the sale of a home for less than the balance remaining on your mortgage. If your mortgage company agrees to a short sale, you can sell your home and pay off all (or a portion of) your mortgage balance with the proceeds.

Advantages – You eliminate or reduce your remaining mortgage debt; assistance for relocation may be available, and you start repairing your credit sooner than if you went through a full foreclosure.

- **Deed in Lieu of Foreclosure:** With a Deed-in-Lieu of Foreclosure (DIL), you transfer the ownership of your property to the owner of your mortgage, in exchange for a release from your loan and payments.

Advantages – You eliminate or reduce your mortgage debt; you may be eligible for relocation assistance, and you start repairing your credit sooner, than if you went through a foreclosure.

AFFORDABILITY:

If you have had a reduction in income, you are probably struggling to keep up on your payments. To give you some general guidelines, you need to understand what the experts recommend to spend on housing:

Front-end ratio: This ratio shows how much of your gross (pre-tax) monthly income would go toward the mortgage payment. As a general guideline, your monthly mortgage payment, including principal, interest, real estate taxes and homeowners insurance, should not exceed 28 percent of your gross monthly income. To determine that figure, multiply your annual salary by 0.28, then divide by 12 (months). The answer is your maximum housing expense.

Back-end ratio: The total debt-to-income, or back-end, ratio, shows how much of your gross income would go toward all of your debt obligations, including mortgage, car loans, child support and alimony, monthly credit card bills, student loans and condominium fees. In general, your total monthly debt obligation should not exceed 36-40% percent of your gross income. To calculate your maximum debt-to-income amount, multiply your annual salary by 0.36, then divide by 12 (months).

If you're spending too much on housing and debt payments, you'll find it very difficult to budget for the essentials like groceries, utilities and gasoline.

STAY POSITIVE

No one enjoys being in financial difficulty and it is often the cause of family and relationship stress. Powerful emotions can be overwhelming to the point of making finding a solution seem impossible. A positive attitude will help in the decision making process, especially if there are tough ones to be made. Finally, free help is available — find a housing counselor and take advantage of their valuable guidance.

Housing issues don't have to be intimidating. Explore your options with a HUD approved GreenPath housing counselor today at 877-337-3399.



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