

Preventing Foreclosure

If you own your home and fall behind on the mortgage payments, the lender may threaten foreclosure. This brochure describes what you can do to keep your home.

What should I do if I am having trouble paying my mortgage?

If you are having trouble making your mortgage payments, here are some steps you should take:

- Communicate with the bank or mortgage company. Tell them why you are having financial problems and when you expect your financial situation to improve. Ask about a workout – a temporary or permanent change to your mortgage terms. Whatever payments you agree to make, be sure that you are able to make them. Keep notes with the name of the person you have talked to and the forms you have discussed.
- Ask about refinancing. Sometimes you can get a lower interest rate or reduced payments by refinancing your mortgage. You are more likely to qualify for refinancing if you arrange for it before you have missed many mortgage payments, so the sooner you look into it, the better. Watch out for high-rate lenders that promise consolidation loans to help you avoid foreclosure, however, they only make things worse. Be suspicious of any company that calls you, writes you, or puts advertisements in the newspaper promising to help save you money.
- Go through your budget carefully. Are there expenses you can eliminate? Are there ways you can increase your income? Many community agencies have people who can

help you work out a sensible household budget.

- Give first priority to the bills necessary to keep your job, your home, and food on the table. Don't let bill collectors pressure you to make payments you can't afford on lower priority bills.
- Ask yourself whether you can afford to keep your house in the long term. If the answer is no, consider listing the house for sale with a real estate agent. You may be able to buy a less expensive home with the money you get. Also, selling the home is much better for your credit record than going into foreclosure.
- If you feel the lender cheated you or took advantage of you, see a lawyer. You should do this as soon as possible.
- Open and read your mail. The lenders will be sending you important notices about your legal rights and sources of help. See a lawyer if you get any foreclosure papers from a court, sheriff, or process server.

What should I do if the bank or mortgage company won't accept my payments?

If you have fallen behind on your mortgage, some banks and mortgage companies won't accept any payments unless you catch up completely. If this happens, you should save your payments in a special bank account and consult an attorney about your options.

What are my alternatives?

You may be considered for the following:

Special Forbearance. Your lenders may be able to arrange a repayment plan based on your

financial situation and may even provide for a temporary reduction or suspension of your payments. You may qualify for this if you have recently experienced a reduction in income or an increase in living expenses. You must furnish information to your lender to show that you would be able to meet the requirements of the new payment plan.

Mortgage Modification. You may be able to refinance the debt and/or extend the terms of your mortgage loan. This may help you catch up by reducing the monthly payments to a more affordable level. You may qualify if you have recovered from a financial problem and can afford the new payment account.

Pre-Foreclosure Sale. This will allow you to avoid foreclosure by selling your property for an amount less than the amount necessary to pay off your mortgage loan.

Dead-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 it is not as damaging to your credit rating as foreclosure.

Can I save my home by filing bankruptcy?

Sometimes bankruptcy can help save a home. A Chapter 13 bankruptcy can allow you to catch up on your mortgage over a three-to-five-year period, while you make your regular monthly mortgage payments. Either a Chapter 13 bankruptcy or a Chapter 7 bankruptcy can help you get rid of lower-priority debts so that you can focus on your mortgage and other essential bills. Talk to a bankruptcy lawyer if you want to evaluate whether bankruptcy can help you.

Should I be aware of anything else?

Yes. Beware of scams! Solutions that sound too simple or too good to be true usually are. If you're selling your home without professional guidance, beware of buyers who try to rush you through the process. Unfortunately, there are people who may try to take advantage of your financial difficulty. Be especially alert to the following:

Equity skimming. In this type of scam, a "buyer" approaches you, offering to get you out of financial trouble by promising to pay off your mortgage or give you a sum of money when the property is sold. The "buyer" may suggest that you move out quickly and deed the property to him or her. The "buyer" then collects rents for a time, does not make any mortgage payments, and allows the lender to foreclose. Remember, signing over your deed to someone else does not necessarily relieve you of your obligation on your loan.

Phony counseling agencies. Some groups calling themselves "counseling agencies" may approach you and offer to perform certain services for a fee. These could well be services you could do for yourself for free, such as negotiating a new payment plan with the lender, or pursuing a pre-foreclosure sale. If you have any doubt about paying for such services, call a HUD-approved housing counseling agency at (800) 569-4287 or TDD (800) 877-8339. Do this before you pay anyone or sign anything.

Are there any precautions I can take?

Here are several precautions that should help you avoid being "taken" by a scam artist:

1. Don't sign any papers you don't fully understand.

2. Make sure you get all "promises" in writing.
3. Beware of any contract of sale or loan assumption where you are not formally released from liability for your mortgage debt.
4. Check with a lawyer or your mortgage company before entering into any deal involving your home.

REMEMBER: The law often changes. Each case is different. This pamphlet is meant to give you general information and not to give you specific legal advice.

Please use the information found in this brochure carefully since the law is constantly changing and the information may not accurately reflect any changes in the law that occurred following the creation and publication of the brochure.

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What are my options to avoid foreclosure?

Beware of Scams!

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