



Homeowners in Crisis: Make the Call

to your mortgage lender, and follow this 3-step process to help save your home

In the fight to save your home, it is important to get organized. The following three-step process will help you gather the information you need and formulate a plan to preserve your home:

1. Gather Information & Data

2. Develop a Plan

3. Present the Plan

Please note, as you work to preserve your home, it is vital that you **STAY AWARE OF DEADLINES and OPEN YOUR MAIL.**

1. GATHER INFORMATION

Start by gathering some basic information. This important first step can help you gain a clear view of your current situation and enable you to successfully present your case to your mortgage lender.

General Information

- Current mortgage payment.
- Property taxes and homeowners insurance.
- Date of last payment (and the month for which the payment was applied).
- How many months are you behind?
- Have you received court papers.
- Terms of your loan – interest rate and structure (e.g., fixed, adjustable, balloon).
- If it is an adjustable rate loan (ARM), has the mortgage interest rate reset? If not, when will the reset occur?

Create a Budget

List all the sources of your household income:

- Employment. Consider the following:
 - o Length of employment
 - o Consistency of the income (i.e., self-employed, commissions, overtime)
 - o Gross vs. net income
- Government benefits
- Child support – You will need to provide a court order and proof of payments.

It is common to misstate actual monthly expenses, so it is important that you verify as much as possible through your bank statements. Be sure to consider the following:

- Food (including dining out)

- Utilities
- Clothing
- Insurance
- Medical Expenses (i.e., prescription deductibles & co-pay)
- Transportation cost
- Toiletries/cleaning supplies
- Pet expenses
- Charitable contributions
- Spending money
- Other Expenses (i.e., student loans, alarm systems, child care)

Review your Budget

- Is your income information verifiable?
- Are your expenses reasonable?
- Is there a large gap between your income and expenses?
- Is your hardship due to a lifestyle issue or a temporary crisis?

Supporting Documentation

- Recent mortgage statement(s)
- Two current month's pay stubs for every contributing household member
- Two current month's bank statements
- Last two years' W-2s and tax returns
- Current utility bills

Hardship Letter

Write clearly and succinctly, answering the following questions:

- What is your reason for default?
- Have you suffered a temporary or permanent loss of income?
- How long have you been in the home?

- What was your payment history before this crisis?
- Who resides in the home with you?
- Do you want to remain in the home?
 - If not, is the home listed? Is there a pending offer?
 - Will the offer cover the outstanding mortgage balance or will a short payoff be needed?
- What steps have you taken to prioritize your mortgage payments?
- Do you have money saved to offer as part of a repayment agreement?

2. DEVELOP A PLAN

Start by deciding how you would like to resolve this crisis. What solution would best suit your situation?

Possible Options

- Repayment plan
- Forbearance
- Modification of your loan
- Partial claim or advance claim (FHA loans)
- Refinance (difficult in current market)
- Short Sale
- Deed in lieu of foreclosure

Modification

- A modification is a written agreement to change your loan terms or conditions. Generally, this option adds delinquent amounts to the loan balance and re-calculates the loan payments based on the increased balance.
- Your loan may be modified by reducing or freezing your interest rate on a temporary or permanent basis.
- Modification may also include principal reduction.
- Consider long term affordability (e.g., beyond 5 years).

Short Sale

- You find a purchaser for your home. The offered purchase price is less than what you owe on the mortgage.
- The lender agrees to accept the lesser amount.
- Short sales may have income tax consequences, so consult with an attorney or financial advisor.

Deed in Lieu of Foreclosure

- Voluntary surrender of property to lender.
- Lender will usually require you to list the property for sale before exercising this option.
- Typically has a negative effect on your credit similar to foreclosure, so consult with an attorney or financial advisor.

3. PRESENT THE PLAN

When presenting your plan, have all the facts. Carefully consider any plans presented by the lender before agreeing to new terms.

Your Loan Workout Package Should Include:

- Hardship letter – present reason for default
- Specific proposal with rate and payment terms
- Financial information documents including a realistic budget
- Any additional forms in the servicer's package (i.e., proof of homeowners insurance)

Negotiation

- Request that the lender stop the foreclosure proceedings during the negotiation process.
- Remain patient.
- Demonstrate the benefits of your plan as a win/win proposition.
- Get all agreements in writing.

Negotiation Factors & Process

- Do you owe more on your home than it is worth? Get comparable home prices for your neighborhood at www.zillow.com.
- Are your community's home values declining? What are your community's foreclosure stats?
- What is the condition of your home? Are repairs needed?
- How long have you lived in your home?
- If the servicer says no to your plan or wants changes, consider the following points carefully:
 - Does the lender's plan meet your goals?
 - Is it affordable?
 - Are there any unexplained charges?
- If the plan does not meet your goals, or you notice unexplained fees or charges, be prepared to make a counter-proposal.
- If you CANNOT meet the terms of the plan proposed by the lender, be prepared to explain why and ask for alternatives.