



Note: FREE one-on-one counseling is available from our housing counselors. Please call our office at 779-2273 for an appointment. The worksheet you need to complete can be printed from our website, www.cccsso.org.

FALLING BEHIND ON YOUR MORTGAGE PAYMENT

There are two basic reasons why people fall behind with their mortgage payments.

Overextended. This is usually when there is too much debt for your income, including your mortgage, taxes, insurance, a second mortgage, credit cards, etc. There are several reasons for becoming overextended including not having or following a spending plan and not understanding the TRUE cost of owning a home (e.g., mortgage, insurance, taxes, utilities, homeowners insurance, etc), or the terms of the loan agreement.

Hardship. Hardships are usually out of your control (see list below). For most families, a home is not only a significant financial investment, but also a source of pride. The loss of a home, due to unexpected events such as unemployment, can be financially and personally devastating.

If you have been laid off or are facing unemployment, you can keep your home - - if you know the right steps to take. The Department of Housing and Urban Development/Federal Housing Administration, the Department of Veterans Affairs, the Department of Labor and the mortgage industry have worked together to produce important basic information that can help you get through difficult times without losing your home.

Facing Money Problems (Hardships)

Financial problems are most often associated with the following life changes:

- ▶ Loss of job
- ▶ Cuts in work hours or overtime
- ▶ Retirement
- ▶ Illness, injury, or death of a family member
- ▶ Divorce or separation

If your family is facing any of these changes and cannot pay your bills, now is the time to look closely at what you owe and what you earn, eliminating unnecessary spending and reaching out for help if you still can't meet your financial obligations. Taking action now can help you protect your family from the loss of your home. This page was created to help you find advice, information, and web links that will help you keep your home.

Steps To Take When You May Be Unable To Pay Your Mortgage

Contact Your Lender As Soon As You Have A Problem

Many people avoid calling their lenders when they have money troubles. Most of us are embarrassed to discuss our money problems with others or believe that if lenders know we are in trouble, they will rush to collection or foreclosure.

Lenders want to help borrowers keep their homes. Foreclosure is expensive for lenders, mortgage insurers and investors. HUD/FHA, as well as private mortgage insurance companies and investors like Freddie Mac and Fannie Mae, require lenders to work aggressively with borrowers who are facing money problems.

Lenders have workout options to help you keep your home. However, these options work best when your loan is only one or two payments behind. The farther behind you are on your payments, the fewer options are available.

Do not assume that your problems will quickly correct themselves. Don't lose valuable time by being overly optimistic. Contact your mortgage lender to discuss your circumstances as soon as you realize that you are unable to make your payments. While there is no guarantee that any particular relief will be given, most lenders are willing to explore every possible option.

Finding Your Lender

Check the following sources for lender contact:

- Your monthly mortgage billing statement
- Your payment coupon book
- Customer service numbers found under "Mortgage Lenders" listed at the end of this brochure.

Information To Have Ready When You Call:

To help you, lenders typically need:

- ▶ Your loan account number
- ▶ A brief explanation of your circumstances
- ▶ Recent income documents (such as Pay stubs; Benefit Statements from Social Security, Disability, Unemployment, Retirement, or Public Assistance. If you are Self-employed, have your tax returns or a Year-to-date Profit and Loss Statement available for reference)
- ▶ List of household expenses

Expect to have more than one phone conversation with your lender. Typically, your lender will mail you a "loan workout" package. This package contains information, forms and instructions. If you want to be considered for assistance, you must complete the forms and return them to your lender quickly. The completed package will be reviewed before the lender talks about a solution with you.

CALL TODAY! The sooner you call; the sooner help is available.

Notes from CCCS:

Make sure you call or send your information to the attention of the collection manager, loss mitigation or the foreclosure department.

Keep a log of what you have done. This includes notes of your calls that include the name and title of anyone you talk to on the phone. Include the date, time and basis of the call.

Even if you fax information to the lender, follow-up with a hard copy. To make sure you have documentation of the lender receiving the information, you may want to consider sending the letter via certified mail, return receipt request.

Make copies of all correspondence that you send.

Do Not Ignore Mail From Your Lender

If you do not contact your lender, your lender will try to contact you by mail and phone soon after you stop making payments. It is very important that you respond to the mail and the phone calls offering help. If your lender does not hear from you they will be required to start legal action leading to foreclosure. This will substantially increase the cost of bringing your loan current.

Information For Families With FHA Loans

The Federal Housing Administration (FHA) provides a wide range of relief options for borrowers. There are many alternatives and ways to get help. These may include mortgage modifications, special forbearances, and other actions you can take to avoid foreclosure.

HUD's National Servicing Center works closely with customers who have FHA insured loans. Do you feel your lender is not responding to your questions? Do you need assistance contacting your lender? The NSC is ready to help!

For assistance call toll-free (888) 297-8685, hsg-lossmit@hud.gov or write to HUD at:

Department of Housing and Urban Development
National Servicing Center
301 NW 6th Street, Suite 200
Oklahoma City, OK 73102

Include the following information:

- ▶ your city and state, so we can ensure that the right person in your local area responds to your message
- ▶ the location (city, state, street address) if you're writing about a HUD property

Prioritize Your Debts

For the unemployed, getting by will require a new, tightened budget. Prioritize your bills and pay those most necessary for your family: food, utilities and shelter.

Failing to pay any of your debts can seriously affect your credit rating. However, if you stop making your mortgage payments you could lose your house. Whenever possible, any income available after paying for food and utilities should be used to pay your monthly mortgage payments. If your employment income has been stopped or reduced, first consider eliminating or reducing your other expenses (such as dining out, entertainment, cable, or even telephone services). If that does not provide enough income, consider using other financial resources like stocks, savings accounts, or personal property that may have value like a boat or a second car. Take any responsible action that will save cash.

In addition to speaking with your lender, you may want to contact our agency, Consumer Credit Counseling Service, a non-profit agency that specializes in providing help in restructuring credit payments. Credit counseling can often reduce your monthly bills by negotiating reduced payments or long-term payment plans with your creditors. To make an appointment, you would call us at 541-779-2273, complete a worksheet (www.cccsso.org), list all your debts and bring your most current statements with you for the appointment.

When you call a consumer credit counseling agency, you will be asked to provide current information about your income and expenses. Make sure you ask if the agency has a charge before you sign any documents!

Preserve Your Good Credit

Do not underestimate the importance of preserving your good credit. Your future ability to purchase certain items, rent or buy a home, and complete other transactions often requires a credit check. Consumer credit agencies and your lender can help you explore solutions to keep your credit from getting blemished. Maintaining good credit is even important for job hunters. When you apply for a job, the employer probably will check your credit report to determine:

- ▶ whether you have been sued
- ▶ have filed for bankruptcy
- ▶ or have trouble paying your bills

Explore Loan Workout Solutions

First and foremost, if you can keep your mortgage current, do so.

However, if you find that you are unable to make your mortgage payments, you may qualify for a loan workout option. Check with your lender to find out which of these options may be available.

If Your Problem Is Temporary - Call Your Lender

- ▶ **Reinstatement:** Your lender is always willing to discuss accepting the total amount owed to them in a lump sum by a specific date. They will often combine this option with a Forbearance.
- ▶ **Forbearance:** Your lender may allow you to reduce or suspend payments for a short period of time after which another option must be agreed upon to bring your loan current. A forbearance option is often combined with a Reinstatement when you know you will have enough money to bring the account current at a specific time in the future. The money might come from a hiring bonus, investment, insurance settlement, or a tax refund.

▶ **Repayment Plan:** You may be able to get an agreement to resume making your regular monthly payments, in addition to a portion of the past due payments each month until you are caught up.

If it appears that your situation is long-term or will permanently affect your ability to bring your account current, you may wish to discuss the following options with your lender:

▶ **Mortgage Modification:** If you can make the payments on your loan, but you do not have enough money to bring your account current or you cannot afford the total amount of your current payment, your lender may be able to change one or more terms of your original loan to make the payments more affordable. Your loan could be permanently changed in one or more of the following ways:

- ▶ Adding the missed payments to the existing loan balance.
- ▶ Changing the interest rate, including making an adjustable rate into a fixed rate.
- ▶ Extending the number of years you have to repay.

▶ **Claim Advance:** If your mortgage is insured, you may qualify for an interest-free loan from your mortgage guarantor to bring your account current. The repayment of this loan may be delayed for several years.

If Keeping Your Home Is Not An Option -- Call Your Lender

▶ **Sale:** If you can no longer afford your home, your lender will usually agree to give you a specific amount of time to find a purchaser and pay off the **total amount owed**. You will be expected to obtain the services of a real estate professional who can aggressively market the property.

▶ **Pre-Foreclosure Sale or Short Payoff:** If the property's sales value is not enough to pay the loan in full, your lender may be able to accept **less than the full amount owed**. This option can also include a period of time to allow your real estate agent to market the property and find a qualified buyer. Monetary help may also be available to pay other lien holders and/or help toward paying a few moving costs.

▶ **Assumption:** A qualified buyer may be allowed to assume your mortgage, even if your original loan documents state that it is non-assumable.

▶ **Deed-in-lieu:** Your lender may agree to allow you to voluntarily "give back" your property and forgive the debt. Although this option sounds like the easiest way out for you, generally, you must attempt to sell the home for its fair market value for at least 90 days before the lender will consider this option. Also, this option may not be available if you have other liens such as judgments of other creditors, second mortgages, and IRS or State Tax liens.

Oregon Residents PLEASE NOTE:

The following is from Oregon's Division of Finance and Corporate Securities (DFCS) Website publication "Foreclosures in Oregon" <http://www.dfcs.oregon.gov/ml/foreclosure.html>

What if my house sells for less than I owe?

If your house is sold at auction or is transferred to the lender and the amount for which it was sold or transferred is not enough to cover the balance of your loan, the financial institution, with certain exceptions, may have to cancel or forgive the balance between the fair market value of the house and the amount you owe. This balance or deficit is also known as "cancellation of debt." The institution will file the applicable IRS forms with the amount(s) owed and other relevant information. You will receive a copy of the applicable 1099 form(s) in reference to the amount "forgiven." With certain exceptions, you may have to include this amount as part of your income when you file your income taxes. Talk to a tax adviser about the potential impact on your tax filings.

A recent law, the "Mortgage Forgiveness Debt Relief Act" amending the Internal Revenue Code, provides with additional exclusions for some homeowners who lost their homes, if occupied as their primary residence, to foreclosure and the lender canceled or "forgave" a debt secured by the house. This new law can be applied for residential discharged debts of up to \$2 million (\$1 million if married filing separately) made on or after January 1, 2007, but before January 1, 2010.

For additional information please see our resources section for the IRS web site or contact your tax advisor.

CCCS note: the above is for Federal Income Tax NOT State Income Tax.

Resources for finding a real estate agent and selling your home

If you need to sell your home, there will be many questions you have to answer. You will need to find how much your house is actually worth, and you will have to find a real estate agent you are comfortable with.

Special Disaster Relief Options - Call Your Lender

If your property has been damaged by a natural disaster or if you have been called up for active military duty or affected by a national tragedy, such as the terrorist acts of September 11, 2001, there may be additional assistance available.

Beware Of Predatory Lending Schemes

Most mortgage lenders are reputable and provide a valuable service by allowing families to own a home without saving the thousands or hundreds of thousands of dollars necessary to buy it outright. However, a few, unscrupulous lenders, especially those who make high risk second mortgages, engage in predatory lending practices that can increase the likelihood that a borrower will lose his or her home to foreclosure. These abusive practices include making a mortgage loan to an individual who does not have the income to repay it, charging excessive interest, points and fees or repeatedly refinancing a loan without providing any real value to the borrower.

Borrowers facing unemployment and/or foreclosure are frequent targets of predatory lenders because they are desperate to find any "solution" to their default.

Homeowners frequently receive refinance offers in the mail telling them that they have been "pre-approved" for credit based on the equity in their home. When you are wondering how you are going to pay your mortgage and other bills, it may appear very attractive to borrow against your house. But consider this, if you cannot make your current payments, increasing your debt, even if you get some temporary cash, will make it harder to keep your home.

Beware of Scams:

- ▶ Equity skimming: a buyer offers to repay the mortgage or sell the property if you sign over the deed and move out.
- ▶ Phony counseling agencies: offer counseling for a fee when it is often given at no charge.
- ▶ Do not sign anything you do not understand. It is your right and duty to ask questions.
- ▶ Information is your best defense against becoming a victim of predatory lending especially for a desperate homeowner!

Where to Report Suspected Predatory Lending – homeowners can either visit the Stop Mortgage Fraud website at <http://www.stopmortgagefraud.com/> or call (800) 348-3931 to get information on what steps to take to file a complaint. Homeowners who call will receive a brochure that contains information also found on the Web site.

Frequently Asked Questions (FAQ)

How do I know who my lender is and how to contact them?

Look at your monthly mortgage coupons or billing statements for the name of your lender and contact information.

I do not remember what type of mortgage loan I have, how can I find this information?

Look on the original mortgage documents or call your mortgage lender.

Do I need to keep living in my house to qualify for assistance?

Typically, yes, but call your lender to discuss your specific circumstances and get advice on options that may be available.

What type of information should I have ready to discuss with a lender?

Typical information requested by lenders in a workout package include:

- Brief explanation of circumstances
- Recent income documents
- List of household expenses

My employer has already announced layoffs within the coming months, what can I do now?

By reading this information, you have taken the first step toward educating yourself about available options. Determine if the layoffs will cause a financial hardship that will make it hard for your family to make your mortgage payments. If so, consider other resources that you have available to pay your mortgage. Review your spending habits and see where you can reduce spending. If you have a lot of consumer debt, consider contacting a nonprofit, consumer credit counseling agency. Take advantage of any employer offered resources. If you still believe that you will have trouble making your mortgage payments, contact your lender right away.

Will there be any out-of-pocket expenses I will be responsible for if I am approved for a workout option?

Some workout options do include expenses that the borrower is expected to pay, for example, recording fees for a loan modification. Because, every situation is different you should contact your lender for more information. However, if a lender has no contact with a borrower and has to start foreclosure, the legal fees that the borrower will be expected to pay can be very expensive. To avoid unnecessary legal fees, call your lender as soon as you realize you are in trouble.

Mortgage Lenders

The federal government and the mortgage industry have partnered to assist those homeowners who have been negatively impacted by recent changes in the economy, or are concerned about the future. The mortgage lenders listed below are voluntarily participating in this special effort. If your lender is listed here, you can help protect your home by contacting them immediately!

Lender	Phone #1	Phone #2
Bank of America	(800) 846-2222	(716) 635-2264
Chase Home Finance	(800) 848-9136	
Chase Home Finance	(800) 526-0072, ext. 533	(800) 527-3040
Citimortgage	(800) 926-9783	
Countrywide	(800) 219-7773	(800) 669-4576
HSBC Mortgage Corporation	(800) 338-6441	(888) 648-3124
Irwin Mortgage Corporation	(888) 444-6446	
James B. Nutter & Company	(800) 315-7334	
Midland Mortgage	(800) 552-3000	(800) 654-4566
Mortgage Service	(800) 449-8767	
National City Mortgage	(800) 367-9305	
Principal Residential Mortgage, Inc.	(800) 367-6448	(800) 962-4450
Waterfield Mortgage Company, Inc.	(800) 957-7245	
Wells Fargo Mortgage	(800) 766-0987	
Wendover Financial Services Corporation	(888) 934-1081	(800) 436-1022
Washington Mutual Home Loans, Inc.	(866) 926-8937	(800) 254-3677

Please note: much of the above information can be obtained from HUD's website,

<http://www.hud.gov/offices/hsg/sfh/econ/econ.cfm> . This website was developed through the collaborative efforts of HUD/FHA, the Department of Veterans Affairs, Department of Labor, Fannie Mae, Freddie Mac, and members of the mortgage industry.