



FORECLOSURE PREVENTION OPTIONS

Reinstatement

- Borrower pays back all missed payments and fees in a lump sum
- Usually borrower can reinstate up to the day of a scheduled foreclosure

Forbearance Plan

- Reduction or suspension of monthly mortgage payments for a set period of time
- Short-term solution if borrower is unable to afford regular payments because of unemployment and/or affected by a natural disaster
- After forbearance period is over, borrower must either reinstate loan or agree to another workout plan

Repayment Plan

- Borrower pays regular monthly payment plus additional amount to catch up on missed payments
- Will only work if borrower has enough income to pay extra each month
- Usually the first option mortgage company will offer

Loan Modification

- Permanent change to terms of the mortgage which can include changes to the interest rate, maturity date, loan balance, and monthly payment
- Includes Making Home Affordable Modification, FHA-HAMP, and other similar programs that set a target payment at an affordable level, as well as servicer or investor's in-house and proprietary programs
- Modifications will usually add your missed payments back into your loan balance and may lead to your loan balance and possibly your monthly payments going up
- Modifications can change an adjustable interest rate to a fixed rate

Partial Claim

- Only with FHA loans
- A second loan at no interest that pays to servicer the missed payments, and potentially deferred principal to bring loan current
- If stand-alone partial claim is completed, borrower resumes regular payments. If part of FHA-HAMP loan modification, the mortgage is also modified as described above
- Second loan does not need to be paid back until property is sold or loan is paid off
- FHA-HAMP program combines a partial claim and loan modification to reduce monthly payments

Refinance

- A new loan with a lower interest rate and monthly payments, if borrower is current on their mortgage and other debts
- Making Home Affordable Refinance available to borrowers whose loan is owned or guaranteed by Fannie Mae or Freddie Mac, and who are current on their mortgage
- FHA also has refinance programs for “underwater” borrowers who owe more than their house is worth

Reverse Mortgage

- For borrowers who are 62 years of age or older
- A loan based on the equity in your house that does not require monthly payments
- Loan is not repaid until the borrower moves out of the property, the property is sold, or the borrower passes away

Assumption

- Another person, a friend or relative, can take over responsibility for mortgage payments
- Only available in certain limited circumstances
- Avoid scams where a stranger offers to assume your mortgage payments

Pre-foreclosure/Short Sale

- If borrower can't afford mortgage payments, can sell house before foreclosure
- Mortgage company may accept less than balance owed to complete sale, but may be tax consequences for forgiven debt
- House must be listed for sale by a real estate professional
- Mortgage company must approve sale

Deed-in-lieu of Foreclosure

- Give the property back to the mortgage company to avoid the foreclosure process
- May be tax consequences for forgiven debt
- Borrower must make attempt to sell property first and not receive any reasonable offers
- Mortgage company may offer cash assistance to borrower to move out of the property, known as “cash for keys”