

Avoiding Foreclosure

*Identifying the Early Warning Signs and
Pursuing Alternatives to Foreclosure*



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The last thing any homeowner wants to think about is losing their family's home. But, by understanding the foreclosure process and what often leads to it, you can put yourself in a better position to address potential problems before they impact your ability to make your mortgage payment on time. Plus, if you find yourself struggling to make your mortgage payments, there is help available.

Recognize Early Signs of Financial Trouble

Sometimes, the unexpected challenges of life can make the responsibility of homeownership a tough one. If you've lost your job, been through a divorce, or suffered an illness, you may be having a difficult time making your mortgage payments. Perhaps you're anticipating a steep increase in your mortgage payments. If you foresee that you could have trouble making future mortgage payments, you must act immediately to seek solutions.

Get The Right Help Immediately!

Foreclosure is a legal process by which the lender takes back ownership of a mortgaged property (a home) and sells it because a loan is in default.

As soon as you think you may fall behind on a payment, **call your lender** (the company to which you send your mortgage payments) and ask to speak with someone in Default Management or Loss Mitigation. They will be your best resource for finding the solution that's right for your individual situation. When you speak to your lender, be honest. Explain whether your financial problems are temporary or longer term.

Nonprofit housing and credit counseling agencies are also good resources. They can work with you to organize a budget and explore helpful options. To speak with a counselor specifically dedicated to helping homeowners avoid foreclosure, call the Homeowner's HOPE™ Hotline at 888-995-HOPE any time day or night. To find a HUD-approved counseling agency near you, visit http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor.

Understand Your Options

The Making Home Affordable Program

The federal Making Home Affordable Program was created to help homeowners achieve mortgage payments that are more affordable now and in the future. The program includes three options: the Home Affordable Refinance Program (HARP), the Home Affordable Modification Program (HAMP), and Home Affordable Foreclosure Alternatives (HAFA).

If you have been struggling to pay your mortgage, or anticipate that there may be trouble ahead, Making Home Affordable is your best starting point for getting help. Act now to determine whether you are among the millions of homeowners who will qualify. Visit www.MakingHomeAffordable.gov for more information and to use the self-assessment tools provided.

Workout Options to Keep Your Home

If you are not eligible for the refinance or modification options available through the Making Home Affordable Program, work with your lender to consider other traditional workout options:

- **Refinance:** If you have enough equity in your home, your new mortgage could pay off the old loan along with any late fees and attorney fees.
- **Reinstatement:** With this option, you can make a lump sum payment to catch up by a specific date.
- **Forbearance:** For a short period of time, you can pay less than the full amount of your mortgage with the understanding that another workout option may be used to bring your account current.
- **Repayment Plan:** This option will allow you to catch up over a short period of time by paying a little more than your original monthly mortgage payment.
- **Loan Modification:** The lender may be able to restructure your mortgage by adding missed payments to your mortgage, adjusting your interest rate, or even extending the number of years you have to repay.

If You Can No Longer Afford to Keep Your Home

If you cannot or do not want to keep your home, your mortgage company can work with you to avoid foreclosure. Available options depend on your financial circumstances and include:

- **Short Sale:** If you can sell your house, but the sale proceeds are less than the total amount you owe on your mortgage, your lender may agree to a short sale and write off the portion of your mortgage that exceeds the net proceeds from the sale.
- **Deed in Lieu of Foreclosure:** The lender may accept the voluntary transfer of the title of the home back to them in exchange for cancellation of your mortgage debt.
- **Assumption:** This option permits a qualified buyer to take over your mortgage debt and the mortgage payments, even if the mortgage was originally non-assumable.

Don't Walk Away, and Don't Give Up; Avoid the Negative Effects of Foreclosure

The results of foreclosure can be devastating:

- Your credit score would take a big hit. With a foreclosure on your credit history, you will have future

difficulty borrowing money, renting an apartment, and perhaps even getting a job.

- Finding a new home could be a challenge. Not only must you find a place that's affordable, you'll also need to come up with a rental deposit, which may be much higher, based on your credit rating.
- The interest rates on your credit cards could increase as the credit card companies view you as an increased risk.
- If your home has increased in value since your purchase, a foreclosure could mean the loss of thousands of dollars in equity.

Take Action to Get Results

At one time or another, many families experience serious financial hardship. Sometimes, even small financial problems grow into large ones that can, if left unresolved, destroy your good credit and even lead to foreclosure. While it's sometimes difficult to admit when you need help, don't let pride or fear stand in the way of finding your solution. If you're having trouble making your mortgage payments, contact your lender or a reputable housing counseling organization immediately, and work toward finding the right solution for you.

For More Information

- Visit www.MakingHomeAffordable.gov to learn more about the federal plan to help homeowners in danger of foreclosure.
- For free foreclosure prevention counseling, contact the Homeownership Preservation Foundation's Homeowner's HOPE™ Hotline at 888-995-HOPE, or visit www.995hope.org.
- The HOPE NOW Alliance provides free foreclosure prevention assistance. Visit FreddieMac.com/avoidforeclosure/workshops.html for events in your area, counseling and government resources, and more.
- Not all workout options are the same in terms of their impact on your credit score. Visit www.myfico.com for more information on the effect of foreclosure and workout alternatives on your credit.
- Avoid scam artists! Learn about common scams in your area, and get advice before you enter into your

next loan agreement. Read more about common fraud schemes at FreddieMac.com/avoidfraud.

- To find a HUD-approved housing counseling agency near you, visit http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor or call 800-569-4287. Ask for help identifying legitimate local services and programs that could also provide financial or legal support if necessary.
- "About Homeownership" is the Freddie Mac online guide to the homebuying process and successful homeownership. Visit the "Avoiding Foreclosure" section at FreddieMac.com/avoidforeclosure.
- The Freddie Mac CreditSmart® curriculum is a consumer guide to better credit, money management, and responsible homeownership. Visit FreddieMac.com/creditsmart to download consumer resources, available in five languages.

Source

Content adapted from Freddie Mac's award-winning CreditSmart, a multilingual financial education curriculum designed to help consumers build and maintain better credit, make sound financial decisions, and understand the steps to sustainable homeownership.



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