

## TIPS TO AVOID FORECLOSURE

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### How should I avoid mortgage trouble?

- **Prioritize your expenses.** Prioritize your bills and pay the ones that are most necessary for the well-being of you and your family, such as shelter, food, and utilities.
- **Protect your credit score.** When you are experiencing a financial challenge, remember that making late payments or skipping them can seriously affect your credit score.
- **Beware of scams.** Beware of predatory lenders, pre-approved loan offers and phony counseling agencies. Homeowners facing financial troubles are especially vulnerable because they are desperate to find a solution to their problems. Legitimate counseling agencies will offer their programs for free or for a small administrative charge. Check with a lawyer or your mortgage company before signing anything involving your home. Do not sign anything you do not understand. The U.S. Department of Housing and Urban Development has more information about avoiding predatory lending on their website, [www.hud.gov](http://www.hud.gov).

### What should I do if I miss a mortgage payment?

- **Call for help—it's the most important thing you can do.** More than half of homeowners facing foreclosure did not call for help when they fell behind in their mortgage payments.
- **Don't make a bad situation worse.** Ignoring your situation won't make it go away. Take the steps provided in this sheet to protect your home, your family and your credit rating.
- **Notify the bank as soon as you know your payment will be late.** Calling when you are 30 or 60 days late is better than calling when you are 120 days late. You still have some options. You must put your pride on hold if you're truly serious about stopping the foreclosure process. Remember that foreclosure is not in the best interest of lenders—lenders report that it costs up to \$50,000 or almost half the loan balance each time they write off a foreclosure.
- **Work it out.** Depending on the situation, the lender may lower the interest rate, lower the borrower's monthly payment, or enter into a repayment agreement for missed payments.
- **Avoid foreclosure rescue scams by calling a reputable nonprofit organization.** HOPE for Homeowners, (888) 995-HOPE, is an independent, third-party resource that is part of a HUD-certified, not-for-profit network dedicated to helping homeowners **24/7**. HOPE counselors are trained to set up a plan of action designed just for you and your situation. (También hablan **Español**). When you call HOPE for Homeowners, you won't be judged, you won't pay a dime, and most of all, you won't be disappointed.
- **Local HOME Clinics providing counseling and legal intervention and foreclosure prevention.** The Housing Opportunities Collaborative ([www.housingcollaborative.org](http://www.housingcollaborative.org)) is a collaboration of the HUD housing counseling agencies in San Diego county along with other housing counselors/providers and municipalities. See website for the next event.

## What are my options if I cannot make payments?

- **Forbearance**—You are allowed to delay payments for a short period, with the understanding that another option will be used afterwards to bring the account current.
- **Reinstatement**—When you are behind in your payments but can promise a lump sum to bring payments current by a specific date.
- **A Repayment Plan**—If your account is past due, but you can now make payments, the lender may agree to let you catch up by adding a portion of the past due amount to each current monthly payment until your account is current.
- **Modifying Your Mortgage**—The lender can modify your mortgage to extend the length of your loan (or take other steps to reduce your payments). One solution is to add the past due amount into your existing loan, financing it over a long term.
- **Selling Your Home**—If catching up on payments is not possible, the lender might agree to put foreclosure on hold to give you some time to attempt to sell your home.
- **Property Give-Back**—The lender can allow you to give-back your property—and then forgive the debt. Give-backs do, however, have a negative impact on your credit record, although not as much as a foreclosure. The lender might require that you attempt to sell the house for a specific time period before agreeing to this option, and it might not be possible if there are other liens against the home.

## How can I reduce the risk of foreclosure when I purchase or refinance my home?

- **Take advantage of pre-Purchase counseling offered by not-for-profit organizations.** Homeowners can avoid trouble later on by making informed decisions while purchasing their homes. Borrowers who are most likely to keep their homes understand their mortgage options and how much they can really afford. Education also helps borrowers identify and avoid unscrupulous sellers or lenders. A recent study found that borrowers who received counseling have half the default risk as those who did not.
- **Avoid prepayment penalties and balloon payments.** People who refinance their mortgages with loans containing prepayment penalties or balloon payments are more likely to undergo foreclosure, according to a study by researchers at the University of North Carolina. According to the study, a prepayment penalty increases foreclosure risk by about 20 percent. Mortgages with balloon payments were 46 percent more likely to go to foreclosure than loans without. Protect the equity in your home – it's a valuable source of wealth that will build over time.
- **Stay on top of home repairs and maintenance.** NeighborWorks® organizations provide counseling in home maintenance and repairs and rehabs that improve the value of a home. Too often emergency repairs and less-than-trustworthy contractors push a homeowner into foreclosure.

Call **888-995-HOPE** and go to [www.housingcollaborative.org](http://www.housingcollaborative.org) to get help from a certified counselor or find out when the next foreclosure prevention HOME Clinic is coming to your neighborhood.