

How to Avoid Foreclosure and Protect Home Equity

As unemployment holds steady, adjustable rate mortgages reset, and underwater homeowners fear the worst, many find themselves in a position they never imagined – on the brink of foreclosure. If you are in danger of losing your home, consider the following action steps and contact your local NeighborWorks® organization or other HUD-approved housing organization for help in fighting foreclosure.

What should I do if I am facing foreclosure?

Speak to a HUD-approved nonprofit housing counselor. Visit www.findaforeclosurecounselor.org to find a local HUD-approved nonprofit housing counseling agency in your area – which includes local NeighborWorks organizations. Homeowners who face foreclosure and work with a nonprofit HUD-approved housing counseling agency are **60 percent more likely** to avoid foreclosure than a homeowner who does not.

Call the Homeowner's HOPE™ Hotline at 1-888-995-HOPE (4673). If you are uncomfortable calling your lender or meeting someone face-to-face initially, call 888-995-HOPE to receive counseling from a HUD-certified housing counselor over the phone, 24 hours a day, seven days a week. Counselors on staff speak English, Spanish, and over 20 additional languages.

Notify your lender as soon as you know your payment will be late. Homeowners who are one or two payments behind are more likely to keep their homes than those further behind on their payments.

Work it out. Lenders make money by collecting your principal and interest payments, not by foreclosing on homes. Working with a nonprofit housing counselor, if you present your circumstances along with a reasonable plan that will offer you temporary relief, they may be able to offer you a number of payment options if you qualify for them.

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.

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.

Modify 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 and finance it over a longer term, or lower your current interest rate for a specified period of time.

Sell 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. However, give-backs negatively affect your credit record, although not to the same degree 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 protect my home equity?

When facing foreclosure, solutions that sound too good to be true usually are. Loan modification scam artists are

preying upon homeowners in danger of foreclosure or facing financial difficulty. **Signs of a loan modification scam include:**

- A company/person **asks for a fee in advance** to work with your lender to modify, refinance or reinstate your mortgage.
- A company/person **guarantees they can stop a foreclosure or get your loan modified.**
- A company/person advises you to **stop paying your mortgage company and pay them instead.**
- **Visit NeighborWorks' Loan Modification Scam Alert campaign web site** for more information about loan modification scams and how you and your loved ones can avoid getting scammed at www.LoanScamAlert.org.

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

Take advantage of homeownership education offered by local NeighborWorks organizations before you buy a home. Homeowners can avoid trouble later on by making informed decisions before 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 mortgage lenders. Free pre-purchase homeownership education is offered through local NeighborWorks organizations across the nation. Visit www.nw.org to find a local NeighborWorks organization near you.

Stay on top of home repairs and maintenance.

NeighborWorks organizations provide counseling on regular home maintenance, as well as repairs and rehabs that improve the value of a home. Too often emergency repairs and less-than-trustworthy contractors push a homeowner into foreclosure.