



## **Metro Housing Partnership, Inc.**

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### **You Can Avoid Foreclosure and Keep your Home**

Losing a home can be financially and personally devastating. Here's information to help you keep your home. Relief may be available.

### **Facing Money Problems:**

Financial problems are most often associated with major life changes like:

1. Job loss
2. Cuts in work hours or overtime
3. Retirement
4. Illness, injury, or death of a family member
5. Divorce or separation

If your family is facing any of these issues and you can't pay your bills, look closely at what you owe and what you earn. Eliminate unnecessary spending and reach out for help if you still can't make ends meet. Taking action right away can help you protect your family from the loss of your home.

### **Steps To Take When You May Note Be Unable To Pay Your Mortgage:**

#### **1. Contact your lender as soon as you have a problem**

To help you, lenders usually need:

- A. Your loan account number
- B. A Brief explanation of your circumstances
- C. Recent income documents:
  - i. Pay stubs
  - ii. Benefit statements from Social Security, disability, unemployment, retirement, or public assistance
  - iii. Tax returns or a year-to-date profit and loss statement, if self-employed
  - iv. A 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 fully and truthfully and return them to your lender quickly. Your lender will review the complete package before talking about a solution with you.

**CALL YOUR LENDER TODAY! The sooner you call, the sooner help is available.**

- 2. Talk to a housing counselor**
- 3. Prioritize your debts**
- 4. Explore loan workout solutions with your lender**
- 5. If keeping your home is not an option**
- 6. Beware of predatory lending schemes**

#### **4. Explore loan workout solutions with your lender- (TOP)**

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

But if you find you are unable to make your mortgage payments, you might qualify for a loan workout option. Check with your lender to see which option may be available. Some options may not apply to your loan if it is not insured by FHA.

**If your problem is TEMPORARY ask your lender to discuss these possibilities:**

- a. **Reinstatement:** Your lender is always willing to discuss accepting the total amount owed in a lump sum by a specific date. Forbearance may accompany this option
- b. **Forbearance:** Your lender may allow you to reduce or suspend payments for a short period of time and then agree to another option 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. The money might come from a hiring bonus, investment, insurance settlement, or tax refund.
- c. **Repayment plan:** You may be able to get an agreement to resume making your regular monthly payments, plus a portion of the past due payments each month until you are caught up.

**If it appears that your situation is LONG-TEAM or WILL PERMANENTLY affect your ability to bring your account current-call your lender to discuss options:**

- d. **Mortgage modification:** If you can make payments on your loan, but don't have enough money to bring your account current or you can't afford your current payment, your lender may be able to change the 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:
  - i. Adding the missed payments to the existing loan balance.
  - ii. Changing the interest rate, including making and adjustable rate into a fixed rate.
  - iii. Extending the number of years you have to repay.
- e. **Partial Claim:** If your mortgage is insured, your lender might help you get a one-time interest-free loan from your mortgage guarantor to bring your account current. You may be allowed to wait several years before repaying this loan. You may qualify for a FHA partial claim if:
  - iv. Your loan is between 4 and 12 months delinquent
  - v. You are able to begin making full mortgage payments again

When your lender files a partial claim, HUD will pay your lender the amount necessary to bring your mortgage current. You must sign a promissory note, and a lien will be placed on your property until the promissory note is paid in full.

The promissory note is interest-free and is due when you pay off the first mortgage or when you sell the property.

**If keeping your home is not an option-call your lender to discuss these possibilities:**

- f. **Sale:** If you can no longer afford your home, your lender will usually give you a specific amount of time to find a purchaser and pay off the total amount owed. You will be expected to use the services of a real estate professional who can aggressively market the property.
- g. **Pre-foreclosure sale or short payoff:** If you can't sell the property for the full amount of the loan, your lender may accept less than the amount owed. Financial help may also be available to pay other lien holders and/or help towards some moving costs. You may qualify if:
- h. **Assumption:** A qualified buyer may be allowed to take over your mortgage, even if your original loan documents state that it is non-assumable.
- i. **Deed-in-lieu of foreclosure:** As a last resort, you "give back" your property and the debt is forgiven. This will not save your house, but it is less damaging to your credit rating. This option might sound like the easiest way out, but it has limitations:
  - vi. You usually have to try to sell the home for its fair market value for at least 90 days before the lender will consider this option
  - vii. This option may not be available if you have other liens, such as other creditor judgments, second mortgages, and IRS or state tax liens.