

# Are You Having Trouble Paying Your Mortgage?

## Did you know that mortgage defaults are at an all time high in the United States?

That means you are not alone, and your mortgage company is familiar with people in your situation. Many mortgage companies now have programs that can help.



## What Should You Do First?

Before you make any attempts to save your house you should look at your budget and make sure you know how much you can afford for housing. Make sure the payment you agree to leaves enough money to pay your other expenses.

Novadebt is a HUD-approved housing counseling agency where a counselor can help assess your situation, answer your questions, review your options and help you prepare for discussions with your loan servicer. There is no cost to the homeowner for counseling. You can contact a housing counselor at 866-472-4557.

You can also contact your local office of the U.S. Department of Housing and Urban Development at [www.HUD.gov](http://www.HUD.gov), as well as the Homeownership Preservation Foundation (HPF) at 888-995-HOPE or [www.hopenow.com](http://www.hopenow.com)

Counseling should be free. Beware of anyone charging large, up-front fees or guaranteeing you a loan modification or other solution to stop foreclosure.

## Although a counseling session is recommended, you can call your loan servicer on your own. Things to keep in mind:

- Before you call, have a record of your expenses and income.
- Be prepared to answer questions about what caused your hardship.  
Is the hardship temporary, long-term or permanent?  
What changes in your situation do you see happening?
- Keep notes of all communications with the servicer, including the date, time and representative's contact information.
- Meet all deadlines that your servicer gives you.

## Some servicers will offer:

- Reduced payments
- Reduced interest rates
- To apply any prepayments to the past due amount
- A payment of interest only
- A suspension of payments
- To allow you to make up any missed payments interest-free over a period of time

If your lender wants to rewrite your mortgage, you may be subject to large balloon payments, prepayment penalties, increasing interest rates, points, and negative amortization, which may increase your cost even if it reduces your payment in the short run.

## Other Alternatives

- Sell your house. If there is equity, it can be used to pay off the loan balance plus any expenses connected to selling the house.
- Short sale. If there is no equity, your loan servicer may allow you to sell the home for less than what is owed in order to avoid a foreclosure on the property. They may agree to forgive any shortfall between the sale price and the mortgage balance. Under the Mortgage Forgiveness Debt Relief Act of 2007, the forgiven debt on a primary residence may be excluded from income in calculating your federal taxes. This is scheduled to expire in 2012. For more information you can visit [www.IRS.gov](http://www.IRS.gov).
- Deed in Lieu of Foreclosure. This is a voluntary transfer of the property title to the lender. In exchange, the mortgagee may cancel the remainder of the debt. This may not be feasible if there are other liens secured by the house.

## Scams to watch out for:

- Foreclosure prevention specialists. These individuals charge high fees to make a few phone calls and complete some paperwork that you can easily fill out yourself. Some of these companies even use names that sound like legitimate agencies in order to fool consumers.
- Lease/buy back. Homeowners are deceived into signing over their home in order to rent it back from the scammer. These schemes usually have terms so demanding that the homeowner gets evicted and the scammer walks off with the property.
- Bait and switch. Homeowners think that they are signing paperwork to bring the mortgage current, but they actually wind up signing away the deed to their home.

This brochure is meant as an overview and is for general information purposes only. Please call us if you need further assistance.

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An Educational Message from

**novadebt**

A Garden State Consumer Credit Counseling Organization



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