MORTGAGE HELP

Overcoming Challenges as a Homeowner

Hardships

First, we will discuss some of the most common reasons homeowners have trouble paying their mortgages. Each situation has unique troubles that affect your ability to pay in different ways.

Unemployment

Losing your job means losing a source of income. Naturally, not having any money coming in can make it difficult to afford your monthly mortgage payments.

Your first step should be to file for unemployment. While you're looking for another job, unemployment checks may be able to help you keep paying your mortgage. Either way, it's important to keep your mortgage servicer updated about your situation and ability to pay.

Natural Disasters

Hurricanes, earthquakes, wildfires, tornadoes, and more can all wreak havoc on your life – and your home. Natural disasters can affect your mortgage not only because it's more difficult to pay, but also because your home may be damaged or destroyed. What then?

Usually, we recommend getting in touch with your mortgage servicer first. But with natural disasters, this is not the case. You should first contact the Federal Emergency Management Agency (FEMA). Second, reach out to your homeowners insurance agency. Finally, talk to your mortgage servicer about your options.

Divorce

After a divorce, you may be the only one contributing to your mortgage. Conversely, you may be paying for a mortgage but no longer living in the home. In either case, you should first talk to your divorce attorney to see what you can work out between yourself and your ex-spouse. Once you reach an agreement, let your mortgage servicer know.

Death of Spouse

If your spouse dies and you owned the mortgage jointly, then you will be responsible for making the remaining monthly payments. You may not have the funds to cover it if your spouse worked at the time of their death.

If you own the house jointly and you die, the house will go to your spouse. Federal law prevents lenders from requesting the full remaining amount right away.

In some cases, your mortgage agreement may contain a clause stating that a life insurance policy can be used to pay off the mortgage in the case of an owner's death.

Perhaps you don't co-own the home. In this situation, the surviving spouse can take over the mortgage payments. Sometimes the estate can pay off what's left.

Other hardships

Though the hardships we mentioned here are the most common, this is far from an exhaustive list. No matter what hardship you may be facing, a HUD-certified housing counselor can be a good source of information and guidance.
Go to HUD.gov to find a HUD-approved housing counseling agency near you.

COVID-19: Mortgage Help During the Pandemic

The COVID-19 pandemic, also known as the coronavirus pandemic, has hurt both Americans' health and their finances. Individual property owners, lenders, and the government have all created provisions that help homeowners during this time.

The CARES Act

The Coronavirus Aid, Relief, and Economic Security (CARES) Act includes several clauses about federally-owned mortgages. For example, the act states that homeowners can request 180 days of forbearance. They can also ask for a 180-day extension after that.

The CARES Act also included a clause that prevented foreclosure on federally-insured homes. That moratorium has been extended through the end of this year (December 31, 2020).

If you aren’t sure if your mortgage is federally owned, ask your servicer.

Local policies

Some cities and counties have mandated eviction and foreclosure freezes. This means that for a limited time, renters and owners cannot be forced to leave their homes due to missed payments. Check with your local government to see if this may apply to you.

Private mortgage lenders

If your mortgage is not federally owned, the CARES Act does not have stipulations to protect you. You will have to talk with your servicer and see if the company that owns your mortgage is offering any relief.

Dates to Know

When a hardship occurs and you have trouble paying your mortgage, you have a limited time to get back on track. Below are the dates you need to watch out for after you miss a payment.

30 days past due

Your servicer could report your account as delinquent. This will show up on your credit report.

36 days past due

Your servicer has to reach out to you. They must try to make live contact – it can't just be an email or a letter.

45 days past due

Your servicer must send you a letter and assign someone to your case.

121 days past due

At this point, your servicer may refer you to foreclosure.

How to Work with Your Servicer

What is a mortgage servicer?

Put simply, mortgage servicers are the companies you give your monthly mortgage payments to. They also handle your escrow account, if you have one.

How to talk with your mortgage servicer

Don't be afraid to contact your mortgage servicer. They want you to be able to pay them. Explain your situation and why you're having trouble paying. They may be more willing to help than you think.

Negotiate

Just because you can't make your full payment doesn't mean you can't pay at all. You may be able to temporarily work out a lower monthly payment while you get back on your feet. Make an offer to your servicer and negotiate until you come to an agreement.

Keep records

Make sure that you document everything that happens between you and your mortgage servicer. Request agreements in writing and keep every letter you receive. Additionally, make your own notes so you remember what you discussed in each phone call.

Write a hardship letter

Writing a hardship letter to your mortgage servicer is a way to prove your hardship so you can better negotiate a new plan. Include as many details as possible and send it out early – the longer you wait, the longer the process will take.

Sign off so they can see credit report and tax info

In order for your servicer to confirm your financial information, they may ask you to give them permission to see your tax info and your credit report.

Working with a Consolidated Credit Housing Counselor

Talking with a HUD-certified housing counselor at Consolidated Credit is completely free. They can help you overcome issues that you face as a homeowner, including preventing foreclosure after hardship.

Foreclosure prevention

After you call a housing counselor about the possibility of losing your home, you will fill out a foreclosure prevention counseling intake form. This gives your counselor the information they need to help you start building a personalized action plan.

Your action plan will guide you through the process of keeping your home. Or, if you and your counselor decide it's best for you to leave your home, your action plan will help you make a graceful exit.

Every step of the way, your counselor will be there to support you and answer questions.

Assistance talking to your servicer

Talking to your mortgage servicer can be intimidating, and you may feel like you don't have all the knowledge you need. This is where a housing counselor can come in. They can tell you everything you should ask and what you should know before you call.

Options

Forbearance

Forbearance means your mortgage servicer agrees to accept a reduced payment or pause payments for a specified amount of time. Your mortgage will continue to accrue interest during that time. When the forbearance ends, you must pay arrearages.

This solution may be right for you if…

Your hardship is temporary and you will be able to resume normal payments in a few months.

Repayment Plans

A repayment plan is an agreement between you and your mortgage lender. It allows you to make payments on your past-due bills over time so you can eventually bring your mortgage up to date. You may also need to set up a repayment plan as you finish a forbearance period, so you are not required to repay everything you owe at once.

This solution may be right for you if…

Your hardship is temporary and you want to repay what you owe gradually.

Mortgage Modification

Modifying your mortgage means changing the original terms of the mortgage. If a crashing housing market means your home is worth less than the value of your mortgage, this option may be available. You can stay in your home and avoid major credit damage.

This solution may be right for you if…

You are underwater on your mortgage but want to stay in your home.

Deed-in-Lieu of Foreclosure

A deed-in-lieu of foreclosure transfers ownership of your home to the mortgage servicer so they can sell it. You're released from your mortgage and monthly payments. Sometimes there is even relocation assistance for those using this method of avoiding foreclosure. Additionally, your credit score may recover faster than if you went through foreclosure. This means you could get another mortgage sooner.

This solution may be right for you if…

You can't reasonably repay your mortgage debt and you need relief.

Short Sale

A short sale allows you to sell your house for less than what you currently owe on your mortgage. You obviously sell at a loss, but you avoid foreclosure and are released from your monthly payments. You may also be able to use the proceeds to pay some of your remaining mortgage balance, although the lender has the right to get a deficiency judgment against you for the remaining balance owed.

This solution may be right for you if…

You need fast relief from your mortgage debt but don't want to go through foreclosure.

How Foreclosure Works

Foreclosure happens when you default on your mortgage. The lender seizes the home and sells it to try to make up for the money they lost when you defaulted.

A foreclosed home can also be called a real estate owned property, or REO.

Why is a lender allowed to take your home from you? Well, a mortgage is a type of secured loan. A secured loan secures the money you borrow against an asset you own. If you can't pay the loan, the recourse is for the lender to get the asset. With a mortgage, the asset is your home.

The first step in foreclosure occurs when you default on your mortgage. After you start missing payments, your lender can take action. This doesn't always lead straight to your house being foreclosed. It can lead to mediation, referral to HUD-certified counselors, a mortgage relief program, or another alternative to foreclosure.

If you miss payments for 121 days, the lender will give public notice. They contact your County Recorder's Office or file a lawsuit. You have a chance to reverse this in the pre-foreclosure period.

During pre-foreclosure, you can pay off what you owe or use some other solutions such as a repayment plan, a short sale, or a deed-in-lieu of foreclosure. If you can't use any of these solutions, the foreclosure will proceed. You will have to leave your home.

The next step is an auction. Your mortgage servicer puts up your home for auction, with the minimum bid usually being your remaining mortgage loan balance.

NOTE: Foreclosure proceedings are stopped during bankruptcy. If you file for bankruptcy after the foreclosure process has started, an automatic stay will be issued. This will stop the foreclosure until the bankruptcy case is settled. This may give you extra time to save your home or find a solution.

After foreclosure

Foreclosure hurts your credit, which can make it difficult to get another mortgage in the near future. It will stay on your credit report for seven years from the first missed payment.

Over time, the foreclosure will have less and less of an effect on your credit until it eventually falls off your report at the seven-year mark. However, even before the foreclosure falls off your report, you can take steps to rebuild your credit.

Control your spending, pay bills on time, and pay down your other debts to start improving your credit after foreclosure. If you need help with your debt, call one of Consolidated Credit's certified credit counselors for a free consultation. The counselor will help you find the best debt relief solution for your situation.

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