

# Homeowner's Guide to Success

What to do if you can't pay your mortgage



# Welcome to your Homeowner's Guide to Success

**Hardships** create difficult situations and require difficult decisions.

If you're experiencing a hardship, you might be wondering what bills to pay and if you can still afford your home. If you're having trouble paying your mortgage, **your mortgage servicer** may provide mortgage assistance options to help you avoid foreclosure. Mortgage assistance may provide options to keep you in your home with an affordable payment or help you with a graceful exit from your home.

This booklet provides you with practical guidance on what to expect, and what choices you may have when you're having trouble paying your mortgage.

## What happens if my payment is late?

It's important to always pay your mortgage on time. Your payment is due on the 1<sup>st</sup> of every month. If your payment is late, your servicer may charge you a late fee and attempt to contact you. The good news is that, you have until the 15<sup>th</sup> of the month to make your payment before a late fee is charged. A late fee can be charged for each month that you miss a payment. Additional fees can also be charged if you go into default (more than 30 days late). If you miss a mortgage payment, your loan will be "past due." If your loan is 30 days past due, it may be reported on your credit report. A single late or missed payment on your credit report can reduce your credit score.

## Free, expert help is available

Your **mortgage servicer** or a **HUD-approved Housing Counseling Agency** can help at no cost to you. The sooner you call your servicer or a housing counselor, the more options you will have.

**BE WARY** of foreclosure rescue scams or anyone who wants you to pay a fee to avoid foreclosure. Click link to get more information on scams or click the Find a Housing Counselor link→

### Mortgage Servicer

Your mortgage servicer manages your mortgage account. The servicer accepts your regular monthly payment, will advise you of potential upcoming rate changes, and, if you make escrow payments, submits your property taxes and/or insurance payments on your behalf.

If at any point you struggle to make your mortgage payment, your servicer may be able to help you with assistance options.

Your mortgage servicer may or may not be the company that provided your mortgage. It is normal for a mortgage to move from one servicer to another over the life of a loan.

### Mortgage Investor/Guarantor/Insurer

Other participants in the mortgage finance industry include investors, insurers and guarantors. In some cases, these different entities may require your servicer to follow guidelines that can impact what options your servicer can offer you. However, your mortgage servicer will know these guidelines and will work with you to service your account.

An investor is the company that owns your loan. Investors may include private companies such as Freddie Mac and Fannie Mae. There may also be government agencies that guarantee or insure lenders and investors against certain losses that result from a defaulted loan. These government agencies may include entities like Ginnie Mae, FHA, USDA, and the VA.

<https://www.consumerfinance.gov/about-us/blog/consumer-advisory-dont-fall-for-a-foreclosure-relief-scam-or-bogus-legal-help/>

# How can your mortgage servicer help you?

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If you are having trouble with your mortgage, your servicer will try to understand your situation. If there is a hardship, your servicer will explore mortgage assistance options with you. Options might include a repayment plan, loan modification, short sale or Deed-In-Lieu of foreclosure. If a mortgage assistance solution cannot be reached, and the account remains delinquent, your home may be foreclosed on.

## Reach out to your servicer now!

- ✓ Your servicer will send you a list of the documentation that you will need to provide to be evaluated for help; examples include paystubs, bank statements, and award letters (*or other types of formal documentation that identifies certain monthly benefits to which you may be entitled – such as Social Security*). Some documents may need updating periodically and therefore, may be requested several times.
- ✓ You may need to provide a “hardship letter” and proof of hardship to your servicer. The hardship letter should be detailed so your servicer can better understand your situation.
- ✓ You may also be asked to sign documents to allow the servicer to check your credit report or seek tax information to confirm some of the financial information you provide.

## How will these documents be used?

Your servicer will use the documentation to determine your eligibility for mortgage assistance options.

**Tip:** *A housing counselor can assist you with your hardship letter and any other questions that you may have.*

### What are the important dates to know?

-  As soon as you think you can't make your payment, contact your mortgage servicer or housing counselor
-  **30 days past due**  
Your servicer may report you to credit reporting companies as delinquent on your loan
-  **36 days past due**  
Your servicer is required to try and make live contact with you
-  **45 days past due**  
Your servicer is required to assign you personnel to respond to your inquiries and assist you with available assistance options, and send you a written notice
-  **121 Days past due**  
Your loan may be referred to foreclosure attorneys unless you have an active loss mitigation application package

# A housing counselor can help!

A HUD-approved housing counselor is a trained professional who can advise you on choices that may be available to prevent foreclosure. The [U.S. Department of Housing and Urban Development \(HUD\)](#) supports a network of housing counseling agencies throughout the country. Housing counseling is available in many languages. The HOPE Hotline provides assistance from a housing counselor by telephone 24 hours a day, 7 days a week at **(888) 995-HOPE (4673)**.

A Housing Counselor Will:	How to Find a Housing Counselor:
<p> Help you to understand your current situation, explain your mortgage assistance options and review what documents you will need to provide to your servicer.</p> <p>Be able to contact the servicer and help prepare and submit your application to the servicer on your behalf.</p> <p> Help you make a budget to help you pay your monthly mortgage payment and other expenses.</p> <p> Provide information about local resources that may be helpful to you.</p>	<p> <a href="http://www.hud.gov/findacounselor">www.hud.gov/findacounselor</a> or <a href="http://www.consumerfinance.gov/find-a-housing-counselor/">http://www.consumerfinance.gov/find-a-housing-counselor/</a></p> <p> HOPE Hotline at <b>(888) 995-HOPE (4673)</b></p> <p>Hearing and speech impaired individuals can use the following TTY number for assistance: 877-304-9709.</p> <p><b><i>There is no charge to work with a HUD-approved housing counseling agency when you're having trouble paying your mortgage – Help is free!</i></b></p>

# What types of mortgage assistance options might be available to you?

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Below is a list of mortgage assistance options that your mortgage servicer might make available to you. The first time that you complete an application for mortgage assistance (also called loss mitigation), your servicer must evaluate you for all options available to you. It's important to work with your mortgage servicer or housing counselor to try to find the mortgage assistance option that works best for you. If you bring your account current any time after submitting your first completed application, you can re-apply in the future and your servicer must fully review your new complete application.

The programs below are general types of mortgage assistance solutions that are often available to homeowners. However, you should be aware that each mortgage servicer and investor may offer customers different types of solutions that have different eligibility requirements. Every situation and solution is unique; and what your mortgage servicer can offer you will depend on your situation and the requirements of your loan's investor. For additional information, see the helpful terms list on page 9 of this document.

Does this sound like me?		How does it work?
A <b>reinstatement</b> may be right for me if...	I had a temporary financial hardship that prevented me from making my monthly mortgage payment, but now I have the money to pay the amount that I owe.	No formalized plan  Simply repay the amount owed.
A <b>forbearance plan</b> may be right for me if....	I am experiencing a temporary financial hardship but will resume my previous level of income in the next few months. For example, I am a victim of a natural disaster and need some time to take care of my home and my family.	Pay a reduced payment during temporary hardship.  Loan will continue to accrue interest and arrearages will be due at the end of the forbearance plan.

Does this sound like me?		How does it work?
A <b>repayment plan</b> may be right for me if...	I missed a few payments but can afford to pay more than my monthly mortgage payment for the next few months to catch-up.	<p>Pay an increased payment temporarily until the mortgage debt is brought current.</p> <p>Repayment plans are generally between 2 and 6 months but may be longer.</p>
A <b>modification</b> may be right for me if...	<p>I want to keep my home, but I can no longer afford the payment because</p> <ul style="list-style-type: none"> <li>• I experienced a change in marital status such as death of a spouse or divorce.</li> <li>• I am making less money than I was before.</li> <li>• My expenses have increased.</li> </ul>	<p>An attempt is made to reduce your monthly mortgage payment to an affordable amount and bring your loan current by adding those missed payments to the amount you owe.</p> <p>Modifications may require a three or four-month trial plan, which requires you to make consecutive, on-time payments before the loan is modified.</p>
A <b>short sale</b> may be right for me if...	I can no longer afford my monthly mortgage payment, and I owe more on my mortgage than my home is worth. I would like to sell my home, and I prefer to manage the process myself.	<p>Available if your mortgage balance exceeds the value of your home.</p> <p>You work with your servicer to determine the listing price.</p>
A <b>deed in lieu of foreclosure</b> may be right for me if...	I can no longer afford my monthly mortgage payment. I would like to sell my home but prefer not to participate in the selling process.	You work with your servicer to relinquish ownership of the property in exchange for relief from some or all of the mortgage debt.

# Understanding your Numbers

## Calculate your additional income

To feel comfortable with your monthly mortgage payment, it is important to understand how much you have to spend on other expenses after you pay your monthly mortgage payment.

Total monthly income after taxes	\$
Proposed monthly mortgage payment from my mortgage servicer	- \$
Monthly car payment(s)	- \$
Student loan payment(s)	- \$
Monthly credit card payment(s)	- \$
Other financial obligations	- \$
My remaining monthly amount to cover living expenses any other debt and obligations	= \$

*This money must cover your utilities, groceries, child care or child support, health insurance, repairs, and everything else. If this isn't enough, consider options such as buying a less expensive home or paying down debts.*

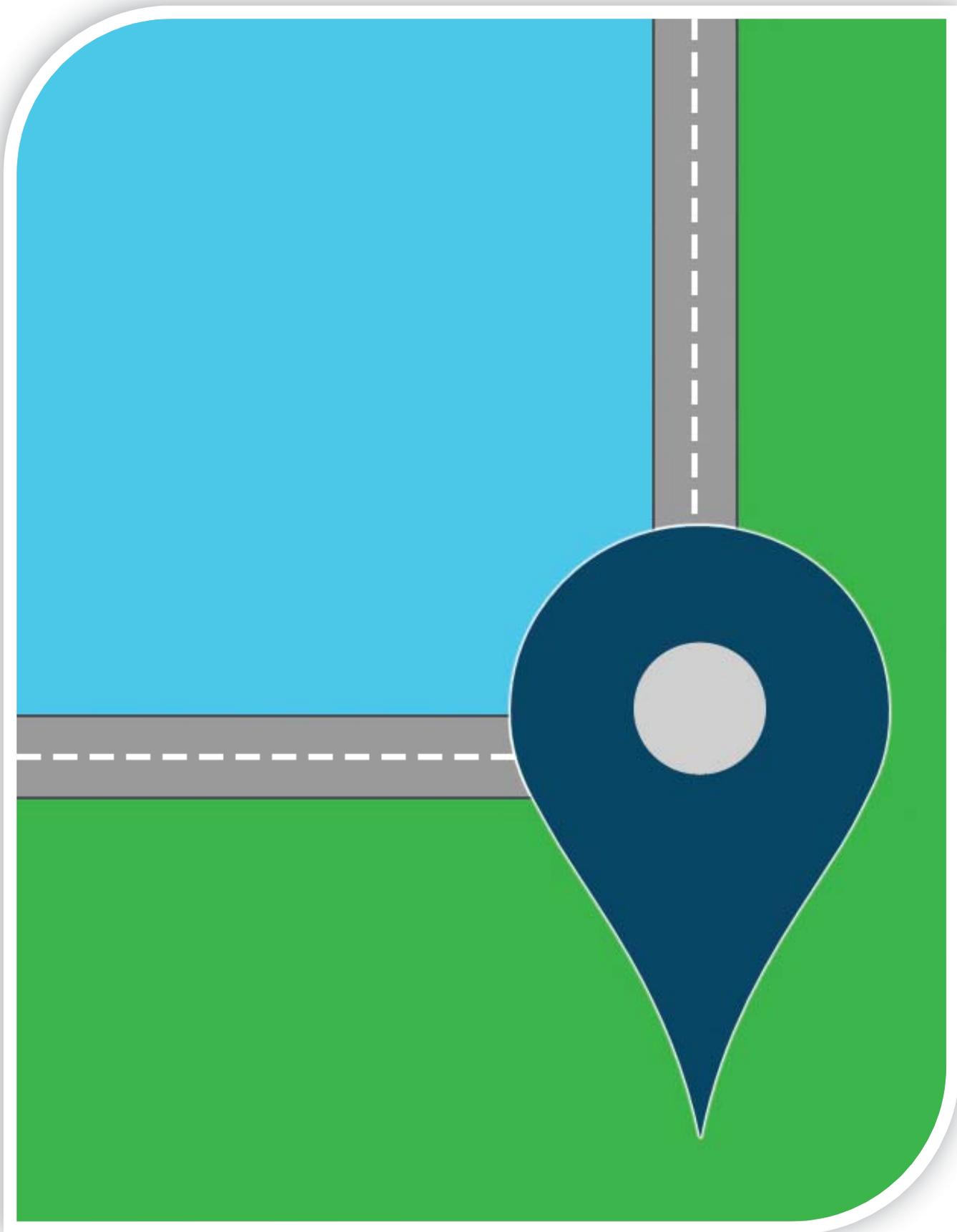


## Helpful Terms

Delinquent	A mortgage is considered delinquent or late when a scheduled payment is not made on or before the due date.
Default	A mortgage is considered in default when you fail to make any payments due and such failure continues for a period of 30 days or more.
Temporary Hardship	A temporary hardship is a hardship that will come to an end and your previous level of income will return within a few months. Examples include temporary unemployment or a natural disaster.
Scheduled Payment Increases	To get you the most help possible, a temporary low initial interest rate may be applied. Later the rate will be "stepped up" incrementally until you are set at a normal standard rate.
Principal Forbearance	To achieve a lower monthly payment, a portion of the principal is deferred and becomes non-interest bearing. You will have to pay this portion back at the end of the loan.
Balloon Amounts	A balloon amount is a portion of your loan's principal balance that is not paid by your scheduled monthly payments. This amount is due at the end of your loan term and may or may not accrue interest.
Term Extension	Adding additional months onto your loan term may result in a lower monthly payment because the same loan balance is spread over a longer period of time. Modification terms can extend the duration of your loan, but are generally not longer than 40 years.

## Fair Housing Information

Does this sound like me?	<p>I believe my lender or my mortgage servicer discriminated against me (or against someone associated with me or my home) under the Fair Housing Act because of race, color, religion, sex, familial status, national origin or disability or under ECOA because of race, color, religion, national origin, sex, marital status, age, because I receive income from a public assistance program, or because I have in good faith exercised any right under the Consumer Credit Protection Act. <b><i>Then...</i></b></p> <p><b>A complaint under the Fair Housing Act or the Equal Credit Opportunity Act (ECOA) may be right for you.</b></p>
How does it work?	<p>You may file a fair housing complaint with HUD at: <a href="http://www.hud.gov/fairhousing">www.hud.gov/fairhousing</a> or by calling <b>800-669-9777</b> or TTY <b>800-927-9275</b>. For more information on filing an ECOA complaint, see: <a href="https://www.justice.gov/crt/equal-credit-opportunity-act-3">https://www.justice.gov/crt/equal-credit-opportunity-act-3</a>.</p>



**cfpb**

Consumer Financial  
Protection Bureau



U.S. Department  
of Veterans Affairs



United States  
Department of  
Agriculture

**Rural Development**

