

Mortgage Default & Foreclosure Prevention

In today's economy, a person's financial situation can change in an instant. The loss of a job, unexpected medical or other recurring expenses, or unclear loan repayment terms can leave even the best laid budget in disarray and create a mountain of debt that can get out of control quickly. When this happens it can be hard for a person to seek the help they need because of social stigmas, denial that the situation has become serious, or even old-fashioned procrastination. Homeowners in this situation particularly have a lot at stake as they face the possibility of losing their good credit standing (which can affect their ability to refinance) or the worst case scenario of foreclosure.

There are several community resources that offer counseling and financial education that can help to prevent you from defaulting on your loan or facing foreclosure. All housing advocates advise homeowners to **contact your loan servicer at the first sign of distress**. Most banks and loan servicers have departments in place to work with borrowers to repay or modify their loan and usually have a wide variety of programs available. Foreclosure is a long and costly process for both the bank and the affected homeowner and it's in everyone's best interest to prevent mortgage default by starting the communications early on when it is easier to find a solution that works for both parties.

What to do if you fall behind:

1. Your mortgage or rent payment should be your top priority in paying your bills each month. Use unemployment compensation benefits, workers compensation benefits, spouse's income, savings, help from friends and family to pay your housing expenses first.
2. Contact your mortgage servicer if you fall behind.
 - a. Keep all correspondence from your mortgage in one place and request current copies of paystubs, bank statements and tax returns from the previous 2 years.
 - b. Write a hardship letter and collect all documentation of hardship
 - c. Compile a family budget and have the figures on hand when you talk to people
3. Seek advice on repayment alternatives
 - a. Many communities offer foreclosure prevention/mortgage default counseling
 - b. Learn more about refinancing, temporary forbearance, loan modifications, extending your loan, short-term assistance loans, and possibly selling your home.
4. Cooperate with your mortgage servicer
 - a. Be open, honest and realistic. Your attitude about meeting your obligation can influence your loan servicer's decision to help you. Understand it will take a combined effort to help solve your problem.
 - b. If you do not understand what your servicer is telling you, ask them to explain it in a way you will understand or seek assistance from a nonprofit organization.

BE WARY OF FORECLOSURE SCAMS! Avoid paying any up-front fees to any organization claiming to negotiate your mortgage or debt. Debt management groups do not provide you with any services you cannot do for yourself, for free. Working with a nonprofit organization- preferably one with a 501(c)(3) status, can help provide you with an impartial and knowledgeable advocate during a highly distressful time.

National Programs

- **Making Home Affordable**

The Obama administration is dedicated to helping individuals and families avoid foreclosure and have created programs to help homeowners including the **Home Affordable Refinance** program and the **Home Affordable Modification Program** for homeowners that have Fannie Mae or Freddie Mac held mortgages. If you are not currently with HomeStreet Bank, a list of participating servicers can be found at http://www.makinghomeaffordable.gov/contact_servicer.html.

Home Affordable Refinance Program

The Home Affordable Refinance Program is for homeowners who pay their mortgages on time but are not able to refinance to take advantage of today's lower mortgage rates perhaps due to a decrease in the value of their home. A Home Affordable Refinance will help borrowers whose loans are held by Fannie Mae or Freddie Mac refinance into a more affordable mortgage.

Home Affordable Modification Program

The Home Affordable Modification Program helps homeowners that are struggling to make their monthly mortgage payments perhaps because their interest rate has increased or they have less income. A Home Affordable Modification will provide them with mortgage payments they can afford.

- **The Unemployment Lifeline**

A one-stop guide that links workers to the resources in their area, from unemployment offices to veterans' services to child care. It also offers the opportunity to talk to others and share support and lessons learned.

- **Reverse Mortgages**

A reverse mortgage can help senior homeowners age 62 or older stay in their home and maintain ownership. Most reverse mortgages are FHA insured and they are a great way for you to achieve the financial security you need simply by using the available equity in your home. You can receive reverse mortgage proceeds in monthly payments, in a lump sum or as a line of credit that you can draw on as needed. Plus, the proceeds you receive are tax-free and are not repaid as long as you live in the house.

Mortgage Default Prevention & Counseling Resources

Community nonprofit associations can be an excellent source of unbiased information and one-on-one financial counseling that can be invaluable to helping you get back on the path to financial success. They can also help you understand your rights as a homeowner and the steps you can take to avoid foreclosure.

Resources in Oregon

- **2-1-1 Human Services Referral Network**

The largest information and referral call center in the Northwest

- **Association of Community Organizations for Reform Now**

866-67-ACORN

- **African American Alliance for Homeownership**

503-595-3517

- **Open Door Counseling Center**

503-640-6689

- For a list of organizations statewide, visit: <http://www.dfcs.oregon.gov/ml/foreclosure/counselors.html>

Resources in Washington

- [El Centro de la Raza](#)
(206) 957-4610
- [International District Housing Alliance](#)
(206) 623-5132
- [Solid Ground](#)
(206) 694-6766
- [Urban League of Metropolitan Seattle](#)
(800) 368-1455
- [Vancouver Homeownership Center](#)
360-6904-4496
- [City of Seattle Foreclosure Prevention Program](#)
This program that offers counseling, \$5,000 in stabilization loans, and assistance in negotiating repayment plans with lenders will give homeowners the option to avoid default and work out a repayment plan to stay in their home or gain enough time to sell their homes on their own terms.
- [Spokane Neighborhood Action Program](#)
509-456-7111 Ext 200
- For a list of organizations statewide, visit: http://www.homeownership-wa.org/search_resources/search_resources.htm

Resources in Hawaii

- [Hawaii Homeownership Center](#)
808-593-9500
- For a list of organizations statewide, visit:
<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?&webListAction=search&searchstate=HI>

Monthly Budget Worksheet

	Monthly	Annual
Household Income	_____	_____
Less Income Taxes	_____	_____
Living Expenses 80 % of Income	Monthly	Annual
Housing/Utilities (50%)		
Mortgage/Rent	_____	_____
Homeowners/Renters Insurance	_____	_____
Gas/Electric	_____	_____
Water/Sewer/Garbage	_____	_____
Internet/Phone/Cable	_____	_____
Housing Total		
Meals/Other Necessities (10%)		
Food/Groceries	_____	_____
Restaurants/Other	_____	_____
Meals/Other Total		
Transportation (10%)		
Auto Loan	_____	_____
Car Insurance	_____	_____
Maintenance-incl gas	_____	_____
Transportation Total		
Revolving Debt (10%)		
Student Loans	_____	_____
Credit Cards	_____	_____
Revolving Debt Total		
Entertainment 10 % of Income		
Entertainment/Clothing/Misc.		
Clothing/Household Items	_____	_____
Magazine/Movie Subscriptions	_____	_____
Gym Membership	_____	_____
Miscellaneous	_____	_____
Entertainment Total		
Savings 10 % of Income		
Savings		
Long Term-Retirement	_____	_____
Short Term-Vacation/Other	_____	_____
Total Savings		
Total Expenses	_____	_____
Budgeted Expenses	_____	_____
Difference	_____	_____