

TIPS FOR AVOIDING FORECLOSURE

Paying your mortgage can be a challenge when you experience financial hardship. If you're struggling to keep up with mortgage payments, be proactive and seek assistance.

Here are some do's and don'ts to help you avoid foreclosure:

Do...

- 1. Ask for help.** Call your mortgage servicer when you cannot make your monthly payment. The phone number is on your monthly mortgage statement. Tell your servicer why you cannot pay and ask for help avoiding foreclosure.
- 2. Apply for loss mitigation.** Loss mitigation refers to alternative actions your servicer may offer to help you avoid foreclosure. Complete a loss mitigation application with your servicer as soon as you recognize financial hardship. You may qualify for options including:

Repayment plans. The servicer restructures your monthly payments for a period so you can repay the outstanding balance.

- **How it works.** You repay the missed payments over time, along with your regular monthly payments.
- **Benefits.** You have time to catch up on missed payments without having to pay the total amount in one lump sum.
- **Important considerations.** An initial down payment may be required. Your monthly payments will be higher during the period of repayment.

Mortgage modification. The mortgage servicer permanently changes the loan terms, such as lowering the monthly payment or interest rate.

- **How it works.** Your servicer determines how to modify the mortgage terms after you provide proof of financial hardship.
- **Benefits.** This option keeps your account current and may make your mortgage more affordable.
- **Important considerations.** A trial payment period may be required. Not all modifications result in a lower payment.



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Forbearance. The servicer or lender temporarily pauses or lowers your monthly mortgage payments.

- **How it works.** Your servicer determines whether you qualify for forbearance, and the terms of the agreement including:
 - ▶ The length of the forbearance period.
 - ▶ The amount of payment required during forbearance.
 - ▶ Whether the forbearance will be reported to credit bureaus.
 - ▶ How you'll repay the outstanding balance after forbearance ends.
- **Benefits.** You can temporarily reduce or suspend your monthly payments.
- **Important considerations.** Your loan — including the skipped or lowered payments — still accrues interest during forbearance. You must repay unpaid amounts after forbearance ends.

3. Contact a housing counselor. Housing counseling agencies can help you understand your options to avoid foreclosure and apply for help from your mortgage servicer. Visit consumerfinance.gov/mortgagehelp or call 1-800-569-4287 and enter your ZIP code to find an approved housing counselor from the U.S. Department of Housing and Urban Development (HUD).

Your mortgage servicer is not allowed to give notice of loan default or file for foreclosure until you are more than 120 days behind on your payments. The mortgage servicer cannot begin the foreclosure process if your timely application for mortgage help is under review or if you are adhering to a loan modification.

Don't...

- 1. Avoid calls from your mortgage servicer.** Don't delay asking for help if you run into trouble. The worst thing you can do is nothing.
- 2. Become a victim of a scam.** Scammers often target struggling homeowners by promising to help them avoid foreclosure if they pay money. You DO NOT have to pay to avoid foreclosure. You can get help for free from your mortgage servicer or a HUD-approved housing counseling agency.



How to Spot a Foreclosure Scam

Scammers may promise to save your home from foreclosure — but they actually want to steal your money. Watch for these red flags:

- ▶ They tell you to stop paying your mortgage.
- ▶ They want you to pay upfront for help.
- ▶ They guarantee changes to the terms of your mortgage.
- ▶ They guarantee you won't lose your home.
- ▶ They ask you to sign over the title to your home or sign other documents.
- ▶ They instruct you to pay someone other than your mortgage company or servicer.
- ▶ They offer to do a "forensic audit."
- ▶ They say they're affiliated with the government or use a logo that looks similar to a government seal.