

# Struggling to Pay Your Mortgage?

*Find out what options are available when you are at risk of foreclosure.*



## Struggling to pay your mortgage?

If you are struggling to pay your mortgage, you are not alone. Many people face financial hardship. Help may be available. Start working on a solution before you fall behind!

### First steps

1. Prioritize paying the mortgage and look for ways to cut unnecessary expenses from your budget, and to increase your household income.
2. Contact your lender right away and explain your situation. They may work with you to modify the loan or create a plan that prevents the need for foreclosure.
3. Contact a nonprofit HUD-approved housing counseling agency for free help in applying for loss mitigation (alternatives to foreclosure). You can find a counselor here: [www.hud.gov/findacounselor](http://www.hud.gov/findacounselor).
4. Apply for loss mitigation in writing. Keep copies of your application and all supporting documents, including fax cover sheets, receipts, and tracking numbers. Keep records

of your calls and letters to and from your mortgage company.

5. Open all your mail from your mortgage company or law firms hired by your mortgage company. Those notices may contain important information about your options and when a foreclosure is scheduled.
6. Don't just walk away. Evaluate your options and get advice on your best option.

### What can I do to keep my home?

Your loss mitigation options depend on the type of loan you have. FHA-insured loans, VA loans, and loans owned by Fannie Mae and Freddie Mac have loss mitigation options your mortgage company must offer you if you qualify. If you do not have one of these kinds of loans, your lender may have similar options available to you.

**Forbearance:** Your mortgage company may be willing to accept less than your regular payment for a period of time (typically 3-6 months). At the end of the forbearance period, however, you have to catch up the missed payments. Often, homeowners will catch up through a repayment plan or loan modification if available (see below for more information).

**Repayment Plan:** You may be able to work out a repayment plan with your mortgage company. You will typically need to pay the regular mortgage payment plus an extra amount each month (typically for 3-12 months) to catch up the missed payments in order to bring your loan current.

**Loan Modification:** Your mortgage company may be able to change the terms of your loan. The modification may involve capitalizing the delinquent accrued interest, reducing the interest rate, extending the term, reducing the monthly payment, and/or putting some of the loan balance in a non-interest bearing balloon (known as "principal forbearance").

## What if I can't afford to keep my home?

**Sell:** If you have equity (the current market value of your home minus what you owe on it), get a real estate agent and try to sell your home before it is scheduled for foreclosure. The money from the sale will go to you, after your mortgage, any liens, and real estate agent commission are paid. Properties sold at foreclosure sales are almost always sold for less than they are worth, and the homeowner rarely receives any proceeds.

**Short Sale:** If you don't have equity (aka your house is "underwater"), the mortgage company may agree to let you sell the home for less than the mortgage balance. However, you could face a potential income tax problem if the rest of your mortgage debt is forgiven, or a potential delinquency if the rest of your mortgage debt is not forgiven (meaning you could be sued for the remaining debt).

**Deed in Lieu of Foreclosure:** If you don't have equity, the mortgage company may agree to take back the title to your home instead of foreclosing. Make sure the exchange is even, and releases you from all liability on the mortgage loan. Otherwise, you could face an income tax problem in the future or a potential deficiency (in other words, if the exchange is not even and you are not released from all liability on the mortgage loan, you could be sued for the money still owed on the mortgage).

In some cases the mortgage company may agree to pay you a small amount of money to help you move. If your mortgage company agrees to a short sale or deed in lieu, get advice from an income tax professional.

## Important takeaways

1. Get help early! Don't ignore the problem; use your time wisely to work out a solution.
2. Contact a nonprofit HUD-approved housing counseling agency to get free help figuring out what loss mitigation options are available and putting together an application. Visit [www.hud.gov/findacounselor](http://www.hud.gov/findacounselor).

3. Watch out for loan modification scams! Do not pay for loan modification assistance.

## Learn Your Legal Rights!

**If you believe you have been wrongly denied for a loan modification, contact Atlanta Legal Aid to see if you are eligible for free legal help.**

### Fulton

54 Ellis Street, NE  
Atlanta, GA 30303  
(404) 524-5811

### DeKalb

246 Sycamore Street, Suite 120  
Decatur, GA 30030  
(404) 377-0701

### Cobb

30 South Park Square  
Marietta, GA 30090  
(770) 528-2565

### South Fulton/Clayton

77 Cleveland Avenue, SW  
Suite 410  
Atlanta, GA 30315  
(404) 669-0233

### Gwinnett

324 West Pike Street, Suite 200  
Lawrenceville, GA 30046  
(678) 376-4545

### Senior Legal Hotline

(404) 657-9915 OR 1(888) 257-9519

Hearing Impaired  
Georgia Relay Center  
Dial 711 for relay services

