

Homeowner's Options when facing Mortgage Foreclosure

1. GOVERNMENT PROGRAMS

- a. **HEMAP (Pennsylvania's Homeowner's Emergency Mortgage Assistance Program)** Eligible homeowners receive the amount of money needed to bring the mortgage payments current and may also receive continuing assistance with the monthly payment. You can apply at any time through a certified housing counselor. For more information and a list of housing counselors in your area, go to www.phfa.org/consumers/homeowners/hemap.
- b. **Fannie Mae, Freddie Mac, Federal Housing Administration (FHA), Veterans Affairs (VA), and U.S. Department of Agriculture (USDA) loans**
If your loan is a government loan, there are special "loss mitigation" guidelines that your mortgage company must follow to help you avoid foreclosure. For example, FHA has a "partial claim" program that is similar to PA's HEMAP, and all government-sponsored loans have modification guidelines. It's a good idea to check to see if your loan is owned or guaranteed by Fannie Mae or Freddie Mac because these loans are serviced by private companies like Wells Fargo, Caliber, Bank of America, SPS, and SLS, and you may not realize that they are government-backed loans.

FANNIE MAE: 1-800-2FANNIE (8am to 8pm EST)
KnowYourOptions.com/loanlookup

FREDDIE MAC 1-800-FREDDIE (8am to 8pm EST)
FreddieMac.com/mymortgage

2. NEGOTIATING REINSTATEMENT

If you are not eligible for government programs, you could still try to negotiate reinstatement of the mortgage with your bank, either through a repayment agreement or modification of your loan.

- a. **Repayment agreements** (sometimes referred to as forbearance agreements)
When you're more than 60 days behind, the bank will usually insist that you pay everything that is owed to stop a foreclosure action and may refuse payments for less than that amount. If you have the income to make your monthly payments, plus an additional sum toward the delinquency, you can try to negotiate a repayment agreement to bring the loan current in 6-12 months. Most banks won't give you more than 12 months to bring the loan current. They may want proof of your income before they agree to this.
- b. **Modifications**
Banks have their own modification guidelines. A modification always involves

adding your delinquency to the principal balance of the loan. This increases your monthly payment and often makes it unaffordable. To make it more affordable, the bank will look at your current income and attempt to lower the monthly payment by reducing your interest rate, extending the length of the loan, or adding a balloon payment to the end of the mortgage. Every bank is different, so the exact terms and conditions of an modification are hard to predict.

3. BANKRUPTCY (CHAPTER 13)

If you have enough income to pay the regular monthly mortgage payment plus a portion of the delinquency each month (and your other monthly expenses), filing a Chapter 13 bankruptcy would stop all foreclosure activities and force the bank to accept installment payments on the past due amounts. The bankruptcy court also has a mediation program and will encourage (but cannot force) your lender to evaluate you for a modification, if you cannot afford the bankruptcy plan payments.

4. SELLING YOUR HOUSE

If you have equity (meaning your house is worth more than the amount you owe) then you should consider selling it so you do not lose this equity in foreclosure. You have the right to sell your house, and pay off all liens, any time before a sheriff sale. If you have no equity, or your house is "underwater" (meaning you owe more than the house is worth) then the bank may agree to a "short sale," in which they agree to accept less than the house is worth and forgive the rest of the loan. There are often funds available from the bank to help you relocate if you choose this option.

5. DEED IN LIEU OF FORECLOSURE

Many homeowners want to surrender the property to the bank and walk away, but the bank will rarely agree to accept the deed without a sheriff sale, especially if there is a second mortgage or another lien on the property. If the bank offers this option, they will often require you to attempt a short sale first. There are sometimes funds available from the bank to help you relocate if you choose this option.

6. STAYING UNTIL EJECTED (EVICTED) BY THE NEW OWNER

Homeowners who have no income and no place to go often continue to reside in the property until they are removed by the new owner, after a sheriff sale. The new owner receives the deed to the property 20 days after the sale, and at that point, can ask anyone residing in the property to leave. If an occupant doesn't leave voluntarily, the new owner must file an ejectment action to remove him/her, which takes at least 30 days from beginning to end.