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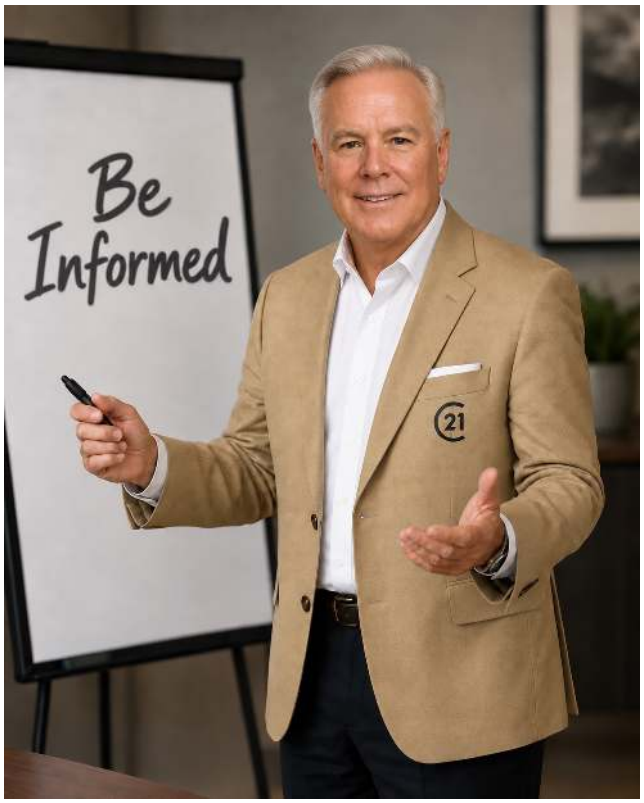
Can’t Pay Your Mortgage? You Have Options



Bob Latigona

Broker Associate
Broker Manager
South Jersey Regional Trainer

CENTURY 21 Alliance

Office: 856-429-7700
Cell: 609-876-7689

BobLatigona@icloud.com

boblatigonarealestate.com

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Prepared for you by Bob Latigona | CENTURY 21 Alliance

NATIONAL ASSOCIATION OF REALTORS®

CONSUMER GUIDE: CAN'T PAY YOUR MORTGAGE? YOU HAVE OPTIONS

Financial hardships can strike when we least expect them. Maybe you've been part of a downsizing at work, a catastrophic illness has wiped out your savings, or you're facing any number of other financial challenges. For any kind of financial hardship, there are multiple options to help you get back on track.

I've missed one or more payments. What should I do? As soon as—or, better, before—you miss a payment, contact your mortgage servicer. The company may offer mortgage-relief options that could help you stay in your home. Be sure to ask how each of these options will affect your credit score.

What are my options? Ask your mortgage servicer if you qualify for one of these mortgage-relief options:

- **Forbearance.** Temporarily pause or reduce your monthly payments for anywhere from one month to a year, but interest accrues; then, repay on an agreed-upon schedule or at the end of your loan.
- **Deferment.** Stop or defer payments for as long as 36 months with no interest and repay the past-due amount in a lump sum at the end of the loan.
- **Loan modification.** Reduce the interest rate, extend the loan term or add past-due amounts to the loan balance. These changes would be permanent for the life of your loan.
- **Reinstatement.** If your hardship was temporary and you have the funds, you can arrange to pay the entire past-due amount, including late fees.

If interest rates are favorable compared to your current rate, you might also be able to refinance your mortgage to lower your monthly mortgage payments.

What if I can't pay back the missed payments? If your hardship is longer term, options can include:

- **Selling your home.** You can sell if you have the equity to pay off the loan.
- **Initiating a short sale.** If your mortgage balance is more than the current market value of your home, you may be able to do a short sale and have the lender forgive or defer payment on the difference. To avoid having a debt collector come back to you later, you'll need to obtain a written deficiency waiver from the lender. Note, however, that cancelled debt must be reported to the IRS and is considered taxable income.
- **Foreclosure.** The lender can force the sale of your home to recover the debt. Foreclosure processes differ by state, but generally a lender can initiate a foreclosure after you miss four payments or are 120 days behind on your mortgage.
- **Deed-in-lieu of foreclosure.** You can voluntarily transfer the title of your home to your lender in exchange for cancellation of the rest of your mortgage debt.

What if my hardship is due to a natural disaster? Natural disasters can damage homes and disrupt homeowners' income. Servicers often offer forbearance programs to borrowers affected by a natural disaster, and the Federal Housing Administration may offer mortgage-relief options for borrowers with FHA-insured loans affected by presidentially declared disasters. Talk to your servicer to confirm that your loan is in forbearance before you stop making payments.

Where else can I turn for assistance?

- A REALTOR®, a member of the National Association of REALTORS®, can help you identify local resources, such as reputable attorneys and short-sale negotiators. NAR members who hold the **Short Sales and Foreclosure Resource Certification** have special training to help you through a difficult sale.
- State-run mortgage relief programs or nonprofit organizations may provide emergency housing support. Some homeowners associations also help with fees or mediation.
- A HUD-certified housing counselor can help you explore options if you're struggling with your mortgage payments.

Be wary of mortgage-relief scams! Scammers prey on vulnerable homeowners, promising to get you modifications on your loan or help you avoid foreclosure. Never pay a company upfront for mortgage-relief help. The Federal Trade Commission offers helpful information about mortgage-relief scams.

Your real estate agent will help you navigate the purchase or sale of a home. An attorney can provide guidance on the laws in the state where you're purchasing. Only real estate professionals who are members of the National Association of REALTORS® may use the term REALTOR®. Under the NAR's Code of Ethics, REALTORS® must work in their client's best interest and treat all parties fairly. Please visit facts.realtor for more information and resources.

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