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## How to Prevent Foreclosure on Your Home

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If you are having trouble making your monthly mortgage payments, you may be able to protect your home, but you must act immediately. Your action may prevent the loss of your home through foreclosure. This Fact Sheet will give you an overview of your options to avoid foreclosure, but it is only the beginning. If you are in serious financial difficulty, you should seek professional assistance and/or legal counsel to best protect your investment and your home.

**The very first thing you must do is call your mortgage lender.** Mortgage lenders are NOT in the business to foreclose on property. They want to work with you and help you find a way to keep your home. The longer you wait, the more difficult this will be. If you are three months behind in your mortgage payments and the lender has not heard from you, they will feel justified in pursuing foreclosure. They will assume that you do not intend to pay. **DON'T AVOID YOUR MORTGAGE LENDER.** Take action right away to save your home and your credit record.

If your lender does not have an office in your area, check your loan papers for a toll-free long distance telephone number. If they don't have a toll-free number, check to see if they will accept a collect call from you (their borrower). If they won't accept a collect call, go ahead and pay for it yourself--this is important.

### Before You Call or Visit

Be ready to discuss your problem honestly and in detail. Your lender needs complete information in order to help you. Think about the questions you may be asked and make notes to help you answer them. It will impress your lender that you are prepared and sincere.

Request a copy of "[Getting Out of Debt](#)" (Pub. No.354-027) from your [local Virginia Cooperative Extension office](#). It will help you prepare information for the lender and contains many useful suggestions for dealing with financial difficulties.

### What Your Lender Can Do To Help

There are many different ways in which your lender might be able to help you. Generally each case is considered on an individual basis.

1. **DEBT COUNSELING** -- Generally, the first way they will help is to look at all your outstanding debt to see if any of it can be restructured or consolidated. Mortgage payments are often the last

payment a person will let slide, so when you start having trouble making your mortgage payments it is likely that you are experiencing difficulty with your other payments as well. Your lender can help you make a spending plan and structure a repayment plan.

2. REWORK (RECAST) THE MORTGAGE -- If you have some equity in your home it may be possible to rework your loan for an extended period of time to lower the monthly payments. The past due amount could be added into the new loan.
3. GRACE PERIOD -- If you are working with the lender, they will generally give you extra time to get your problem under control. Otherwise, if the lender has not heard from you, they will usually begin foreclosure when you are 3 months behind in your payments.
4. SELL THE HOME -- If your problem is serious enough that it can not be resolved in a reasonable amount of time, it may be necessary for you to sell the home and find one that is more manageable financially. It may be possible to sell the home and pay off both the mortgage balance and your delinquent debt, and thus avoid foreclosure. Work closely with your lender to allow a reasonable time to sell the home. A poor real estate market will limit this option.
5. CHARITABLE ORGANIZATIONS and/or PUBLIC ASSISTANCE-- Some charitable organizations and public assistance groups may be able to help you make a payment or two so you can catch up. Check with your church and other community service organizations such as community action in your area.
6. SIGN THE HOME OVER TO THE LENDER (DEED in LIEU of FORECLOSURE) -- This would be considered a voluntary foreclosure and could damage your credit record the same as an involuntary foreclosure. However, you can avoid the public notice of a foreclosure sale. The lender will work with a real estate agent to complete the sale. You lose your home, but will not be held liable if the home sells below the debt amount.
7. BANKRUPTCY -- This is the last resort, if your home cannot be sold. It may save your home; however, it will severely damage your credit record for at least seven years and you will lose control of your finances. Foreclosure proceedings are usually stopped until bankruptcy is resolved.
8. DECLARED DIASTER AREA -- You may be entitled to 90-days of payment relief on your FHA loan. Call 1-800-CALL-FHA (800-225-5342) or visit [http://portal.hud.gov/portal/page?\\_pageid=33,717234&\\_dad=portal&\\_schema=PORTAL](http://portal.hud.gov/portal/page?_pageid=33,717234&_dad=portal&_schema=PORTAL) and click on Disaster Help
9. ACTIVE DUTY MILITATRY -- You may qualify to have your interest rate reduced on your FHA mortgage under the Servicemembers Civil Relief Act. Visit [http://portal.hud.gov/portal/page?\\_pageid=33,717388&\\_dad=portal&\\_schema=PORTAL](http://portal.hud.gov/portal/page?_pageid=33,717388&_dad=portal&_schema=PORTAL)

## **Lender Questions You Will Need to Answer**

1. **What caused you to fall behind in your payments?**

Be ready to explain the situation that led to your problem -- such as a lay-off notice, a medical expense, large utility bills, etc. It is important to be truthful.

2. **What are your current resources?**

Write down your current monthly income, including all dependable sources such as salary or wage; disability, retirement or welfare benefits; and savings and investments.

3. **What are your other debts and expenses?**

List your expenses for essentials and other current financial obligations. Do not list things you would like to have but can do without. It is better to give up a second car, boat, or credit cards than to lose your home. Be realistic in your thinking. Don't forget to include what you pay for food, utilities, loan or credit payments, insurance, child support and/or alimony.

4. **What are your plans?**

Try to think of some ideas on how you could manage your problem or crisis as it exists now. Also, think about a plan to solve the problem in the long run. Your attitude, outlook, and plan will influence how far the lender will go to help you. If you feel that your situation is hopeless, **DO NOT GIVE UP**. Tell your lender about your problem right away. They may have ways to obtain financial assistance. If not, then it is still possible to reduce your losses and prevent foreclosure proceedings--even if you need to give up your home (see 6, 8, and 9 above). Foreclosure can ruin your credit record for years, so you should seek out and check into every other possibility.

## **Definitions**

### **Delinquent**

The homeowner is delinquent when their monthly payment is one day late. When the payment has been missed completely and the succeeding payment is due, the mortgage moves into default.

### **Default**

Any breach of the mortgage contract can constitute default (e.g. failure to maintain the property, pay real estate taxes, or carry adequate insurance). Commonly default occurs when the homeowner fails to make their monthly payments. It is important to read and understand your mortgage contract as to what it specifically regards as default.

### **Forbearance**

The period of time during which foreclosure proceedings are stalled while possible solutions are being fulfilled (e.g. sale of home, bankruptcy).

### **Foreclosure**

The process by which the lender takes back and sells the property. There are three types of foreclosure:

**Judicial** provides protection by due process in court and is regulated by state rules. Used in most mortgages.

**Out-of-Court or Power of Sale** is used in deed of trust situations and is less regulated, thus providing fewer protections (e.g. no presale hearing before a judge). Deeds of trust are common in Virginia.

**Uniform Commercial Code (UCC)** is used for foreclosure on condominium and cooperative units where special rules applying.

## Other Sources of Help

There are other sources of help, besides your lender. Virginia Cooperative Extension offers financial counseling in many locations. Contact your [local Virginia Cooperative Extension office](#), listed in the county or city government pages in the phone book. Many communities have non-profit agencies or groups that will help you with financial counseling or housing problems. Check to see if your local government or United Way Agencies sponsor organizations which can give you assistance.

If your mortgage is an FHA (HUD), VA-guaranteed, or FmHA Mortgage contact the appropriate local government office. These agencies may have special programs to assist you. If you cannot locate these agencies in your local phone book, contact:

### U.S. Department of Housing and Urban Development

Dept. of Housing and Urban Development(HUD), Richmond Office  
600 East Broad Street, Third Floor  
Richmond, VA 23219

Phone: (800) 842-2610

Housing Counseling Listings in your area visit:

<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm> and click on Virginia or

Call (800) 569-4287 or TTY (800) 877-8339.

### USDA Farmers Home Administration

Culpeper Building  
Suite 238  
1606 Santa Rosa Road  
Richmond, VA 23229-5041  
(804) 287-1599

### U.S. Department of Veterans Affairs

Regional Office  
210 Franklin Road, SW  
Roanoke, VA 24011  
(800) 827-1000  
Loan Service & Claims Office  
(540) 857-2135 or (800)-933-5499

### Federal Housing Administration (FHA)

1-800-CALL-FHA (225-5342)

[http://portal.hud.gov/portal/page?\\_pageid=33,717234&\\_dad=portal&\\_schema=PORTAL](http://portal.hud.gov/portal/page?_pageid=33,717234&_dad=portal&_schema=PORTAL)

Visit [Virginia Cooperative Extension](#) for more information on housing and other issues.