



# COPING WITH RISING MORTGAGE PAYMENTS

by Texas Attorney General Greg Abbott

FULFILLING THE DREAM OF HOME ownership can be one of the most rewarding experiences of a buyer's lifetime. Texas has long fostered this dream by offering important protections for its homeowners.

Today, many Texans who accepted adjustable-rate mortgage (ARM) loans are facing higher interest rates as low introductory rates give way to higher amounts. For many homeowners, ballooning rates mean skyrocketing mortgage payments. While some homeowners can afford higher payments, many find themselves unprepared. The following steps are intended to help Texans who are struggling to pay their mortgages and keep their homes.

Do not ignore the problem. The worst thing troubled homeowners can do is to ignore the problem, because refusing to deal with it will only worsen the situation. Missing just one mortgage payment can bring a home to the brink of foreclosure.

Families should immediately review their finances and realistically assess their financial well-being if they want to keep their homes. For assistance, homeowners should consider contacting the U.S. Department of Housing and Urban Development, which offers a list of approved credit counseling agencies. Legitimate counselors can provide advice and assistance to at-risk homeowners seeking a workable solution.

Contact the mortgage lender. Once homeowners determine the scope of their financial troubles and are prepared to discuss a remedy, they should contact their mortgage lender. Foreclosing on just one home can cost a lender tens of thousands of dollars. To avoid

these costs, investors and private mortgage insurance companies encourage lenders to work with troubled borrowers. Consequently, most mortgage lenders are willing to assist homeowners by modifying loan terms or negotiating repayment plans. For this to work, homeowners must take the initiative and contact their lender at the first sign of trouble.

For homeowners facing short-term financial difficulties, such as a sudden job loss or natural disaster, working with the lender to catch up on payments can help. Homeowners have several options, including a forbearance, which allows them to suspend payments for a short time and then specify a time to bring the account current, perhaps timed to coincide with a bonus or tax refund. Lenders may also be willing to discuss a repayment plan, which allows homeowners to resume making regular monthly payments plus a portion of the past-due amount until the account is current. Forbearances and repayment plans will moderately damage homeowners' credit rating, depending on how far behind they fall on payments. However, either of these options is far less damaging to one's credit than a foreclosure.

Homeowners who simply cannot afford to make their payments should talk with the lender's loss mitigation department. These professionals can offer a variety of loan restructuring options, such as changing an ARM loan to a fixed rate. The loss mitigation department may also be able to extend the number of years a homeowner has to repay the loan, which can lower the monthly payment, or simply add missed payments to the loan balance.

Beware of mortgage rescue scams and predatory refinancing. Sadly, some unscrupulous profiteers seek to shamelessly – and unlawfully – capitalize on difficult times by creating scams that falsely claim to protect homeowners. For example, “foreclosure rescue” offers have increased dramatically across the country. Encouraging homeowners to transfer title to purported home rescue specialists is simply a ploy. After signing over their properties to third parties who promise to make the mortgage payments, homeowners usually end up in foreclosure anyway after the scam artist borrows large amounts against the home and strips it of its equity. Homeowners should NEVER sign over the deed of their house to a third party in an effort to save it. Homeowners should consider consulting a private attorney before entering into a “foreclosure rescue” contract with a third party. If a promise sounds too good to be true, it is likely just that.

Homeowners who opt to refinance their mortgages should carefully read the terms of their new contract. If the refinancing includes an ARM loan, consumers must consider the long-term impact of possible interest rate fluctuations. Homeowners should also be wary of a refinancing company that insists on its own appraisers. Often, these appraisers over-value homes, causing consumers to borrow more than the homes are worth and making it difficult to resell the properties in the future.

Homeowners who know their options and work with their mortgage lenders can better protect their homes and their family's financial future.

## POINTS TO REMEMBER



### TIPS ON AVOIDING FORECLOSURE

- Contact a consumer credit counseling agency or the U. S. Department of Housing and Urban Development.
- Involve the mortgage lender to modify loan terms or determine a repayment plan.
- NEVER sign over the property deed to a third party “foreclosure rescue” operation.
- Read and understand all terms of a refinancing contract before signing.
- Be diligent in paying bills and debts today to ensure good credit in the future!

For assistance with credit problems that could result in mortgage default or foreclosures:  
U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT  
(800) 569-4287  
[www.hud.gov](http://www.hud.gov)

For assistance with credit problems and counseling:  
NATIONAL FOUNDATION FOR  
CREDIT COUNSELING  
(800) 388-2227  
[www.nfcc.org](http://www.nfcc.org)

For a free copy of your credit report:  
ANNUAL CREDIT REPORT REQUEST SERVICE  
P. O. Box 105281  
Atlanta, GA 30348-5281  
(877) 322-8228  
[www.annualcreditreport.com](http://www.annualcreditreport.com)

File a complaint about a mortgage scam with the  
Office of the Attorney General:  
(800) 252-8011  
[www.oag.state.tx.us](http://www.oag.state.tx.us)



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