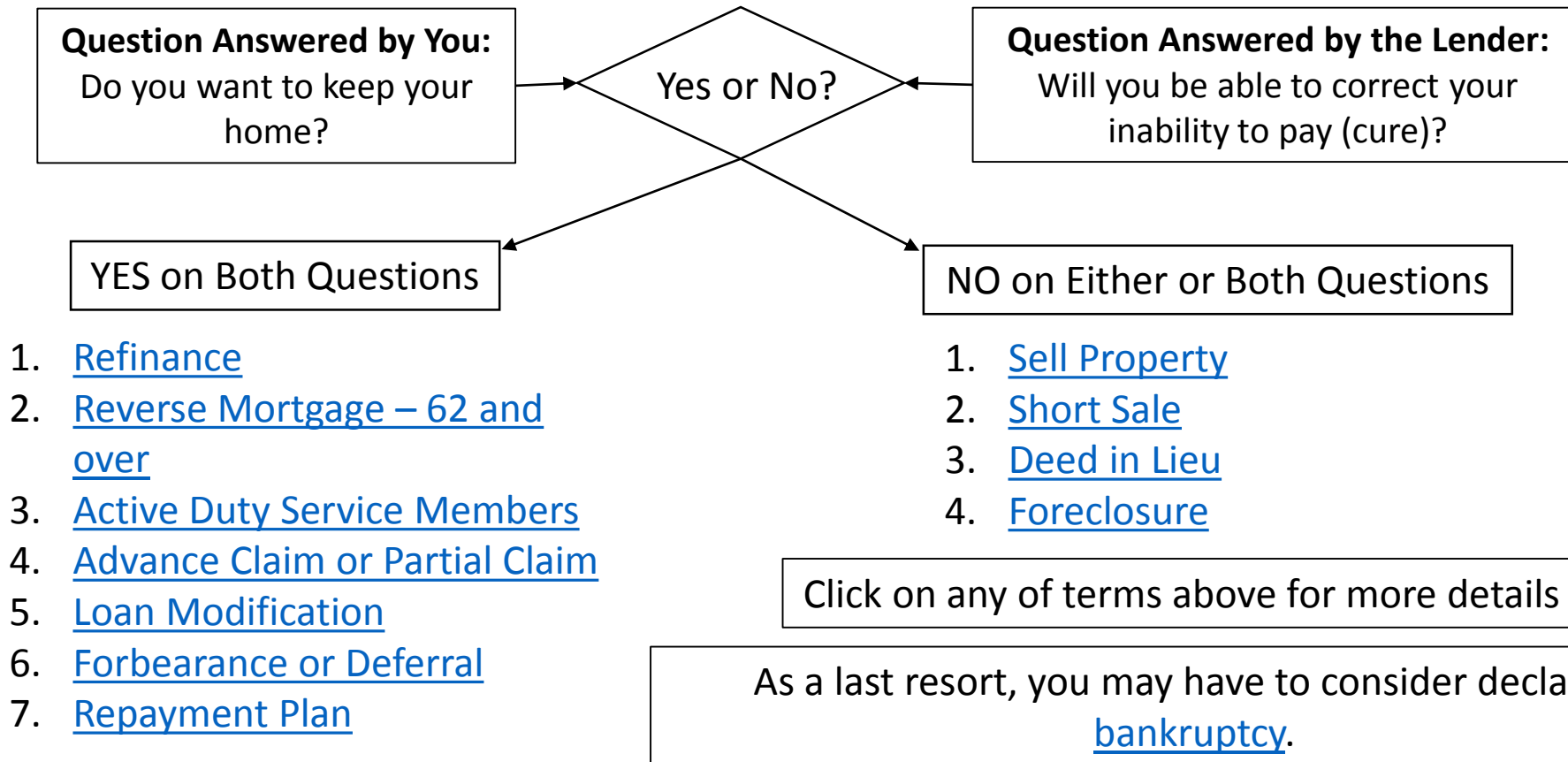


# Overview of Potential Options When You Have Difficulty Paying Your Mortgage

## [Glossary of Terms Used](#)



**Don't Forget HOA Fees if you have them. They are separate from your mortgage & your Homeowner's Association can foreclose on your property as well.**

# Glossary of Terms

- Mortgagee: the lender in a mortgage, typically a bank.
- Mortgagor: the borrower in a mortgage, typically a homeowner.
- Servicer: the company to which some borrowers pay their mortgage loan payments
- Investors: the group that provides funds and guidelines for lenders to use when selling mortgages.
- Lien: a right to take possession of property belonging to another person until a debt owed by that person is discharged.
- Junior Mortgage: also called a second mortgage, is a type of loan that is lower in lien priority than a prior loan or lien. This second mortgage is granted after a primary mortgage loan has been approved. Since a junior mortgage is recorded after the initial loan, it is considered inferior to the first loan.
- Cure deficiency: paying off all the money owed (missed payments, penalties, etc.)
- Forbearance: missed payments are due when payments resume.
- Deferral: the missed payments are added to the end of the term of the loan.

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# Refinance Page

- A new loan that achieves a lower payment.
- Same qualification procedures when you got the original mortgage.
- Ensure you discuss the closing costs of a refinance with your servicer.

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# Reverse Mortgage

- At least one homeowner must be 62 or older.
- Requires the assistance of a mortgage lender who is certified for reverse mortgages.
- A loan that uses the equity in the home to provide income to the homeowner, either in a lump sum or in monthly payments.
- Federal law requires that all individuals who are considering a HECM (Home Equity Conversion Mortgage) reverse mortgage receive unbiased counseling by a HUD-approved counseling agency. It is possible for a reverse mortgage borrower to face foreclosure if they do not pay their property taxes or insurance, or maintain their home in good repair. Reverse mortgage counseling is so critical. The counselor will review the long-term responsibilities of a loan, not just the short-term benefits.

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# Service Members Civil Relief Act

- This federal law (formerly known as The Soldiers' and Sailors' Civil Relief Act of 1940) provides military personnel important rights and protections as they enter active duty, on issues that include mortgage interest rates, mortgage foreclosure and credit card interest rates.
- Please contact your lender and ask them about this program.

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# Advance Claim or Partial Claim

- Called Partial Claim (FHA Loan), Recovery Advance (RD - USDA) or Advance Claim (Insured Conventional Loan)
- Mortgage insurance company, RD or FHA advances claim funds to cure the delinquency. Homeowner signs a secured junior mortgage for the amount of the advance.
  - For a conventional loan, there is typically no or a low interest rate and monthly payments.
  - For an RD of FHA loan, it is a non-interest bearing loan with no payments.

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# Loan Modification

- A written agreement that permanently changes one or more of the original terms of the loan, such as a rate, payment amount, maturity date, or the amount of the principal balance to cure the delinquency and make the payments affordable.
- Ensure you discuss the closing costs of a loan modification with your servicer.

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# Forbearance or Deferral

- An agreement to suspend or reduce normal monthly payments for a fixed period of time. At the end of the forbearance period, the borrower must cure the delinquency through a lump sum payment, repayment plan or modification.
- Ensure that you discuss how missed payments will be addressed with your servicer.

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# Repayment Plan

- A written agreement between the borrower and the servicer where the borrower agrees to cure the delinquency by adding an additional amount to their monthly mortgage payment until the loan becomes current.

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# Sell Property

- A sale of the property where the homeowner has enough equity to pay off all liens in full.
- Sometimes called a full sale.

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# Short Sale

- A sale of the property where the homeowner doesn't have enough equity to pay off all the liens on the property and the lender(s) has agreed to accept the net proceeds of the sale to satisfy the lien.
- The homeowner may face a deficiency judgment or be required to repay the deficiency to the lender.
- The homeowner may have to pay income taxes on the amount of deficiency if the lender forgives it.

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# Deed in Lieu

- The homeowner transfers title of the home to the lender in lieu of a foreclosure sale. Typically requires the homeowner to attempt a sale of the property first.

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# Foreclosure

- The lender sells the property to recover its loan balance when the homeowner is no longer able to make the payments.
- Negatively impacts the mortgagee's credit.

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# Bankruptcy

- Bankruptcy is a legal process through which people or other entities who cannot repay debts to creditors may seek relief from some or all of their debts.
- There are basically 2 types for individuals
  - Chapter 7: basic liquidation for individuals and businesses; also known as straight bankruptcy; it is the simplest and quickest form of bankruptcy available.
    - Stays on your credit report for 10 years
  - Chapter 13: rehabilitation with a payment plan for individuals with a regular source of income; enables individuals with regular income to develop a plan to repay all or part of their debts; also known as Wage Earner Bankruptcy
    - Stays on your credit report for 7 years
- You should consult a bankruptcy attorney to see if either of these is the best option for you and to understand both the pros and cons of declaring bankruptcy in your situation.

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