



Fully Understanding Your Loan: Questions to Ask Yourself as You Prepare for Housing Counseling



What is the interest rate?



- ◆ Is it fixed or variable?
- ◆ Is it an interest only loan?
- ◆ Is it one where you can choose the amount of the payment (i.e. negative amortization)?



What type of loan do you have?



- ◆ FHA loan?
- ◆ VA loan?
- ◆ Is it a refinanced loan?
- ◆ Is it a purchase loan?
- ◆ Does it include an escrow account?



What is the term on your loan?



- ◆ 30 years?
- ◆ 20 years?
- ◆ 15 or 20?
- ◆ Is it a Balloon loan?
- ◆ Is there a prepayment penalty on your loan?



Are You Already Behind on Your Mortgage?



If so, some factors might be working in your favor:



- ◆ If your payment record and credit have been excellent up until now – no prior history of late or missing payments.
- ◆ If you are getting on top of the problem early – you are not yet behind or you are only a month or so behind.
- ◆ If you were behind because you were sick and now you are well – you were out of work, but now you are working again.
- ◆ If you have a high interest mortgage (or other unfavorable terms) and no prepayment penalty on your existing mortgage – you might be able to replace a bad mortgage with a better one by refinancing.
- ◆ If you have not been 90 days late yet.



Other factors may have a negative impact:



- ◆ If this has happened before – or if you have entered into a repayment that you cannot keep.
- ◆ If you have had repeated late payments.
- ◆ If the foreclosure date is already scheduled.
- ◆ If you had a permanent setback that affects your ability to pay the mortgage.





Workout Plans that Would Allow You to Keep Your House

NOTE: You don't get to choose which one – the lender chooses which one



- ◆ **Forbearance:** Delay payments for a short period.
- ◆ **Reinstatement:** Promise a lump sum to bring payments current.
- ◆ **Repayment Plan:** Catch up by adding a portion of the past due amount to your monthly payments
- ◆ **Modify Your Mortgage:** The lender may modify your mortgage.
- ◆ **Sell Your Home:** The lender may allow you time to sell your home.
- ◆ **Property Give Back:** The lender may let you give back your property then forgive the debt.



The ability to negotiate a workout plan will also depend on whether you can convince the lender that your problem was a *temporary* setback.

Bankruptcy: Usually Not a Long-Term Solution

PROS:

- ◆ Eases stress from the inability to pay your debts
- ◆ STOPS garnishments, most lawsuits, repossessions, utility turnoffs, & bank attachments
- ◆ Wipes out most of your debts, even most debts that you lost in court
- ◆ Provides you with a fresh start

CONS:

- ◆ When you file Chapter 7, you could lose a house, car or other valuable property
- ◆ The bankruptcy stays on your credit record for 10 years
- ◆ You can only file Chapter 7 once every 8 years, so ask yourself whether you will need to do it later (e.g. if you are expecting more medical bills).
- ◆ It can affect your credit, so ask yourself whether you should wait until you've found a new place to rent.
- ◆ You cannot get rid of some debts even if you file bankruptcy

NOTE: If you are currently in bankruptcy and are behind on your mortgage, you need to work with your bankruptcy attorney. A housing counselor cannot work with you.

If Keeping Your Home is not the Best Option

Note: You have to have lender approval for all of these options

- ◆ **Short Sale:** When you owe more than your house is worth. (This is considered an "upside down mortgage" or an "underwater mortgage.")
- ◆ **Fair Market Sale:** When you have equity in a house and the lender give you time to sell it. You may be able to get some of the value of your house back after arrears are paid.
- ◆ **Deed in Lieu of Foreclosure:** You sign the house over to the lender, they forgive the mortgage, and you move on with your life.
- ◆ **SALSA:** This is a version of a short sale for Baltimore City residents. If your counselor recommends a short sale, he/she may contact St. Ambrose to pursue this option.

