

**Short Sale:** The lender may let you sell the home even if you owe more than the property is worth and agree to accept the lesser amount as payment in full. You must have a buyer and a signed purchase and sale agreement. Anyone else who has a lien on the property and the private mortgage insurer, if there is one, must also agree to the short sale.

**Refinance:** You take out a new mortgage to pay off the old mortgage. Sometimes it makes sense to refinance. You should contact a legitimate lender and proceed carefully. Beware of large fees and high interest rates.

**Deed in Lieu:** You cannot afford to keep the home and you give the house back to the lender. **Do not** ask for a deed in lieu when you have equity in the property or when a short sale is possible. **The lender will not accept a deed in lieu if there are other mortgages or liens on the property.**

## Other Things to Know:

**Talk to a lawyer or HUD certified housing counselor experienced in default and delinquency counseling**

**Foreclosures move very quickly**

**Foreclosures are public: Avoid Rescue Scams**

### Where to go for help:

- Your local non-profit housing organization
- Your mortgage company
- The U.S. Department of Housing and Urban Development (HUD) at [www.hud.gov](http://www.hud.gov) Or call HUD at 1-800-569-4287)

This information is not intended to serve as legal advice, but is for information purposes only.



**New clients please call the Legal HelpLine:**

**1 (800) 998-9454**

Monday thru Friday • 9 am to 4 pm

Community Legal Aid Services, Inc. is an Ohio not-for-profit corporation providing free civil legal services to the poor in central northeast Ohio.

[www.CommunityLegalAid.org](http://www.CommunityLegalAid.org)

*If there is one concept that our nation cherishes more than any other, it is the commitment that is carved in stone at the Supreme Court. The legend reads:*

***Equal Justice Under Law***

- James Kilpatrick



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*Seeking justice, changing lives.*

# Homeowner's Checklist for Avoiding Foreclosure



*Columbiana · Mahoning · Medina · Portage  
Stark · Summit · Trumbull · Wayne*

## Before Trouble Starts:

### Start a file, in a safe place, for records relating to your home

- Purchase and sale agreement
- Mortgage application
- Closing documents
- Property tax bills
- Property insurance information
- Letters you receive from **and** copies of letters you mail to the bank

### Use checks or money orders to pay bills

- Do not send cash
- Do not use credit cards
- Keep a record of all payments (date paid and check number)
- Correct errors quickly

### Pay high priority bills first

- Food
- Mortgage
- Utilities (heat, hot water, electricity, gas)
- Do not pay credit cards or other unsecured debts **before** your mortgage

## When Things Start To Feel Tight:

### Where is the money going?

- Create a budget that shows your current income and expenses
- Review every item on your budget
- Prepare a realistic budget that you can live with until your circumstances improve

### Increase your income

- Collect federal and state benefits if you are eligible (check with a Benefits Bank)
- Claim the earned income tax credit (EITC) if you are eligible
- Stop all voluntary deductions being taken out of your paycheck
- Consider selling unnecessary property to raise money

### Reduce your expenses

- Review every expense for potential savings-- reduce or eliminate unnecessary expenses
- Pay only for the type of phone service you need
- Cancel cable television service temporarily
- Identify ways to conserve on energy and other utilities
- Participate in a home weatherization program
- Review your homeowner's and auto insurance policies and shop around.
- Claim the owner-occupant property tax exemption and others for which you are eligible

### Other Considerations

- Contact your mortgage servicer at the first sign of trouble
- Ask your utility company for budget billing so you can pay the same amount each month. If you are behind on your utility bills, start an affordable repayment plan

## After Falling Behind:

### Identify the problem

- What caused your current situation (job loss, illness, divorce, decreased income)
- How long do you expect your difficulty to last
- What specific type of help do you need
- How much can you afford to pay toward your mortgage

### Communicate

- Speak with your lender's delinquent loan or loss mitigation specialist
- Explain your situation
- Ask for a mortgage workout package
- Keep a phone log that shows the date and time of your call, who you spoke to, the person's phone number, and what was said
- Follow up your phone call with a letter and keep a copy for yourself

- Send all letters by certified mail and keep the receipt

### Pay what you can and save the rest

- Send to the lender as much of the mortgage payment as possible
- If the lender returns your payment, save the money in a separate account and **do not spend it** on other bills
- Continue to make monthly payments into the separate account if the lender refuses to accept your payments

## Know Your Options:

There are many ways the lender can help you if you fall behind on your mortgage. Which one you choose/need and what the lender allows will depend on your individual situation.

**Reinstatement:** You give the lender all of the back payments you owe and start making your regular monthly payment. With a partial reinstatement you pay at least one-half of the back-payments first and agree to a repayment plan for the rest of what you owe.

**Repayment Plan:** You make the regular mortgage payment plus an additional amount toward the back-payments until you are caught up (usually no longer than 12 months). If the lender sets up a repayment plan for you, make sure it is reasonable. Do not agree to a plan that will not work for you.

**Forbearance:** The lender agrees that for a limited period of time it will accept a lower monthly payment or no monthly payment. At the end of the forbearance agreement you must bring the account current.

**Modification:** The lender agrees to change one or more terms of the mortgage. Possible changes include: reducing the interest rate; extending the term of the mortgage; and adding the arrears to the unpaid principal balance of your loan.