



## **CONSUMER RESOURCES**

All laws are subject to change without notice. This information is based on Florida law only and is NOT intended to be legal advice.

## **OPTIONS FOR BORROWERS ALREADY BEHIND ON THEIR MORTGAGES**

Nothing is worse than doing nothing-  
ASK FOR HELP!

Foreclosure will damage your credit rating and your ability to borrow money- or buy a home- in the future. When the below options do not work or you know you must move to other housing because you can no longer make your monthly payment, you may need to sell your home.

### **LOSS MITIGATION**

If you believe you can catch up payments if the mortgage holder is willing to work with you, you should contact them immediately. You will want to ask them to allow you to pursue your “loss mitigation” options. Through these options you will try to reinstate or catch up the payments through options such as paying the regular payment plus some toward the arrearage each month, a payment “holiday” or tacking the delinquent payments to the end of your mortgage. The mortgage holder will probably require you to complete forms showing your income and expenses and to explain why you have fallen behind in your payments. Depending on the option you and the mortgage holder agree upon, it will be necessary to show that you will be able to repay the missed payments and/or continue to make timely monthly mortgage payments. You should keep very detailed notes regarding your request to participate in loss mitigation and the mortgage holder's responses. If they do not work with you to work out a way to cure your delinquency you may be able to use this failure as a possible defense to the eventual foreclosure lawsuit.

### **BANKRUPTCY**

If you have sufficient income, you may be able to file a Chapter 13 Bankruptcy case to avoid foreclosure. You would have to have at least enough money each month to pay your monthly mortgage payment plus some toward the arrearage. You would also have to have enough money each month to pay all of your other monthly bills and the trustee's fee. You can learn more about bankruptcy at one of our monthly bankruptcy clinics.

If you would like to attend an informational bankruptcy clinic, you may do so on the first Thursday of every month, at the Adams Street office of *Jacksonville Area Legal Aid*. At that time, an attorney will be presenting basic information concerning the effect of filing a bankruptcy case and the respective rights and responsibilities of creditors and debtors. There will not be any preparing of papers needed to file a bankruptcy case at that time.

Jacksonville Area Legal Aid is sorry it can't be of more assistance at this time. Please feel free to come again should you have other legal problems. Jacksonville Area Legal Aid wishes you the best of luck in the future.

**Jacksonville Area Legal Aid  
126 W. Adams St.  
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### **FORBEARANCE**

If you face a temporary financial hardship, such as one caused by a job loss, the lender may agree to temporarily reduce or suspend your payments. This agreement is called forbearance and means you only pay a portion of your regular payment or no payment at all for a specific period of time. At the end of the forbearance period, you will begin making regular payments and also pay an additional amount to pay off the past due amount.

### **REFINANCING**

If the borrower has equity in the home and a good credit score, he or she might be able to refinance to a fixed-rate loan with a lower rate. This, however, is becoming harder to do, especially since home values are dropping and lenders have tightened their refinancing guidelines. Banks take a close look at a borrower's assets before offering to refinance.

### **REPAYMENT PLAN**

Borrowers who've missed just a few payments because of a short-term financial hardship, such as a medical expense or temporary unemployment, might qualify for a repayment plan. Homeowners are given time to make up the missed payments by sending in extra money for a few months, or the arrears are tacked onto the end of the loan. But the loan's terms remain the same so the borrower must be able to afford the base monthly payments. In this case, income and expenses are more important criteria.

### **RATE FREEZE**

Those who can't handle their current monthly payments can try to lobby their lender with their counselor to modify the loan. Some financial firms will freeze the low introductory interest rate or extend the loan's terms to make it affordable. But lenders are reluctant to do this unless borrowers show they can manage the loan long-term. Again, borrowers' monthly cash flow counts more than assets.

### **SHORT SALE**

Homeowners who must put more than 40% of their income toward their mortgage payments may not have many options. To avoid foreclosure, borrowers might want to consider a short-sale, in which the banks agree to take the proceeds of the sale even if it doesn't satisfy the loan. If you cannot sell your home in a reasonable period of time, the lender may ask you to sign a deed transferring the property voluntarily to help avoid the impact of foreclosure on your credit rating. When putting your home on the market, remember to look for a licensed real estate broker. If you are going to sell the property you should make sure the broker you Jacksonville Area Legal Aid is sorry it can't be of more assistance at this time. Please feel free to come again should you have other legal problems. Jacksonville Area Legal Aid wishes you the best of luck in the future.

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select is legitimate and not attempting to take your home and the equity you have gained in the home. You will be inundated with offers to “help” you avoid foreclosure or to sell the home. Most of these offers will be from people who may be trying to take advantage of your situation and take your money, your home or both.

*\*\*\*Of course, those who feel their counselors has not had the time or interest in getting a true picture of their financial wherewithal or got an answer they didn't like from their lender, it is possible to go to another agency....though it might not make much difference.*

## **GOVERNMENT BACKED PROGRAMS FOR HOMEOWNER ASSISTANCE**

### **FHA SECURE**

*FHASecure* is a refinancing option that gives credit-worthy homeowners, who were making timely mortgage payments before their loans reset but are now in default, a *second chance* with a FHA insured loan product. Eligible homeowners must meet the following requirements:

1. Have a non-FHA insured ARM that has reset;
2. Sufficient income to make the mortgage payment; and
3. A history of on-time mortgage payments before the loan reset.

To apply, search online for your nearest FHA Lender at:

<http://www.fha.gov/about/securefact.cfm> or for more information by phone: 1-800-CALL-FHA (1-800-225-5342).

### **HOPE HOTLINE**

Through the 888-995-HOPE hotline, the Homeownership Preservation Foundation has a single mission: to help homeowners avoid foreclosure. They are an independent nonprofit that provides HUD-approved counselors dedicated to helping homeowners. The help they offer is free. The counselors are trained to set up a plan of action designed just for you and your situation. That's because they don't offer general advice – they will attempt to help you take action. Counselors will arm you with education and support that assists you in overcoming immediate financial issues...at no cost to you.

### **PROJECT LIFELINE (a part of HOPE NOW)**

Project Lifeline is intended to help with all types of mortgages, not just the subprime loans that have been the focus of attention in the current troubled housing market. The program

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would let qualified homeowners who are at least 90 days late on their mortgage payments pause the foreclosure process for 30 days.

Project Lifeline is aimed at homeowners who face a real risk of losing their home and have not yet addressed the issue with their lender. The lenders participating are Countrywide Financial, (CFC) Wells Fargo, (WFC) Washington Mutual, (WM) Bank of America, (BAC) Citibank (C) and JP Morgan Chase. (JPM) Together, they service about half of all mortgages. Investors, second homes and people who lied on their mortgage applications aren't eligible for Project Lifeline. Neither are homeowners who have a date set for a foreclosure auction.

No program could save every borrower, if you can't afford to live in a home, you'll probably have to go back to renting. Those eligible will be notified by mail and will have 10 days to contact their loan servicer or a non-profit housing counselor (888-995-HOPE). In some cases, the lender will suspend foreclosure proceedings for up to 30 days to see if the loan terms can be eased so the homeowner can afford to make payments.

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