



## FORT SILL LEGAL ASSISTANCE



### MORTGAGES

*Regardless of the reason for your mortgage anxiety, the Federal Trade Commission (FTC), the nation's consumer protection agency, wants you to know how to help save your home and how to recognize and avoid foreclosure scams.*

#### Understanding Your Mortgage

Here are some examples of types of mortgages:

- **Fixed-Rate Mortgages:** Mortgages where the interest rate is fixed for the life of the loan; the only change in your payment would result from changes in your taxes and insurance if you have an escrow account with your loan servicer.
- **Adjustable-Rate Mortgages (ARMs):** Mortgages that have adjustable rates from the start. This means that your payments will likely change over time.
- **Hybrid Adjustable-Rate Mortgages (Hybrid ARMs):** Mortgages that have fixed payments for a few years and then turn into adjustable loans.

If you have a Hybrid ARM or an ARM your payments may increase. If you will have trouble making the increased payments, find out if you can refinance to a fixed-rate loan. Review your contract first, checking for prepayment penalties. Many ARMs carry pre-payment penalties that force borrowers to come up with thousands of dollars if they decide to refinance within the first few years of the loan.

#### Behind On Your Payments?

Many loan servicers have expanded the options available to borrowers who are behind on their payments. It is worth calling your servicer even if your request for help has been turned down before. Servicers typically get a lot of calls, so be patient but persistent if you do not reach your servicer on the first try.

If you have fallen behind on your payments, consider discussing the following foreclosure prevention options with your loan servicer:

- **Reinstatement:** You pay the loan servicer the entire past-due amount plus any late fees or penalties by a date you both agree to.
- **Repayment plan:** Your servicer gives you a fixed amount of time to repay the amount you are behind by adding a portion of what is past due to your regular payment.
- **Forbearance:** Your mortgage payments are reduced or suspended for a period you and your servicer agree to. Forbearance is not going to help you if you are in a home you cannot afford.
- **Loan modification:** You and your loan servicer agree to permanently change one or more of the terms of the mortgage contract to make your payments more manageable for you.
- **Bankruptcy:** Personal bankruptcy generally is considered the debt management *last resort* because the results are long-lasting and far-reaching. A bankruptcy stays on your credit report for 7-10 years and can make it difficult to gain credit, buy another home, and cause other issues.

## **Contacting Your Loan Servicer**

Before you have any conversation with your loan servicer, prepare. Record your income and expenses and calculate the equity in your home. To calculate the equity, estimate the market value less the balance of your first and any second mortgage or home equity loan.

Then, record the answers to the following questions:

- What happened to make you miss your mortgage payment(s)? Do you have any documents to back up your explanation for falling behind? How have you tried to resolve the problem?
- Is your problem temporary, long-term, or permanent? What changes in your situation do you see in the short term, and in the long term? What other financial issues may be stopping you from getting back on track with your mortgage?
- What would you like to see happen? Do you want to keep the home? What type of payment arrangement would be feasible for you?

Throughout the foreclosure prevention process:

- Keep notes of all your communications with the servicer, including date and time of contact, the nature of the contact (face-to-face, by phone, email, and fax or postal mail), the name of the representative, and the outcome.
- Follow up any oral requests you make with a letter to the servicer. Send your letter by certified mail, "return receipt requested," so you can document what the servicer received. Keep copies of your letter and any enclosures.
- Meet all deadlines the servicer gives you.
- Stay in your home during the process, since you may not qualify for certain types of assistance if you move out. Renting your home will change it from a primary residence to an investment property. It might disqualify you for any additional "workout" assistance from the servicer.

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**This Information Paper provides only basic information and is not intended to serve as a substitute for personal consultation with a Legal Assistance Attorney. To schedule an appointment with a Legal Assistance Attorney, please contact the Legal Assistance Office at (580) 442-5058. The Fort Sill Legal Assistance Office is located on the 4th Floor of Building 4700 (Welcome Center) at 4700 Mow-Way Road, Fort Sill, Oklahoma 73503.**