



FORECLOSURE PREVENTION OPTIONS

The following are a list of common loss mitigation strategies employed by lenders/mortgage insurers.

Reinstatement or Repayment Plan: A reinstatement or repayment plan might be used for borrowers who have fallen behind on their mortgage payments but are able to subsequently resume making their monthly payments. Under this arrangement, the lender increases the regular monthly payment until the delinquency is repaid.

Partial Mortgage Insurance Advance Claim Payment: This approach might be used if a mortgage insurer is involved (either the Federal Housing Administration or a private mortgage insurer). Under this approach, a one-time payment is made by the mortgage insurer to the lender to cover all or a portion of the default. In these cases the borrower is required to sign an interest free note for the amount of the advance claim payment payable to the insurer of the mortgage. The repayment of the note is scheduled to coincide with the borrower's ability to pay when they get back on their feet and structured to the individual's circumstance. At the latest, the note is usually due on the sale or transfer of the property. The details on this program may vary among mortgage insurers.

Forbearance Agreement: A repayment plan based on the borrower's financial situation that may include a temporary reduction or suspension of payments for a specific length of time. Often used when the borrower has a reduction in income or increase in expenses that is not expected to be permanent.

Mortgage Modification: A refinancing of the debt and/or extension in the term of the mortgage loan that allows the borrower to catch up by reducing the monthly payments to a more affordable level. Used for borrowers who have recovered from a financial problem and can afford the new payment amount. Modifications could include lowering interest rates, adding payments to the end of the loan term, paying off small amounts of arrearages each month, adding a lump sum payment due at pay-off, or simply lowering payments for a set period of time.

Loan Assumption: An arrangement where a qualified borrower agrees to assume responsibility for repayment of the mortgage.

Pre-foreclosure or Short Sale: This is where a lender can agree to accept the proceeds of a pre-foreclosure sale in satisfaction of the loan even though the proceeds may be less than the amount owned on the mortgage.

Deed-in-Lieu of Foreclosure: The borrower voluntarily deeds the property to the lender in order to avoid a lengthy foreclosure, additional accrued interest, and expenses. Typically used when attempts fail to sell the house prior to foreclosure.

Reverse Mortgage: The borrower must be over the age of 62 and have reasonable equity available to qualify. Counseling by an approved HUD agency is required. Once loan is processed the reverse mortgage pays off the balance owed on the mortgage and the borrower can remain in the home without repaying as long as they remain in the home.

