

For those borrowers who may no longer be able to afford their homes, but want to avoid foreclosure, the following programs may also be available:

**Short Sale:** In a short sale option, the servicer allows the homeowner to list and sell the mortgaged property and agrees to accept the net proceeds from the sale, even if the proceeds are less than the total amount due. Under the HAFA option, your lender/servicer will provide you with a set amount that they would be willing to take prior to listing your home.

**Deed-in-Lieu:** once all of your options have been exhausted your lender may offer to accept a deed-in-lieu of foreclosure through which a homeowner voluntarily transfers ownership of the property to their lender/servicer. Most lenders will require that homeowners try to sell their home before they will accept the deed-in-lieu.



Lenders may also offer a monetary amount for relocation assistance after closing, often referred to as the Cash for Keys option. Up to \$3,000, this amount is negotiable and is generally given once a final inspection of the property has taken place to see if there has been damage or if the home is in good repair and “broom” clean.

Participating in the Short Sale or Deed-in-Lieu option could result in a deficiency judgment.

A deficiency judgment is when the home has sold in the foreclosure (including short sale) sale for less than the full amount owed. The lender may agree that they will not seek a deficiency judgment. However, lenders who allow short sale or deed-in-lieu options may decide to seek a judgment through the courts at a later date to attempt to collect the difference. You can negotiate this option up front with your lender and should they agree, make sure to get it in writing that they will not seek the deficiency judgment.

For more information on the Making Home Affordable Programs please visit their website at MakingHomeAffordable.gov or contact a HUD Housing Counseling agency for more guidance.

## BE PREPARED

- bring ALL required documentation to your counseling session
- bring ALL updated information with you to mediation (pay stubs, bank statements, etc...)

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***Not everyone will be able to keep their home, but understanding your options will help you make a more informed decision.***

To locate your local legal aid or legal services office, please visit us on the web at

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

Your local legal aid or legal services office can be located through either the “Find Local Help” or “Directory” links at the top of the page.

If you don’t have access to the internet, consult your local Directory Assistance for the number of the legal aid or legal services office nearest to you.



The Florida Bar Foundation, with Interest on Trust Accounts program funding, provides support for this service.

Special thanks to Community Legal Services of Mid-Florida, Inc.

This brochure is for general education only. It is not intended to be used to solve *individual problems*. If you have specific questions, see an attorney.

FloridaLawHelp.org

# Foreclosure Prevention



Your guide to the workout Options



If your financial hardship will be temporary your lender may determine one of the following options may work best for your situation.

**Reinstatement:** paying the amount you are currently behind, in full, in order to bring your loan current.

**Forbearance:** lender may allow you to reduce or suspend your payments for a short period of time and then agree to another option to bring your mortgage current (may be used in conjunction with a modification)

**Repayment Plan:**

Resume making your regular monthly payments plus a portion of your past due amount in order to bring your loan current. These are generally for a set amount of time (3-24 months depending on the lender)

If your financial situation is long-term:

**Modification:** a loan modification is similar to a refinance: the lender agrees to alter/modify your loan but with no fees being charged. By modifying your rate, extending the term of your loan back as far as 40 years will lower your payment. The modification may be for a prescribed amount of time or for the life of the loan.

## **Making Home Affordable (MHA)**

The Federal government has several programs for helping homeowners who are having trouble making their mortgage payments due to some hardship through no fault of their own.

How do I qualify for the MHA Programs?

- Own a 1-4 unit home that is your primary residence
- Have received your mortgage prior to January 1, 2009
- Have a mortgage payment (including principal, interest, taxes, insurance and homeowners association dues) that is MORE than 31% of your gross (pre-tax) monthly income; and
- Owe less than or equal to \$729,750 on your first mortgage.

**Home Affordable Refinance Program (HARP):** for those loans what are held by Fannie Mae or Freddie Mac and whose borrowers are able to pay their mortgages on time but are not able to take advantage of the record low interest rates perhaps due to the decrease in property values. HARP can assist you with refinancing into a more affordable mortgage.

**Home Affordable Modification Program (HAMP):** for those homeowners with payments greater than 31% of gross monthly income, who are struggling to make their mortgage payments on time may qualify for a modification. Under the HAMP program the borrowers payment may be lowered to 31% of

monthly income by *modifying* the rate, term, or principal balance owed or a combination of these items.

**HAMP Trial Period:** borrowers will be required to pay the reduced payment during a Trial Payment Period while the documents and/or application they submitted is reviewed for final approval.



**Second Lien Modification Program (2MP):** offers homeowners a way to lower payments on their second mortgage. Under the 2MP program if your first-lien is modified under the HAMP program and your second-lien holder is a participating servicer (see making-homeaffordable.gov for list), then your second-lien may lower your rate.

As an alternative to the 2MP program the second-lien holder may elect to extinguish your 2nd lien in its entirety.

**FHA Loans / Partial Claim:** your lender may assist you in obtaining a one-time interest free loan from the insurer to bring your loan current. Your loan must be at least 4 months delinquent, but no more than 12 to request a partial claim. FHA will place a lien on your property.

**Unemployment Program (UP):** for those borrowers struggling to pay their mortgage due to unemployment may receive a forbearance period during which their monthly mortgage payments are reduced or suspended while they seek re-employment. The minimum forbearance is for 3 months, though the servicer may extend the term depending on the investor. To be eligible, borrowers may not be more than 3 months past due on their mortgage.

**Hardest Hit Program (UMAP/MLRP):**

**Unemployment Mortgage Assistance Program (UMAP)** will provide up to 12 months of payments (with a cap of \$24,000) to the mortgage lender to assist unemployed or underemployed borrowers with their first mortgage until they can resume full payments on their own. In addition, up to \$18,000 can be paid to help satisfy all or some of any past due amounts owed; this assistance will be paid prior to the UMAP payments beginning and cannot exceed \$18,000 total. Any past due amounts over and above the \$18,000 are the responsibility of the homeowner. Total assistance available is up to \$42,000.

**Mortgage Loan Reinstatement Payment (MLRP) Program** will be used as a one-time payment to help satisfy all or some of any past due amounts owed on the first mortgage, only. This assistance cannot exceed \$25,000 total, and any past due amounts over and above the \$25,000 are the responsibility of the homeowner.