



## Communication Is The Key To Avoiding Mortgage Problems

Now that the housing market has slowed and huge increases in home prices are a thing of the past, home buyers who were counting on appreciation to help them refinance adjustable-rate mortgages may be in for an unpleasant surprise. Monthly mortgage payments are rising for many of these borrowers at the same time that lenders are tightening standards for approving mortgages.

Home owners who can no longer afford their mortgage payments and have little or no equity may think they have few options. But what they need to know is that lenders do not want loans to default. A default will cost the lender money while a loan paid on schedule — regardless of the interest rate — will not. A foreclosure is a last-ditch effort to minimize losses.

Home owners facing unexpected expenses or periods without income may be able to get emergency financing such as a home equity loan, second mortgage or installment loan to provide temporary funds. However, a history of on-time mortgage payments is critical. Chronic late payments will hurt a homeowner seeking emergency financing.

If a homeowner foresees a change in their financial situation, they must talk to their lender early. Lenders want to keep their loans current, and will likely work with homeowners to prevent the loss of their home through a loan workout plan.

Loan workout plans depend on a number of factors: the borrower's past payment history; the seriousness of the default; prospects for obtaining funding to cure the default; the projected length of the financial shortfall; and the property's value.

Finally, there are legitimate organizations that help people in short-term trouble who can't come up with funds on their own. Homeowners who fear they may be in danger of foreclosure can get expert, free counseling and a customized plan of action by calling 888-995-HOPE or visiting [www.995hope.org](http://www.995hope.org). The toll-free number is answered 24 hours a day by U.S. Department of Housing and Urban Development-approved counselors.

State and local housing agencies can also sometimes help, as well as churches, civic groups and non-profit housing assistance or counseling agencies that often have or know of programs.

Consumers don't need to be afraid of the current housing market. Borrowers just need to remember to plan for expenses, know their options, and communicate with their lenders and they will be able to comfortably stay in their homes as long as they planned.

