Your Options for Avoiding Foreclosure

Freddie Mac

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Unexpected challenges in your life can make it difficult to make your monthly mortgage payments. If you are facing a financial hardship, these steps can help you avoid foreclosure and get back on track.

Assess How Long Your Financial Hardship May Last

A financial hardship is anything that makes it challenging to pay your mortgage in a timely manner, such as losing your job, divorce, an illness or a natural disaster.

Your hardship could be short term, meaning that you expect it to be over within 12 months, or long term, meaning it extends beyond 12 months.

The type and duration of your financial hardship will affect the solution that is best for you to avoid foreclosure.

Contact Your Loan Servicer

Your loan servicer is the company where you send your mortgage payments. They will be your best resource to help identify the solution that best fits your circumstance and can help you avoid foreclosure.

Your loan servicer can help you with:

- **Options for reinstatement, relief and loan terms.** Given your specific circumstances, your servicer will help determine your best plan of action.
- **Deciding whether refinancing could be a good option for you.** You may be able to refinance your mortgage to help decrease your payments.
- **Budgeting.** A servicer may help you create a budget to plan for expenses and help you meet your financial goals.
- **Documentation.** Depending on the solution that's best for you, a servicer will discuss any documentation they may need.

Options to Keep Your Home and Adjust the Mortgage Terms

Your servicer will work with you to determine the approach that best fits your circumstance and arrive at a solution together to avoid foreclosure.

Forbearance

Forbearance is an agreement between you and your loan servicer that either pauses or reduces your monthly mortgage payments for a limited time.

Who is it for? You may consider forbearance if you are currently unable to make your monthly mortgage payments but think you should be able to resume making payments soon.

Payment Deferral

A payment deferral moves your missed mortgage payments to the end of your loan term, but your monthly mortgage payment amount stays the same.

Who is it for? You may consider payment deferral if your hardship has been resolved but you are not able to repay the mortgage payments you missed as a lump sum or through increasing your monthly mortgage payment.

Freddie Mac Flex Modification® provides up to a 20% mortgage payment reduction that permanently changes one or more of the original terms of your mortgage, such as the interest rate and mortgage term. Ask your loan servicer whether Flex Modification may be an option for you.

Options to Keep Your Home and Bring the Mortgage Current

Repayment Plan

With a repayment plan, your regular monthly mortgage payment increases for a short period of time to make up for the mortgage payments you missed. A repayment plan must be longer than one month, but no more than 12 months.

Who is it for? You may consider a payment plan if, for a period of time, you're able to afford your regular monthly payment plus a little more.

Partial Reinstatement

With a partial reinstatement, you pay as a lump sum part of the mortgage payments that you missed. To pay off the rest of the mortgage payments you owe, your loan servicer with work with you to create a repayment plan.

Who is it for? You may consider a partial reinstatement if your hardship has ended and you are able to make a lump sum payment, but not the full amount you owe all at once.

Full Reinstatement

With full reinstatement, you pay as a lump sum the total mortgage payments you owe, including taxes and insurance premiums paid, delinquent interest, any legal costs and other expenses incurred by the loan servicer. A full reinstatement makes your mortgage current.

Who is it for? You may consider full reinstatement if your hardship has ended and you are able to make a lump sum payment.

Refinance

Refinancing your mortgage may lower your interest rate. Or you may replace an adjustable-rate mortgage with a fixed-rate mortgage that is more affordable.

Who is it for? You may consider refinancing if you are current on your mortgage payments but would benefit from a reduced payment in the future.

Options to Exit Your Home

Selling with Equity

When selling with equity, you can use the proceeds of selling your home to pay off your remaining mortgage debt. If the value of your home is greater than the amount you owe, you will be able to keep any excess funds.

Who is it for? You may consider selling with equity if your home equity is greater than the amount you owe on your mortgage or any other debts secured by your home.

Short Sale

With a short sale, you sell your house for an amount less than the full amount you owe. In some cases, your loan servicer may offer you an incentive to help you transition to more affordable housing.

Who is it for? You may consider a short sale if you can no longer afford your mortgage payment and you have exhausted all options to remain in your home.

Deed-in-Lieu of Foreclosure

With a deed-in-lieu of foreclosure, you voluntarily transfer the property title to your mortgage company, in exchange for canceling your mortgage debt. This plan allows you to avoid foreclosure and make a graceful exit from your home. Your loan servicer may also offer you an incentive to help you transition to more affordable housing.

Who is it for? You may consider a deed-in-lieu of foreclosure if you have exhausted all other options.

No matter where you stand in your current and future abilities to make your monthly mortgage payments, there are options available to help you avoid foreclosure. Contact your loan servicer to determine the best option for your circumstances.

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