AVOIDING FORECLOSURE

Methods of Avoiding Foreclosure: **Pay the Delinquency, Forbearance and Repayment Plan, Payment Assistance, Loan Modification, Private Sale, Compromise/Short Sale, Deed in Lieu of Foreclosure, Refund**

If you anticipate getting behind on your mortgage payments, or are behind, there may be help for you. The information below addresses options you may have to bring your loan current and save your home from foreclosure.

When your loan goes into default, your servicer/lender is responsible for contacting you to determine the reason for the default, your financial situation and if possible, attempt to make arrangements with you to cure the delinquency. If the problem cannot be resolved and foreclosure seems inevitable, your servicer will discuss with you various Alternatives to Foreclosure and help you determine your best course of action.

You should be prepared to discuss:

- The reason you are, or will soon be, in default.
- Your current financial/employment situation.
- Whether you or someone else occupies the property.
- Whether or not you wish to keep the property.

You do not have to wait for your servicer to contact you. You should contact your servicer as early as possible.

Most foreclosures result in losses to everyone involved - the veteran, the servicer/holder, and VA. Many foreclosures can be avoided, particularly when all parties work together.

METHODS OF AVOIDING FORECLOSURE

Pay the Delinquency

- Under most circumstances, lenders are required to accept payment of the full delinquency and reinstate the loan. If you are already in foreclosure, the delinquency may include certain legal costs. Many mortgage companies require certified funds for reinstatement.

Special Forbearance

- This is an agreement between you and the mortgage company to suspend or reduce payments for one or more months. The agreement must be in writing and signed by you and a representative of the mortgage company. You must pay the delinquency at the end of the forbearance period or enter into a repayment plan.

Repayment Plan

- The most common method to pay your home loan up to date is an agreement between you and the mortgage company to pay the normal monthly payment plus a portion of the delinquency each month. The agreement is in writing and signed by you and a representative of the mortgage company.

Payment Assistance

- Many state and local governments, as well as private charitable organizations, have programs which may pay all or part of your mortgage obligation for a fixed period of time. Your servicer/lender can provide information on these programs. VA, however, does not have a program which would enable us to give you direct payment assistance.

Loan Modification

- This is also a written agreement that permanently changes one or more of the terms of your loan. These changes could include a change in your interest rate, adding the missed payments to the loan balance, and extending the amount of time required to pay your loan in full. These options may result in a higher monthly payment. A loan modification may be considered when it will bring your account up-to-date and you have the ability to make the payments on the modified loan.

Private Sale

- If you cannot pay your loan up to date, a private sale will enable you to protect any equity you may have. The buyer can get a loan to pay your loan in full or take over (assume) your loan. If the buyer wants to assume your loan, you must first obtain approval from the mortgage company. If you sell your home without paying off the mortgage, you may remain liable on the loan. You should obtain a release of liability; in fact, you must obtain a release of liability in order to close a sale by assumption when the loan was made on or after March 1, 1988.

Compromise Sale

- If you owe more than your house is worth, you may still be able to sell your house. VA may be able to pay the difference between the amount you will receive from the sale of the property and the total amount you owe on your loan. We call this option a “compromise sale” or “short sale”. Please discuss this option with the mortgage company before you attempt to sell your home.

Deed in Lieu of Foreclosure

- If you are not able to cure the default, sell the property via a private sale and or compromise/short sale, and there are no liens/additional mortgages on the property, a deed in lieu of foreclosure may be considered. A deed-in-lieu of foreclosure is a voluntary transfer of the property from you to the mortgage company to avoid foreclosure. The mortgage company must consider all other options and determine that they are not feasible before considering a deed-in-lieu of foreclosure.

Refund

- VA has the discretionary authority to buy a loan from the holder and take over the servicing. This is called “refunding”. If you have the ability to make mortgage payments, or will have the ability to in the future, you may qualify for refunding. When refunding of your loan is appropriate, VA will notify you.