

## **What if mortgage payments can't be met?**

by Crown Financial Ministries

The most common reasons that individuals may find it hard to meet their mortgage payments are losing a job, getting divorced or separated, or encountering a sudden huge expense, such as a medical bill. If this happens and you can't meet your monthly mortgage obligations, don't panic. Most legitimate financial institutions do not like being in the real estate business and will do as much as they can do to keep you from losing your home, although some will be more accommodating than others.

### **What should and should not be done?**

The worst reaction is to ignore the problem. It is critical for the borrower to show the lender that he or she is a responsible person. Explain to the lender in writing the details that prevent you from making your mortgage payment and send the letter certified (call to find out to whom you should address the letter). In the same letter, request an appointment with a lender representative to discuss your situation and any possible solutions. If the lender doesn't respond to you within a week to 10 days, call to set up an appointment. If the lender is not in your area, find out who represents the lender in your city or region.

### **What the lender will want to know:**

When you discuss your payment problem with the lender, there are some basic questions that the lender will want you to answer.

- How soon can you start repaying your loan?
- How much can you pay now on a monthly basis, and how much will you ultimately be able to pay?
- Do you have a means of income that can provide the funds needed to satisfy the monthly payment?
- If you show a willingness to work with a lender, the lender will generally try to come up with a solution that is satisfactory to both lender and borrower.
- If the problem is temporary, a lender might agree to accept smaller payments for a time and work out a schedule for future repayment of the delayed payments.
- The lender might agree to forego payments for a few months. Then, when full payments are renewed, an additional percentage will be added to the regular monthly payment until the missed payments are brought up to date.
- If the loan is an older loan and you have built up equity in the home, the lender may "recast" the payments. That means that they could lengthen the maturity of the remaining loan and make each of the remaining payments smaller.
- Refinancing is another alternative. This is also possible if equity has been built up in the home. This is especially attractive if the borrower is hit with a huge

unexpected bill. The home mortgage can be refinanced to include the amount of the unexpected bill. This will provide the money to pay off the unexpected bill, but the repayment will be incorporated into a new home mortgage, which will likely extend the maturity of the mortgage loan.

- A second mortgage is another similar device that lenders may recommend. If a second mortgage is secured, it will not affect the first mortgage. In addition, a second mortgage can be secured with a maturity of from one to 15 years. This enables the borrower to pay off the second mortgage without carrying it for the entire length of the original home mortgage.

### **What if nothing works?**

In some situations, it may appear that under no circumstances will you be able to keep the house. In these situations it is more important than ever to work closely with your lender and show that you are truly making an effort to come up with the needed funds.

Additionally, you might want to solicit help in making your mortgage payments—from your family, friends, charitable organizations, and church family; sell a second car or enough personal possessions to secure enough funds to make a mortgage payment; sell collectibles that may be valuable in the collectors' market (it is better to sell your coin collection or doll collection than to lose your house); borrow against established assets, such as stocks, a paid-off car or boat, or whole life insurance policies; get a temporary second or third job until the financial crisis is over; or try anything to make sure that you do not lose your home. Foreclosure should be your very last election—after everything else has been tried, everything else has been sold, all second and third job options have been exhausted, and everyone else you know has been told about your problem.

### **Conclusion**

If you can't make your monthly mortgage payment, do not ignore the problem, hoping that it will go away. Contact your lender and try to work out a payment schedule that you will be able to handle and with which the lender will be satisfied. Be open and straightforward with your lender, and the lender generally will work with you.