



Right At Home Answers Workbook

What you need to know to keep your home in tough economic times

- **Finding the Right Help**
- **Mortgage Problem Solving Guide**
- **Money Management forms**



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CREDIT UNIONS™
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Finding the Right Help

You're facing enough without worrying about being taken advantage of. But trustworthy help is available, so you can get the guidance you need—and avoid scams.

Housing and Foreclosure Prevention Counseling

Housing and Foreclosure prevention counselors can help you overcome your barriers to homeownership, review your budget, and work with your lender on your behalf to avoid foreclosure and find a solution to your mortgage problems. To avoid fraud, find a reputable HUD-approved housing counselor near you. To find a counselor:

- Call (202) 708-1112
- Visit www.hud.gov

Avoid Fraud and Scams!

Be careful to avoid foreclosure prevention scams that charge large fees without helping and can even cause you to lose your home. Keep these tips in mind when you're looking for a counselor or any assistance:

- Do not pay up front for information or assistance.
- Beware of anyone who says they can save your home and asks you to sign over the deed.
- Never make payments to anyone other than your mortgage company without their specific approval.
- Avoid unscrupulous "credit repair" or "credit reduction" companies that charge large fees and promise to improve your credit score or reduce your balance. Work with a reputable counselor or your credit union to protect your money and your credit.

Money Management and Credit Counseling

Credit unions – Find a credit union near you for help with financial education, credit and financial counseling, and mortgage solutions. To find a credit union near you, visit www.lovemycreditunion.org

Credit and financial counseling – Many credit “repair” companies charge large fees and may be fraudulent! Find a reputable source of credit and financial counseling near you by contacting the National Foundation for Credit Counseling. Call 1-800-388-2227 or visit www.nfcc.org

Community Assistance, Information and Referrals

2-1-1 resources – 2-1-1 provides free and confidential information and referral. Call 2-1-1 from your telephone for confidential help with housing, food, employment, and more.

Extension – Objective, research-based information and tools that you can use to improve your everyday life brought to you by the nation's largest and oldest network of universities. Call your state University Extension office or visit www.extension.org

Mortgage Problem Solving Guide

No matter what is causing your mortgage trouble, you can get back on the right track! Follow the steps below that apply to your situation.

Trouble due to an increased mortgage payment amount?

Your mortgage payment may increase due to a rate adjustment, increase in escrow, or a balloon payment. If you are unable to handle the higher payments, take action to avoid foreclosure and protect your credit. Consider these options:

1. **Refinancing** – Refinance if you can. If your loan principal balance is less than the current market value of your home, see a HUD certified housing counselor or your credit union mortgage lender to see if you can refinance your mortgage loan to a better mortgage product with lower fixed rate and/or a longer term.
2. **Loan Modification** – Ask for a loan modification if you owe more on your mortgage than the current market value of your home. Contact a HUD certified housing counselor or your lender to ask for a loan modification to adjust the rate, term or principal amount of your current mortgage to decrease your payment amount.
3. **Government or Lender Programs** – Contact a HUD-certified housing counselor to determine if you qualify for “Making Homes Affordable” or other current government or lender programs for mortgage rescue and assistance.
4. **Budgeting** – Careful money management and budgeting can help while you are working out a solution.
5. **Community Resources** – Call 2-1-1 or your local United Way office to identify community resources available for assistance while you are seeking a mortgage solution.

Trouble Due to a Loss of Income or Increased Expenses?

A sudden increase in family expenses or a loss in income can make it hard to meet your obligations. Take action to avoid foreclosure and protect your credit. The best solution for you depends on how long the change in income or expenses is expected to last.

Help for Short-term (3-6 months) Change in Income or Expenses

Take action to help you survive a short-term problem and avoid foreclosure. Consider using these options:

1. **Budgeting** – Implement a crisis budget that focuses spending only on food, housing, utilities and transportation.
2. **Community Resources** – Call 2-1-1 or your local United Way office to identify community resources available for assistance.

Mortgage Problem Solving Guide (continued)

3. **Evaluating Your Mortgage Terms** – Would a lower rate or a longer term lower your payment?
 - If your loan principal balance is less than the current market value of your home, see a HUD certified housing counselor or your credit union mortgage lender to see if you can **refinance** your mortgage loan to a better mortgage product with lower fixed rate and/or a longer term.
 - If you owe more on your mortgage than the current market value of your home, Contact a HUD certified housing counselor and or your lender to ask for a **loan modification** to adjust the rate, term or principal amount of the loan to make your payments lower.
4. **Change in Payments** – Contact a HUD certified housing counselor or you lender to ask for a forbearance agreement to suspend or reduce your payments for a short period of time.
5. **Government or Lender Programs** – Contact a HUD certified housing counselor to determine if you qualify for “Making Homes Affordable” or other current government or lender programs for mortgage rescue and assistance.
6. **Insurance** – If you have private mortgage insurance, contact your lender to request an insurance loan or an insurance partial claim to help you make your payments temporarily.

Help for Long-term or Permanent Loss of Income or Increase in Expenses

A long-term change needs a long-term solution. Now is the time to decide if you want to stay in your home or if you need to move to more affordable housing or for employment.

If you want to **stay in your home**, consider these options:

1. **Refinancing** – Refinance if you can. If your loan principal balance is less than the current market value of your home, see a HUD-certified housing counselor or your credit union mortgage lender to see if you can refinance your mortgage loan to a better mortgage product with lower fixed rate and/or a longer term.
2. **Loan Modification** – Ask for a loan modification if you owe more on your mortgage than the current market value of your home. Contact a HUD-certified housing counselor and or your lender to ask for a loan modification to adjust the rate, term or principal amount of your current mortgage to decrease your payment amount.
3. **Government or Lender Programs** – Contact a HUD-certified housing counselor to determine if you qualify for “Making Homes Affordable” or other current government or lender programs for mortgage rescue and assistance.

Mortgage Problem Solving Guide (continued)

4. **Reverse Mortgage** – If you are over 62 years of age and have equity in your home, ask your lender or a HUD-certified housing counselor if you qualify for a reverse mortgage.
5. **Budgeting** – Careful money management and a “crisis budget” can help while you are working out a solution.
6. **Community Resources** – Call 2-1-1 or your local United Way office to identify community resources available for assistance while you are seeking a mortgage solution.

If you want to **move out**, but owe more than the current value, consider these options:

1. **Foreclosure Alternatives** – Contact your lender to investigate foreclosure alternatives. Caution! Although not as detrimental as a foreclosure or a bankruptcy, these options may have a negative effect on your credit rating. Contact a HUD-certified housing counselor or a non-profit credit counselor to investigate the best option for you.
 - A **pre-foreclosure short sale or short payoff** allows you to sell the house at market price and use the proceeds to settle the debt.
 - A **loan assumption** allows a buyer to take over your mortgage debt and make the payments even if the mortgage is non-assumable.
 - A **deed-in-lieu of foreclosure** is a transfer of your property to the mortgage holder and can be an option if you are unable to sell your home.
2. **Budgeting** – Careful money management and a “crisis budget” can help while you are working out a solution.
3. **Community Resources** – Call 2-1-1 or your local United Way office to identify community resources available for assistance while you are seeking solution

In the Foreclosure Process or Recovering from Foreclosure?

If you are in the foreclosure process or recovering from foreclosure, consider these steps:

1. **Stop** – Contact a HUD-certified housing counselor immediately to determine if there are steps you can take to stop the process.
2. **Recovery Plan** – Contact a non-profit credit counselor to help you evaluate the effect on your credit and to create a plan to recover.
3. **Budgeting** – Careful money management and a “crisis budget” can help while you are working out a solution.
4. **Community Resources** - Call 2-1-1 or your local United Way office to identify community resources available for assistance while you are seeking solution.

Your Mortgage Payment and Debt Ratios

Make sure that your current or new mortgage amount and monthly payments fit your income and budget. Your total mortgage costs include four components - principal, interest, taxes, and insurance (often referred to as **PITI**).

Principal – The amount of money borrowed or the amount of the loan that has not yet been repaid to the lender. A portion of your monthly payment goes towards the loan principle.

Interest – The fee the lender charges to lend the money, as a percentage of the principle amount borrowed. A portion of your monthly payment goes towards the interest fee.

Taxes and Insurance – These may be collected as part of the borrower’s monthly payment and held in escrow or paid directly by the borrower. Homeowners must pay state and local property taxes. Homeowner, or hazard insurance, is always needed to protect your home against losses. Mortgage Insurance (MI) or Private Mortgage Insurance (PMI) is often required to by lenders to protect them against losses caused by a borrower’s default on a mortgage loan if the borrower’s down payment is less than 20 percent of the purchase price.

How Much Can You Afford? Use Ratios to Help You Find Out!

Lenders use two ratios to qualify you for a loan or modification. The higher your ratios are, the harder it will be for you to fit in your mortgage payment with your other debts and your daily living expenses.

Your Housing Ratio or "Front End" Ratio is the percentage of your monthly gross income that you spend on your total mortgage payment (PITI). A **maximum** front end ratio of no more than **25 to 33%** is what lenders want to see.

$$\frac{\$ \underline{\hspace{2cm}}}{\text{Total Mortgage Payment}} \div \frac{\$ \underline{\hspace{2cm}}}{\text{Total monthly gross income}} = \text{Housing ratio : } \underline{\hspace{1cm}} (\%)$$

(Include Principal, interest, taxes & insurance)

The **Debt-to-Income Ratio or "Back End" Ratio** is the maximum percentage of a borrower’s gross monthly income that can be used for the mortgage payment and all other debts. A **maximum** back end ratio of no more than **36 to 41%** is what lenders want to see.

$$\frac{\$ \underline{\hspace{2cm}}}{\text{Total monthly debt}} \div \frac{\$ \underline{\hspace{2cm}}}{\text{Total monthly gross income}} = \text{Debt-to-income ratio : } \underline{\hspace{1cm}} (\%)$$

Total monthly debt - List all monthly debt payments including mortgage/housing:

Mortgage pmt. (PITI):	\$ _____	Credit cards:	\$ _____
Auto loans:	\$ _____	Other:	\$ _____
Personal loans:	\$ _____	Total monthly debt:	\$ _____
Student loans:	\$ _____		

Spending Plan/Budget

Income:	Budgeted Amount	Actual Amount
Wages	\$ _____	\$ _____
Wages	\$ _____	\$ _____
Interest/Dividends	\$ _____	\$ _____
Social Security/Retirement	\$ _____	\$ _____
Alimony/Child support	\$ _____	\$ _____
Other income:	\$ _____	\$ _____
Total Income:	\$ _____	\$ _____

Expenses:	Budgeted Amount	Actual Amount
Savings – Pay Yourself First!	\$ _____	\$ _____
Rent or Mortgage	\$ _____	\$ _____
Electricity/Gas/Oil	\$ _____	\$ _____
Water/trash	\$ _____	\$ _____
Phone/Cell	\$ _____	\$ _____
Internet/Cable	\$ _____	\$ _____
House Insurance & taxes	\$ _____	\$ _____
Home repair	\$ _____	\$ _____
Set aside for home repair	\$ _____	\$ _____
Car loan payment	\$ _____	\$ _____
Gas	\$ _____	\$ _____
Car insurance	\$ _____	\$ _____
Maintenance & repairs	\$ _____	\$ _____
Set aside for repairs	\$ _____	\$ _____
Food/Groceries	\$ _____	\$ _____
Food/Dining out	\$ _____	\$ _____
Medical/Prescriptions	\$ _____	\$ _____
Clothing	\$ _____	\$ _____
Credit Card/personal debt	\$ _____	\$ _____
Charitable contributions	\$ _____	\$ _____
School/tuition/supplies	\$ _____	\$ _____
Newspaper & Magazines	\$ _____	\$ _____
Haircuts	\$ _____	\$ _____
Gifts	\$ _____	\$ _____
Childcare	\$ _____	\$ _____
Lessons/teams/hobbies	\$ _____	\$ _____
Entertainment	\$ _____	\$ _____
Life Insurance	\$ _____	\$ _____
Other	\$ _____	\$ _____
Total Expenses	\$ _____	\$ _____

