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*Helping people help themselves through Education, Financial Counseling and Debt Repayment*

## **WORRIED ABOUT FORECLOSURE?**

### **The Sooner You Seek Help, the Better Chance You Have to Save Your Home**

**(BALTIMORE, MD)** - Nick is a single parent who takes his financial responsibilities seriously. After he lost his job, he constantly worried about how to afford his mortgage each month. When he became reemployed, these concerns didn't end, because his new job paid a lot less than his earlier position, and he still struggled to make each mortgage payment. He initially applied for traditional refinancing in hopes of lowering his payment, but was turned down, so he requested loan modification forms from his mortgage servicer instead. He did his best to complete the forms, but the modification request was also denied. When he finally came to local nonprofit Consumer Credit Counseling Service of Maryland and Delaware (CCCS) for foreclosure prevention counseling, he was in full panic mode.

Carmen Jones-Burke, the certified housing counselor at CCCS who helped Nick complete a successful loan modification application, says she often meets people like him. "Sometimes the lender or loan servicer doesn't make it clear what's needed or people overlook something: they may leave off a signature, leave something blank, or miss a page. After a tense wait, they receive a rejection notice. By the time they come to us, they're frazzled. Our goal is to give them all the information they need to make an informed decision. CCCS can help determine if they qualify for a relief program, answer their questions and offer to review their documents. We give them reassurance. They are not alone -- they don't have to do this all by themselves."

Jones-Burke says that while the loan modification process is daunting, it isn't the biggest obstacle financially challenged homeowners face. "Waiting too long to get help is the leading mistake people make. Those who wait until they're behind several mortgage payments limit the options for saving their homes." CCCS Housing Manager Tom Simonton agrees. "Denying you have a foreclosure problem simply leads to more stress and difficulty. Think of it like this: Say you have a nagging medical problem. If you go and see a doctor early on, there may be relatively simple ways to treat your condition. But if it's serious and you wait to get medical treatment, hoping it will just go away, by the time you actually see a doctor, it may have deteriorated to the point that irreversible damage has been done."

What can you do if you're close to missing or making a late mortgage payment? Simonton says, "Sit down with everyone who is responsible for paying the mortgage and evaluate your situation. What is causing the problem? What can you do to financially deal with this situation? Take a look at your household budget. Then brainstorm ways to reduce your spending and increase your income, so you'll have enough to cover what you owe. That way, when you contact your lender or loan servicer (and this should happen as soon as possible), you'll be able to knowledgeably discuss possible mortgage options." Jones-Burke adds, "Whenever mail arrives from your mortgage holder, open it immediately. Early on, these letters may tell you about possible relief or help. Later letters may include notices of pending legal actions. If you ignore these, you could easily lose your home."

Both Simonton and Jones-Burke recommend that consumers who are worried about foreclosure seek help from a reputable HUD-certified nonprofit housing counseling agency like CCCS. This is the best way to insure you get reliable advice. Simonton explains, "HUD-certified agencies are required to adhere to the National Industry Standards for Homeownership and Counseling. Unlike most for-profit businesses, these agencies do not charge foreclosure clients a fee for counseling. Their mortgage delinquency services are free. Their counselors are also

rigorously trained and must regularly renew their certifications through continuing education. This keeps them up-to-date on foreclosure prevention loan programs and their qualifications.”

Jones-Burke says that CCCS strives to provide clients with the best possible foreclosure prevention services by emphasizing a holistic approach. “Often when clients come to us, they are focused on just one thing: ‘How can I keep my home?’ We encourage them to take a look at the bigger picture. To decide what’s best, you have to first know where you stand financially and then take a look at all the available loan alternatives. Clients leave us empowered and informed. They understand their choices, and because these choices are grounded in reality, they are better prepared to make a sound decision. We also provide support and follow up down the road.”

Foreclosure prevention options vary depending on homeowners’ financial situations (i.e., if they are behind on mortgage payments, how much home equity they’ve accumulated, and other factors). Those who qualify for a traditional loan modification may be able to lower their loan payments and/or have their delinquent payments added to the loan balance by having their rate of interest reduced or the mortgage term extended or by changing from an adjustable to a fixed rate mortgage.

The Home Affordable Modification Program (HAMP) is offered through the federal “Making Home Affordable” program to consumers whose loans are owned by Freddie Mac, Fannie Mae, or their participating lenders. HAMP is designed to help homeowners who are delinquent due to financial hardship or who are in danger of falling behind on their loans. Simonton points out, “People who are eligible for this program receive a mortgage payment based on 31 percent of their verifiable monthly gross income. This typically results in a 40 percent drop in your monthly mortgage payment. But to qualify, you have to have obtained your mortgage on or before January 1, 2009 and be able to sufficiently document that you have enough income to support the modified payment. You can’t owe more than \$729,750 on the mortgage, and your property can’t be condemned. This must also be your primary residence or single unit rental property.”

The Home Affordable Refinance Program (HARP) is a federal loan option that helps consumers who aren’t able to qualify for traditional refinancing because the value of their homes has declined. This program makes it possible for them to refinance into a new, affordable, more stable mortgage. To qualify, Simonton notes, “Your mortgage has to be owned or guaranteed by Freddie Mac or Fannie Mae or have been sold to Fannie or Freddie on or before May 31, 2009. You must also be up-to-date on your mortgage payments and have a good payment history for the past 12 months. Finally, your current loan-to-value or ‘LTV’ ratio must be greater than 80 percent, and your mortgage can’t have been previously refinanced using HARP.”

The Principal Reduction Alternative (PRA) program is another federal relief option for homeowners whose property is “underwater.” This program is designed to encourage loan servicers and investors to reduce the amount that’s owed on a home. Simonton says, “The PRA program has several qualifications, but here are the two most important ones: Your mortgage must be owned or guaranteed by Fannie Mae or Freddie Mac and you have to owe more than your home is worth. If you’re interested, visit the HUD website to learn more.”

The Home Affordable Unemployment program (UP) was set up to help those people who are having trouble making their mortgage payments because they’ve lost their jobs. Simonton says, “If you’re unemployed, UP may allow you to reduce or suspend your mortgage payment for at least 12 months. To qualify you must be eligible for unemployment benefits. The home must be your principal residence, and you must have taken out the mortgage on or before January 1, 2009. You also have to owe less than \$729,750 and you can’t already have used HAMP to refinance it.”

To schedule a free foreclosure prevention counseling session, please call CCCS of MD & DE at **1-866-731-8486** or visit **[www.cccs-inc.org](http://www.cccs-inc.org)** . Counseling sessions are offered by phone and at local CCCS offices. To learn more about HUD’s many Home Affordable programs visit **[www.hud.gov](http://www.hud.gov)**. In parting, Jones-Burke concludes, “Don’t give up! The sooner you seek help, the better chance you have to save your home.”

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**Consumer Credit Counseling Service of MD & DE, Inc. (CCCS) is an accredited 501(c)(3) nonprofit agency that helps stabilize communities by creating hope and promoting economic self-sufficiency to individuals and families through financial education and counseling. CCCS MD State License #14-01 / DE State License #07-01.**