

Housing: Your Top Priority

When Your Income Drops



Keeping a roof overhead is important when your income drops. If you rank your bills in order of priority, paying your rent or mortgage will always be at, or near, the top of your list. Housing, which includes mortgage or rent payments, insurance, taxes, household maintenance and repair, utility bills, furnishings, and cleaning supplies, is also typically your biggest expense. When your income drops or doesn't go as far as it used to, careful planning can help you avoid eviction from your rental unit or the loss of your home.

Renters

If you rent, tell your landlord about your situation before your rent is due. It costs money for a landlord to change tenants, so the landlord may be willing to work with you, especially if you have been a good tenant. If your situation is temporary, ask for an extension until your income resumes. Offer to make smaller payments for a month or two, with the understanding that you will catch up when your income increases again. Consider trading your labor for a portion of the rent. Offer to provide services, such as painting or yard work, in exchange for rent. If you think your loss of income will continue for more than a few months, moving to lower cost rental housing may be your best option.

Failure to pay rent can result in an eviction. Review your lease to make sure you understand what happens when you fall behind on rent. Landlords are required to comply with the terms and conditions in the lease to evict you. For more information on the Mississippi Landlord Tenant Law, visit the Office of the Attorney General's website: <http://www.ago.state.ms.us>

If you rent and the property is foreclosed because the property owner failed to make payments, in most instances your lease will be terminated. The new owner can continue to accept rent payments from you, offer you a new lease, or demand possession of the property. In this situation it is best to sign a new lease or move out.

Homeowners

When you buy a home, you enter into a contractual agreement with a lender. Make sure you have a clear understanding of your mortgage contract and your responsibility to make timely payments on your loan. When your income drops, you quickly feel the stress of making your mortgage payment. If your loss of income will only be for a few months, you may be able to cut back on other expenses and continue to meet your mortgage payments.

If making your mortgage payment appears impossible, contact your lender before you miss the first payment. Your lender may be able to lower your payment temporarily or refinance your loan. Most lenders would rather avoid the time and cost involved in a foreclosure if another alternative can be worked out. No matter what your situation is, you need to look at your options before you miss a mortgage payment. This is the time to seek help from a HUD-approved housing counselor.

Avoiding Foreclosure

You must avoid falling behind on your mortgage payments. If you miss a mortgage payment, you have defaulted on your contract, and your lender can begin foreclosure on your home. Open the letters and notices that come from your lender. Ignoring the problem will not make it go away. If making the payment on time is not possible, the first step is to acknowledge that you have a problem and talk to your lender.

The timeline for foreclosure in Mississippi is short—approximately 60 days from the time you miss your first payment until you receive a "Notice of Default" or "Notice of Sale." That is why it is so important to contact your lender as soon as possible if you anticipate a problem. If you fail to remain current or arrange with the lender to modify your loan, the lender may begin foreclosure proceedings. The sooner you address the problem, the more options you will have.

If your loss of income is going to last a long time, consider your options for decreasing your expenses and increasing your income. Increasing your income can be more challenging than decreasing expenses. Be creative in thinking of ways to increase your income. Consider taking in a renter and using the money you receive toward your mortgage payment. Another option is to rent your home and move your family into a smaller house or live with relatives or friends. In both situations you need to have a written agreement between yourself and the renter. It is a good idea to ask for a security deposit from your renter. Renting out all or part of your home impacts your property tax exemptions and homeowner's insurance, so you need to check with the local taxing authority and your insurance company.

Refinancing may also be an option, especially if you owe less than your home is worth. You may be able to refinance your mortgage and lower your monthly payment. Refinancing is an especially attractive option if your mortgage loan has an adjustable or variable interest rate or a high interest rate. If you decide to refinance,

make sure the new loan has a fixed interest rate and that the savings are worth all of the costs associated with refinancing the loan.

For homeowners at least 62 years of age with a low mortgage balance, a reverse mortgage may be an option. A reverse mortgage allows you to convert a portion of the equity in your home into cash. You continue to live in the home, and the lender pays you a lump sum payment or monthly payments. The money you receive is paid back—plus interest—when you sell your home, permanently move out, or die. The loan may be federally-insured, and you retain title to the property.

If you can no longer afford it, then selling your home may be your best option. Contact your lender to let them know you need to sell your home. Lenders usually give you a specific amount of time to find a buyer and pay off the mortgage loan balance. During this time, you will be expected to market the property aggressively. If you owe more than your home's current value, the lender may agree to a pre-foreclosure sale or short-sale. A short-sale is when the lender accepts less than the amount you owe on your loan. Another option may be to find a qualified buyer to assume your loan. The lender may permit an assumption even if your original loan documents say the loan is non-assumable.

Your lender may let you voluntarily “give back” your property and forgive the debt. Although this option sounds like the easiest way out for you, generally, you must try to sell the home for its fair market value for at least 90 days before the lender will consider this option. Also, this option may not be available if you have other liens, such as judgments of other creditors, second mortgages, and IRS or state tax liens. If your home has decreased in value, you are still responsible for the total amount of the loan and must pay the lender the difference unless the lender chooses to forgive the outstanding balance.

Beware of Frauds and Scams

Unfortunately, con artists frequently target people who are in desperate situations. Entities that advertise on television, on the Internet, and in newspapers with a promise to “rescue” homeowners from foreclosure are rarely as good as they sound. Most will take your money, ruin your credit, and deplete any equity you may have in your home. If it sounds too good to be true, it probably is a scam.

When it comes to your home, you cannot be too careful. Be sure you read and understand any agreements before you sign on the dotted line. Any verbal promises and agreements must be in writing and part of the agreement to be enforced. Make your mortgage payments directly to your lender or mortgage servicer, not some third party who may just take your money and run. Be very careful about signing over your deed. If you are unsure or suspicious, check with the Better Business Bureau. Report any suspicious activity to local law enforcement officials and the Federal Trade Commission.

Contact your lender before you miss a mortgage payment. It is important that you deal honestly with the lender and not make promises you can't keep. Most lenders will work with you to help bring your mortgage current or sell your home. For help evaluating your options, contact a U.S. Department of Housing and Urban Development (HUD) approved housing counseling agency. They have information on services and programs that could help you. To find a counseling agency near you, call (800) 569-4287.

Most importantly, be realistic. You will have to make sacrifices if you want to save your home from foreclosure.

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