

# EARLY DELINQUENCY INTERVENTION WORKBOOK

If you are having financial difficulties, being able to maintain a mortgage payment can be stressful. In such trying times, it can be hard to make rational decisions about your financial future, especially when information on the available options is scarce or insufficient. Certified Housing Counselors from BALANCE are specifically trained to help you assess the options you may have to avoid foreclosure and stabilize your budget. BALANCE is a HUD-approved non-profit credit and housing agency. Because BALANCE is a benefit provided to you through your financial institution, employee assistance program or employer, the service comes at no cost to you and you can rest assured that our only objective is to try to help you achieve a positive outcome.

This workbook will guide you in preparing for a counseling session with BALANCE and communicating with your lender.

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## Step One: Working with BALANCE

### How will BALANCE help me?

By assessing your financial situation and hardship, we can discuss what options your lender will be considering. If we see that there are ways to give you a better chance to accomplish your desired outcome, we'll let you know so you can increase your options for applying for assistance.

### What should I prepare for my appointment?

Before your counseling session, complete the Mortgage Checklist found on page 2 and the Budget found on page 3. Also, please make sure you have the contact information for your lender available.

### What can I expect from a counseling session?

Our sessions are generally conducted over the phone. During the call we will go over this worksheet together and first discuss your hardship, then your budget and finally your options. At the end of the call, we will create an Action Plan outlining recommendations and next steps.

## Step Two: Preparing to Work with Your Lender

Luckily, there are many programs to assist struggling homeowners. The ones you may be eligible for will depend on both your circumstances and the type of mortgage you have. Your best chance of getting assistance is starting this process as early as possible by being proactive with the lender and preparing documents they may need to assess your case.

# Your Mortgage Checklist

## The basics

1. Is the property your primary residence?  Yes  No
2. How many people live in the home? \_\_\_\_\_
3. How many borrowers are there on the mortgage? \_\_\_\_\_
4. Are you the only one on the title of the property?  Yes  No
5. The property  is a mobile home  has a permanent foundation

## Your loan information

6. My lender's name is: \_\_\_\_\_
7. My loan number is: \_\_\_\_\_
8. I have a second mortgage with: \_\_\_\_\_
9. The second mortgage loan number is: \_\_\_\_\_
10. Do you have an escrow account for property taxes and insurance?  Yes  No
11. Do you have a homeowner's association?  Yes  No

## Your loan history

12. Have you filed bankruptcy during the time you've had this mortgage?  Yes  No
13. When was the last time you refinanced? Month: \_\_\_\_\_ Year: \_\_\_\_\_
14. Have you received hardship assistance from your lender before?  Yes  No

## Is your loan any of the following types:

15. Insured by the Federal Housing Administration (FHA):  Yes  No
16. Insured by the Veteran's Administration (VA):  Yes  No
17. Insured by US Rural Develop (RD):  Yes  No
18. Guaranteed by Freddie Mac or Fannie Mae:  Yes  No

Not sure what type of loan you have? The easiest way to find out is to look at your original loan documents, which will indicate if you have a FHA/VA or RD loan. To check if you have a Fannie Mae loan, visit [www.knowyouroptions.com/loanlookup](http://www.knowyouroptions.com/loanlookup). To check if you have a Freddie Mac loan, visit [www.freddiemac.com/mymortgage](http://www.freddiemac.com/mymortgage).

# The Budget Your Lender Wants to See

The next task is to complete a budget. While we ask that you compile your income and expense information before the session, your Certified Housing Counselor will work with you to finalize a budget for you to present to your lender. Start by preparing your budget in four easy steps based on categories your lender is most interested in:

| Monthly income    | Gross (before taxes) | Net (after taxes) |
|-------------------|----------------------|-------------------|
| Borrower          | \$                   | \$                |
| Co-borrower       | \$                   | \$                |
| Others in my home | \$                   | \$                |
| Other:            | \$                   | \$                |
| <b>Total</b>      | <b>\$</b>            | <b>\$</b>         |

| Your mortgage           | Payment   | Loan balance | Payments behind |
|-------------------------|-----------|--------------|-----------------|
| 1st mortgage            | \$        | \$           |                 |
| 2nd mortgage            | \$        | \$           |                 |
| Other liens             | \$        | \$           |                 |
| Taxes (if separate)     | \$        | \$           |                 |
| Insurance (if separate) | \$        | \$           |                 |
| HOA                     | \$        | \$           |                 |
| <b>Total</b>            | <b>\$</b> |              |                 |

| Other debt            | Payment   | Balance | Payments behind |
|-----------------------|-----------|---------|-----------------|
| Vehicle loan #1       | \$        | \$      |                 |
| Vehicle loan #2       | \$        | \$      |                 |
| Credit card #1        | \$        | \$      |                 |
| Credit card #2        | \$        | \$      |                 |
| Credit card #3        | \$        | \$      |                 |
| Credit card #4        | \$        | \$      |                 |
| Student loan          | \$        | \$      |                 |
| Installment debt      | \$        | \$      |                 |
| Child support/alimony | \$        | \$      |                 |
| Other                 | \$        | \$      |                 |
| <b>Total</b>          | <b>\$</b> |         |                 |

| Living costs     | Amount    |
|------------------|-----------|
| Groceries        | \$        |
| Utilities        | \$        |
| Transportation   | \$        |
| Auto insurance   | \$        |
| Medical costs    | \$        |
| Daycare          | \$        |
| Health insurance | \$        |
| Cable TV         | \$        |
| Clothing         | \$        |
| Beauty/barber    | \$        |
| Hobbies          | \$        |
| Charity          | \$        |
| Entertainment    | \$        |
| Cell phone       | \$        |
| Internet         | \$        |
| Other            | \$        |
| Other            | \$        |
| Other            | \$        |
| <b>Total</b>     | <b>\$</b> |

# Writing Your Hardship Letter

Do not make a hardship letter too long; two or three paragraphs will generally suffice. Use the following guidelines to construct your letter:

Today's date

Names of all borrowers on the loan

Mailing address and current phone number

ATTN: Loss Mitigation Department

Name of Servicer

RE: Lender name/Lender loan #/Investor loan #/Address of property

Loss Mitigation Department Representative:

## **Paragraph One: Stating the Hardship**

First, state whether you occupy the house you are trying to modify and whether your intention is to keep the house. If you aren't sure of your intentions, just leave out that part. Next, explain your hardship, being specific and sticking to the facts. Include specific costs and timeframes. (For example: extra \$400 per month in medical expenses for the past six months, expected to continue for the next year; loss of income due to being laid off two months ago; or increase of transportation cost of approximately \$200 monthly due to longer commute which will continue indefinitely.) Don't go too far back in time when listing a hardship. They are generally looking for something from the last year or two; otherwise they will wonder how you were able to stay current with the mortgage up until now.

## **Paragraph Two: What have you done to remedy the situation?**

List what you have done to try to increase your income or decrease your expenses to make the mortgage more affordable. You don't need to list every single thing you have cut back on. A general overview of your efforts will show the lender that you are motivated to remedy the situation. Examples of what to include: liquidating assets to maintain essential expenses; looking for a second job or a roommate; decreasing nonessential expenses.

## **Paragraph Three: Wrapping up any loose ends**

This is where you explain any essential items in your budget that warrant further explanation. You should certainly include this paragraph if you put anything in the "other" expense category.

Sincerely,

Signature

Date

## Step Three: Working with Your Lender

### Options for avoiding foreclosure by working with your lender

There are several widely utilized assistance options you should know about. If your lender offers assistance as a result of your application, only accept what you can commit to.

| Option                      | Goal  | Potential   |
|-----------------------------|---|---|
| Refinance                   | Receive a new loan with lower interest rate or other favorable terms when you have made mortgage payments on time for the last 6-12 months  | Makes your payment or terms more affordable but you may pay closing costs upfront and more over the life of your loan   |
| Reinstatement               | Pay the total past due amount in a lump sum payment and by a specific date. This may follow a forbearance plan as described below.  | Allows you to avoid foreclosure by bringing your mortgage current if you can show you have funds that will become available at a specific date in the future  |
| Repayment Plan              | Pay back your past-due payments together with your regular payments over an extended period of time   | Allows you to catch up on late payments without having to come up with a lump sum   |
| Forbearance Plan            | Make reduced mortgage payments or no mortgage payments for a specific period of time, defined by the lender   | You have time to improve your financial situation, but you will be required to catch up on all deferred payments in a lump sum at the end   |
| Modification                | Receive modified terms of your mortgage to make it more affordable or manageable after successfully making the reduced payment during a trial period. Unlike refinance, you do not have to be current to apply but you must have a hardship | Modifies your mortgage so that your payments or terms are more manageable as a permanent solution to a long-term or permanent hardship, but you may pay more over the life of your loan if the term is extended. Getting a decision may take months |
| Short Sale                  | Sell your home and pay off a portion of your mortgage balance when you owe more on the home than it is worth and a regular sale is not possible   | Allows you to transition out of your home without going through foreclosure. In some cases relocation assistance may be available but you should speak with your accountant about potential tax complications                                       |
| Deed-in-Lieu of Foreclosure | Transfer the ownership of your property to your lender instead of them foreclosing when you have exhausted all other options  | Allows you to transition out of your home without going through foreclosure. In some cases relocation assistance may be available. This is useful when there are no other liens on your property, but is rarely granted by lenders                  |

Certain homeowners may be eligible to receive assistance from their lender through the government Making Home Affordable program when unemployed, needing change in the terms of the mortgage, or needing help relocating after selling their property. Participation may vary by lender. Visit [www.mha.gov](http://www.mha.gov) for more information or speak with your Certified Housing Counselor at BALANCE.

# Lender Call Log

It is very important that you call the lender at the first signs of trouble with your loan and that you continue to call often until it has been resolved. This process can be stressful, but remember that you will get the most out of working with your lender by remaining calm, asking specific questions, and collecting the right information. Now that you have completed the mortgage checklist on page 2, make sure you have it in front of you whenever you call.

Create a call log to help you track your communication with the lender and the status of your review. In addition it is wise to send any and all correspondence certified mail so you can be sure of the date your lender has received your information.

## Initial call log

|                        |               |                     |
|------------------------|---------------|---------------------|
| Call date:             | I spoke with: | Department:         |
| Contact number:        | Fax:          | Email:              |
| Document requested:    |               |                     |
| Follow-up date:        | Loan type:    | Foreclosure status: |
| Notes/follow-up items: |               |                     |

## Weekly call log

|                        |                      |              |
|------------------------|----------------------|--------------|
| Call date:             | I spoke with:        | Department:  |
| I am assigned to:      | Their position:      |              |
| Contact number:        | Fax:                 | Email:       |
| Packet received on:    | Documents requested: |              |
| Follow-up date:        | Foreclosure status:  | Decision by: |
| Notes/follow-up items: |                      |              |

### Weekly call log

|                        |                      |              |
|------------------------|----------------------|--------------|
| Call date:             | I spoke with:        | Department:  |
| I am assigned to:      | Their position:      |              |
| Contact number:        | Fax:                 | Email:       |
| Packet received on:    | Documents requested: |              |
| Follow-up date:        | Foreclosure status:  | Decision by: |
| Notes/follow-up items: |                      |              |

### Decision call log

|                        |                            |                   |
|------------------------|----------------------------|-------------------|
| Call date:             | I spoke with:              | Department:       |
| Contact number:        | Fax:                       | Email:            |
| Foreclosure status:    | I was approved for:        | I was denied for: |
| Why:                   | Deadline to accept/appeal: |                   |
| Notes/follow-up items: |                            |                   |

Any phone correspondence with your lender will be added to your file and treated the same as written correspondence. You may feel more comfortable only giving them budget and hardship information in writing. It is fine to let your lender know you are planning to do that, as long as you can be diligent in doing so consistently. It's then best to send a certified letter with return receipt and keep all the receipts for your records, while continuing to call the lender for confirmation of status.

### Understanding the process

Foreclosure is a stressful word, but don't be fooled; in almost all cases the lender's goal is to avoid it since it usually costs them more to foreclose than to help a borrower. There are a lot of options out there for you to explore. However, once you fall behind on payments, it is imperative that you have a Plan A and a Plan B. Foreclosure is a timed process and the clock starts with your first missed payment. The earlier you call the lender and apply for assistance, the higher your chance of success. And that goes for the mail too. If you fall behind on your mortgage payments, opening your mail is a priority since that is how the lender will notify you of any foreclosure action. Foreclosure times will vary by state, but it is customary to receive a Notice of Default between the 60th and 90th day of delinquency, which is the first major step towards repossession.

If you fall behind on your loan, you can reinstate at any time before a foreclosure sale occurs, meaning you can pay the lender cash to catch up all missed payments, late fees and accrued charges. Full reinstatement is a surefire way to avoid foreclosure. With all other options, you will need lender approval and will need to apply as early as possible before foreclosure so that you do not lose the property before your case can be assessed.

While you are applying, you should keep records of things like your past due balance with each missed payment so you can understand all the fees being assessed and dispute discrepancies. You should also follow up on documents you send to make sure they are not only received, but also reviewed by your lender. No one knows your situation better than you; make yourself available for the lender's questions and make sure they are always looking at the correct paperwork, especially the budget.

When calling the lender, always ask who you are speaking with, what their position is, and if they are authorized to make decisions on your file. Typically, you'll have one assigned representative and you should always have their information, from name and position to schedule and time zone. Get a commitment date for when they will have an answer and hold your lender to that. Check with them weekly to verify that they have all the necessary information to make a decision about your mortgage. On or after the commitment date, contact your lender to discuss their decision on your loan.

If you have exhausted all other options with your lender, you may consider seeking legal advice regarding bankruptcy as a way to delay foreclosure and make arrangements for the arrears. If foreclosure occurs, that means the lender sold the home in auction to the highest bidder, which in turn means you have lost your rights of possession and ownership to the home to the new owner. The new owner (or the lender) can proceed to evict you following normal eviction procedures, just as if you were a tenant who had not paid rent. Depending on where you live, this process could be completed in just a few weeks. Here again, communicating with the new owner or the eviction courts may allow you additional time or funds to move.

### How do I know if my home was foreclosed?

If you have any doubts that foreclosure has occurred, call the lender as soon as possible and ask if there is a foreclosure sale scheduled. Get the date and time, name of the agency conducting the sale, their phone number and your case number. Call your assigned lender representative, the agency conducting the sale and your BALANCE Certified Housing Counselor right away to determine next steps.



Call BALANCE toll-free:  
**888.456.2227**

Explore a wealth of resources available online:  
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