



CITY OF CLEVELAND
Mayor Justin M. Bibb

How to Avoid Foreclosure



There are many reasons why homeowners fall behind in their loan payments: losses of employment, divorce, unexpected illnesses or medical expenses are life-altering occurrences that can happen to anyone! Here are some steps you can take to avoid losing your home to foreclosure!

Don't Be Embarrassed

Lenders do *not* want to foreclose, and will usually work with you to get you back on track. If you stop paying your home loan, the situation can get worse and the lender can foreclose, taking ownership of your home. Start by contacting your lender as soon as you know your payments will be late, never ignore the lender's letters or phone calls and never assume your situation is hopeless.

Solutions for Temporary Problems:

Reinstatement

Reinstatement might be possible when you are behind in your payments but can promise a lump sum to bring payments current by a specific date.

Forbearance

In forbearance, you are allowed to delay payments for a short period, with the understanding that another option will be used afterwards to bring the account current. Lenders sometimes combine Forbearance with Reinstatement if you know you'll have the funds to bring your account current by a specific date.

Repayment Plan "Short Sale"

This is where the mortgage company will allow you to sell your property for less than fair market value. This prevents the word FORECLOSURE from being on your credit, the mortgage company is paid and you can start over.

Repayment plan (often called a forbearance)

A great option, as long as you have steady income and can commit to making significantly higher monthly payments than before. Before you commit to a repayment plan, be absolutely certain that you can follow through with your commitment. Otherwise, you'll end up sending the bank a lot of money and still end up in foreclosure a couple of months later.

Mortgage modification

You may be able to refinance the debt and/or extend the term of your mortgage loan. This may help you catch up by reducing the monthly payments to a more affordable level. You may qualify if you have recovered from a financial problem but your net income is less than it was before the default (failure to pay).

Partial claim

Your lender may be able to work with you to obtain an interest-free loan from HUD to bring your mortgage current. Contact a HUD-approved housing counseling agency for further information.

Pre-foreclosure sale

This will allow you to sell your property and pay off your mortgage loan to avoid foreclosure and damage to your credit rating.

Deed-in-lieu of foreclosure

As a last resort, you may be able to voluntarily "give back" your property to the lender. This won't save your house, but it will help your chances of getting another mortgage loan in the future.

For additional information and free advice dial 2-1-1 or (216) 436-2000

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