

Back on the Home Track

Avoiding Foreclosure Alternatives

The unexpected challenges of life can make the responsibility of homeownership a tough one.

Just know that you have options and your Servicer will help you find a way to keep your home and avoid foreclosure. Whether you've been affected by the COVID-19 pandemic or you are facing another hardship, getting back on track is just a few easy steps.

Three key things to do...



Assess your situation



Contact your Servicer



Understand your options

1. Assess Your Situation

Ask yourself these two questions:

What is your financial hardship? Is your hardship temporary or long-term?

Hardships include unemployment, divorce, illness or a natural disaster that make it challenging to pay your mortgage in a timely manner. If you are experiencing a financial hardship as a result of the COVID-19 pandemic, you may be eligible for mortgage assistance.

A short-term hardship is an event or circumstance expected to resolve within twelve months, whereas a long-term hardship extends longer than 12 months. This information is something your Servicer will need to know to determine the best option to help you.

If you're not behind at the moment but foresee that making future mortgage payments could become troublesome, you should act immediately to seek solutions.

2. Contact Your Servicer

Your Servicer is the company where you send your mortgage payments. They will be your best resource to help identify the solution that's right for your individual situation. You can call them or visit their website for contact information. If you're in default, make sure to respond to their outreach efforts to begin the conversation.





Budgeting

A Servicer may help you create a budget to plan for expenses and help you meet your financial goals



Refinance Feasibility

You may be able to refinance your mortgage to help decrease your payments



Reinstatement, Relief and Workout Options

Given your specific circumstances, your Servicer will help determine your best plan of action



Documentation

Depending on the solution that's best for you, a Servicer will discuss any documentation they may need

3. Understand Your Options

Your Servicer will work with you to determine the approach that best fits your circumstance and arrive at a solution together to avoid foreclosure.

Options to Keep Your Home and Bring the Mortgage Current

What is It?

Typically, a refinanced mortgage will have a lower interest rate than your existing rate; or you may replace an adjustable rate with a fixed rate which may be more affordable.

Refinance

Who is it best for?

If you are current on your mortgage payments but would benefit from a reduced payment in the future.

What documents do I need?

Check with your Servicer to determine what you need to do to apply.

What is It?

An option where you pay the total delinquent amount in a lump sum (including taxes and insurance premiums paid, delinquent interest, any legal costs and other expenses incurred by the Servicer) to restore your delinquent mortgage to current status.

Full Reinstatement

Who is it best for?

If your hardship has ended and you are able to make a lump sum payment.

What documents do I need?

No documentation is required, but you may receive an offer for a reinstatement after a conversation with your Servicer or submission of the Mortgage Assistance Application.



Options to Keep Your Home and Bring the Mortgage Current (Continued)

Partial Reinstatement

What is It?

An option if you can still make your mortgage payment but are not able to pay the total delinquent amount at once. Your Servicer will establish a repayment plan for the rest of the amount you owe after you make a lump sum payment.

Who is it best for?

If your hardship has ended and you are able to make a lump sum payment, but not the full delinquent amount all at once.

What documents do I need?

No documentation is required, but you may receive an offer for a partial reinstatement after a conversation with your Servicer or submission of the Mortgage Assistance Application.

Repayment Plan

What is It?

Allows you to bring your mortgage current over a short period of time by paying a little more than your original monthly mortgage payment. A repayment plan must be longer than one month, but no more than 12 months.

Who is it best for?

If you are able to afford your regular monthly payment plus a little more for a period of time.

What documents do I need?

Repayment plans must be in writing and your Servicer must send you a copy. You may receive an offer for a repayment plan after a conversation with your Servicer or submission of the Mortgage Assistance Application.

Keep the Home and Adjust the Mortgage Terms

Forbearance

What is It?

An agreement between you and the Servicer for you to either suspend or reduce your monthly mortgage payments for a limited period of time.

Who is it best for?

If you are currently unable to make your monthly mortgage payments but foresee returning to making payments in the near future.

What documents do I need?

You do not need to submit any documentation to receive an initial forbearance. You may receive an offer for a forbearance plan after a conversation with your Servicer or submission of the Mortgage Assistance Application.



Payment Deferral

What is It?

Payment Deferral is a servicing relief solution designed to resolve delinquencies and help homeowners remain in their homes. It enables deferred payment amounts to create a non-interest-bearing forbore balance that will become due at a later date.

Who is it best for?

Homeowners whose hardship has been resolved and a repayment plan or full reinstatement of the mortgage is not a viable option to resolve the delinquency.

What documents do I need?

A Payment Deferral agreement, or Servicer equivalent, should be sent to the homeowner no later than five days after the completion of the Payment Deferral.

Freddie Mac Flex Modification®

What is It?

A payment relief option that targets a 20% payment reduction by permanently changing one or more of the original mortgage terms such as the interest rate and mortgage term. In some cases, the payment reduction can be more than or less than the 20% target, depending on specific circumstances.

Who is it best for?

If you have fallen behind on your mortgage and can no longer afford your monthly payment.

What documents do I need?

You may be eligible for a streamlined offer for a loan modification and not be required to provide documentation.

Exiting the Home

What is It?

An option to sell your house for an amount less than the full amount you owe. In some cases, your Servicer may offer you an incentive to help with your transition to more affordable housing.

Short Sale

Who is it best for?

You can no longer afford your mortgage payment, or you need to relocate and all other options to remain in your home have been exhausted.

What documents do I need?

You must submit a Mortgage Assistance Application along with documents requested by your Servicer (depending on the nature of your hardship).



Deed-in-lieu of Foreclosure

What is It?

A voluntary transfer of the property title to Freddie Mac in exchange for a discharge of the mortgage debt. This is typically a last resort when other options have failed or will not work. Your Servicer may offer you an incentive to help with your transition to more affordable housing.

What is It?

This option allows you avoid foreclosure and make a graceful exit from your home when all other options have been exhausted.

What is It?

You must submit a Mortgage Assistance Application along with documents requested by your Servicer (depending on the nature of your hardship)



Learn More

Related Resources

[Mortgage Assistance Application](#)

[My Home by Freddie Mac](#) – Resources to help homeowners rent, buy and own your home

Visit: myhome.freddie.com

There's More Help

[HUD-approved housing counseling agency](#)

Help identify local services and programs that could also provide financial or legal support, if necessary

Visit: hud.gov | consumerfinance.gov/find-a-housing-counselor

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