

Many borrowers are struggling to make their mortgage payments. It may be because they were attracted to an adjustable rate mortgage (ARM) that at first had affordable monthly payments.

Now that the interest rate has adjusted upward—the only direction most ARMs are headed these days—the homeowner can't make the new higher payments. They may have been manipulated into a loan they cannot afford to repay. They may have been convinced that because they had less than perfect credit, the only way they could refinance was with a loan with high fees and high interest rates. Whatever the promises that the loan was right for them, too many homeowners now feel that they are drowning in debt and at risk of losing their homes.

### Save Your Home

If you have that sinking feeling, there are some things that you can do to save your home.

- If it is not too late, refinance. See if you can refinance your mortgage with a reputable lender to get out of zero-interest or ARM loans into a fixed interest loan. The payments may be higher but you'll be glad you locked into a fixed payment. Ask if you are eligible for a Federal Housing Authority (FHA) insured loan. FHA lenders are required to follow foreclosure prevention procedures designed to assist homebuyers in keeping their home through rough times. You can learn more about FHA loans at [www.hud.gov/fha/choosefha.cfm](http://www.hud.gov/fha/choosefha.cfm).
- Talk to your lender, the sooner the better. Most lenders may be willing to work with you to set up a new payment plan that you can live with. It will be easier to negotiate before you get too far behind.
- Talk with a credit counselor. Good counselors should sit down with you—preferably face-to-face—to help you work out a budget and find ways to manage your mortgage payments. AARP

has information about selecting a reputable housing counselor at [www.aarp.org/money/credit\\_debt/](http://www.aarp.org/money/credit_debt/).

- Talk with a housing counselor. HUD supports some housing counseling agencies that provide free assistance about how to keep your home out of foreclosure. You can search for agencies near you at [www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm](http://www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm).
- Sell and downsize. This may sound painful but you can try to sell your home, pay off the mortgage and use your remaining equity to purchase a more affordable place to live. This is better than losing your home and all of your equity.
- Consider bankruptcy. Talk with a bankruptcy lawyer to find out if bankruptcy might be the better way to save your home. You can learn more about the new bankruptcy laws at [www.aarp.org/money/credit\\_debt/bankruptcy.html](http://www.aarp.org/money/credit_debt/bankruptcy.html).

### Watch for False Help

Watch out for predators who want to take advantage of homeowners who are falling behind in their payment or are at risk of foreclosure. According to the National Consumer Law Center, foreclosure rescue scams come in at least three versions:

- Phantom help: The “rescuer” charges outrageous fees for a few phone calls or some paperwork that the homeowner could easily do, none of which results in saving the home. This predatory scam gives homeowners a false sense of hope and prevents them from seeking qualified help.
- Lease/buy-back: In this scam, homeowners are deceived into signing over the title to their home with the belief that they will be able to remain in

the house as a renter and eventually buy it back over time. The terms of these scams are so onerous that the buy-back becomes impossible, the homeowner gets evicted, and the “rescuer” walks off with most or all of the equity.

- Bait-and-switch: The homeowners think they are signing documents to bring the mortgage current, but instead they are actually signing over the deed to their home. They usually don’t even know they’ve been scammed until they’re evicted.

## Safety Tips

To avoid getting into even bigger problems:

- Never deal with anyone who contacts you with offers to help if you are already in foreclosure. Ignore those street side posters that say “We buy homes!” or “Save Your Credit.”
- Never sign any documents related to your home—or add a co-owner to your deed—without first getting advice from an independent source you trust, like a legal service attorney or community counseling service.
- Be sure you thoroughly understand any document you are asked to sign. Don’t rely on what someone says the document means. Get all promises in writing, get copies of everything you sign, and never leave any blanks in the document.

- Be sure your loan agent is employed by a lender that is licensed or registered and therefore authorized to sell mortgages in your state. Check with your state department of housing or licensing.

## Predatory Loan Help

If you think your lender is dishonest, for example you discover you paid fees you were not told about, or you were required to buy credit insurance, report it.

- Call your county office of consumer affairs or consumer protection. You can find the phone number in the government listings in the phone book.
- Call your state attorney general or state office of banking. Those numbers will also be in the government listings in the phone book.
- Report to the Federal Trade Commission at 1-877-FTC-HELP or at **[www.ftc.gov](http://www.ftc.gov)**.
- Ask a lawyer to look at all of your loan documents to see if there are state or federal laws that would let you get out of the loan.
- Get more information from AARP about predatory loans at **[www.aarp.org/money/wise\\_consumer/financinghomes/a2002-09-16-ConsumerAdvocacyHomeLoans.html](http://www.aarp.org/money/wise_consumer/financinghomes/a2002-09-16-ConsumerAdvocacyHomeLoans.html)**.

*This and other tip sheets provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.*

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