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When Home is At Stake

Now that the first quarter moratorium on national foreclosures has ended, Rhode Island Housing’s HelpCenter is assisting more Rhode Islanders than ever. Since opening its doors in 2007, the HelpCenter has seen more than 4,000 Rhode Islanders come to us for help – 3,168 in the past 12 months alone. Our HUD-approved counselors, who are experienced lenders and mortgage servicers, dedicate a great deal of time working with each client to clearly assess their financial situation, help them understand their options, and develop a plan of action customized for each unique situation.

Although our counselors help homeowners prevent foreclosure whenever possible, it is not always a viable, or even the best, option for the individual. Sometimes, we find ourselves helping homeowners and renters cope with and recover from the loss of their home. Rhode Island Housing’s firm belief – that “home” is much more than four walls and a roof – guides us in ensuring that each person who walks through our doors is offered the best services to find a safe, healthy place that they can afford to keep.

Beyond our assessment and counseling, we work with and negotiate directly with lenders whenever possible. We also provide referrals to other trusted resources that offer credit counseling, debt management, help in finding a home to rent, and emergency housing assistance. *(We have listed some of these key resources on the back page of this briefing.)*

Rhode Island, already ranked 10th in the nation for foreclosures, may soon be facing even higher numbers as lenders act on backlogged and recent defaults. More than ever, it is important for homeowners to contact a HUD-approved counseling center, like the Rhode Island Housing HelpCenter, for free assistance as soon as their financial difficulties begin. The sooner they seek assistance and the more involved in the process they remain, the more options there are and the more likely we can reach a satisfactory resolution.

See the Resources section on the back page for a list of our community partners who are dedicated to helping Rhode Islanders get out of housing trouble, or visit www.rhodeislandhousing.org.



At Rhode Island Housing, we know how difficult it is to know who to trust and where to turn when you find yourself in trouble or at risk of losing your home. The Rhode Island Housing HelpCenter – an independent, HUD-approved counseling agency – opened its doors in 2007 to help Rhode Islanders avoid losing their homes or cope with foreclosure. Our counselors are experienced lenders and mortgage servicers who assess each situation and provide advice, services, education or referrals to help homeowners and renters:

- Make sense of their existing mortgage
- Seek mortgage modification or refinance
- Understand their options
- Negotiate and communicate with their lender
- Evaluate short sale proposals and purchase and sale agreements
- Avoid losing their home or cope with and recover from the loss of their home
- Develop and follow a debt management plan
- Learn how to repair their credit
- Make safe, informed decisions about finding an affordable rent or mortgage
- Recover from the loss of an apartment due to foreclosure of the building or home
- Prepare for future homeownership

Getting Out of Mortgage Trouble

Saving a family's home from foreclosure. That is likely the most common perception of what defines success in housing counseling. Yet it is not the only definition of success for our HelpCenter. Since many buyers were encouraged to purchase homes they truly could not afford to keep, saving the current home is not always a viable option. Yet, there are other options for those who cannot afford to keep their homes. The key is to listen and understand each client's individual issues and needs with the goal of finding a safe, healthy solution that positions the family to thrive in the future.

Factors that influence homeowners' options include:

■ Employment status

If they are unemployed and cannot show a reliable source of income or a plan for stability in the immediate future, the lender is unlikely to modify the terms or refinance on a permanent basis. However, some lenders may consider unemployment income as a compensating factor warranting a temporary forbearance.

■ Monthly income and expense statement/comparison

If the financial statement shows a monthly deficit (more expenses than income), even if they are employed, the lender is unlikely to modify the terms or refinance unless they can clearly demonstrate other means of financial stability for the future.

■ Federal Making Home Affordable program

If they have a mortgage owned by Fannie Mae or Freddie Mac, they may qualify for a refinance as long as they are current on their mortgage payments and the property is their primary residence. Visit www.makinghomeaffordable.gov for more details on the qualifications for the plan. Modification plans may be available for both fixed- and adjustable-rate mortgages, depending on the lender and other factors.

■ Payment status

If they are delinquent it is critical to seek help early or they will have fewer options.

■ Homeowner's relationship with lender

If they are having difficulty making their payments, they should immediately contact their lender or servicer using the contact information on their billing statement. Additionally, they should seek the free assistance of a HUD-approved counseling agency.

■ Money management

If they cannot make a full mortgage payment, lenders may accept partial payments. It is critical that distressed homeowners set aside funds for future payments even if they are only able to make partial payments.

■ Lender policy

Lender policies vary significantly. Given that lending institutions have been inundated with requests in recent months, the process times have slowed down. It is not unusual for it to take more than 120 days for a resolution.

Modification and Beyond

For more than 30 years, Rhode Island Housing has been dedicated to ensuring that all Rhode Islanders have a safe, healthy home that meets their needs and that they can afford to stay in as long as they desire. We understand the challenges that come with owning your own home and how the nation's foreclosure crisis has impacted Rhode Islanders.

We opened the Rhode Island Housing HelpCenter to provide a safe place for advice and education for Rhode Islanders at risk of losing their homes to foreclosure. *The following are real stories of how our HelpCenter counselors have helped Rhode Islanders:*

1 Homeowner gets fresh start

Situation: A single woman had been struggling to pay her adjustable-rate mortgage and was 10 payments behind since the interest rate and, therefore her payment, had increased. After learning in November that her mortgage company was planning to foreclose, she heard a Rhode Island Housing public service announcement on the radio and came into the HelpCenter.

She had received a loan modification proposal from her lender that offered her a fixed-rate loan – but at a rate of 10.625 percent plus a \$5,000 down payment. Although the modification would have held off foreclosure, it also would have increased her already unaffordable payment by nearly \$400/month.

Outcome: The HelpCenter counselor worked closely with the homeowner and her lender to negotiate a modification that she could afford while also protecting the lender's investment. Her financial statement demonstrated enough reliable income to satisfy her lender's concerns.

After three months of negotiating, the homeowner's loan was modified to a fixed rate of 7.50 percent for the life of the loan. The new payment, including taxes and insurance, was \$450 less than her old payment. Back taxes and the 10 months of missed payments were added into the loan balance, allowing her to start the new year fresh, with a manageable mortgage and the monthly savings as a cushion going forward.

2 Imminent foreclosure averted

Situation: A husband and wife contacted the HelpCenter for assistance to try to stop a foreclosure set for just 10 days later. They had a fixed-interest mortgage with an 8.35 percent rate but were three months behind on payments, owing \$10,300.

Outcome: Again in this situation, the income assessment showed that the homeowners could afford modified payments. However, there had been little or no communications from the homeowners to the lender during the time of default. Once foreclosure was imminent, the homeowners' options became much more limited.

The HelpCenter immediately contacted the lender on their behalf and was able to get the foreclosure put on hold to allow time to explore options. The lender was willing to reduce the interest rate by two full percentage points for three years, a monthly savings of about \$400. They were also able to roll about \$21,000 in default principal and tax payments back into the loan balance – as long as the homeowners could make a \$4,300 down payment and succeed in a three-month "trial" period to demonstrate stability, ability, and willingness to pay.

The HelpCenter counselor and the homeowners kept in contact during this period and the homeowners faxed the receipts from the payment to the counselor each month as required in the agreement. Once the trial period was successfully completed, the longer-term modification was approved. At the end of the three years, the lender will review the loan again for a longer modification.

3 Loss of income causes hardship

Situation: This homeowner had a conservative 6.125 percent fixed-rate mortgage with a payment of \$1,981 per month. However, she and her husband were two months behind in their mortgage payments, so she made an appointment at the HelpCenter in October. With her husband unemployed, ineligible for unemployment payments, and her concerns that her overtime would be cut, she was seeking advice. The financial statement revealed a monthly deficit of \$650.

Outcome: When first contacted by a HelpCenter counselor, the lender could not offer any work-out options because the request was outside of the lender's work-out policy parameters. The counselor asked if the lender would be willing to modify the rate due to the unemployment hardship.

After submitting a proposal, speaking to a manager, and a two-month processing period, the terms were modified to a 4 percent fixed rate and the term was extended back to the original period of 30 years. The two late payments were capitalized into the loan balance. This reduced her monthly payment by about \$300. The HelpCenter counselor also referred the family to a debt-management counselor and to job-assistance services to try to help bridge the gap.

4 Selling home eases stress

Situation: After months of trying to make ever-increasing payments on an adjustable-rate mortgage, a couple learned that its lender was beginning the foreclosure process. The wife's medical issues had reduced the family's income significantly, yet the couple's goal was to find a way to keep its home, at all costs. A friend referred them to the HelpCenter for assistance.

Outcome: When they completed the financial statement, our counselor helped them understand that their financial situation was weaker than they realized. The statement revealed a monthly deficit of \$800.

The lender could not offer a modification because the couple could not demonstrate the ability to pay the mortgage or present any plan for increased income or financial stability in the near future. With the counselor's assistance, the couple determined that selling their house as fast as possible made the most sense and would relieve their stress.

The counselor helped them find a two-bedroom apartment that cost \$1,000 per month less than their mortgage and was significantly closer to the husband's work. The lender agreed to forestall foreclosure to preserve the customers' credit ratings, and worked with the borrower to sell the house.

Help for Rhode Islanders in Housing Trouble

An Update from Rhode Island Housing

CONSUMER ALERTS

According to warnings issued by HUD and the U. S. Department of Treasury, consumers do not need to pay for housing counseling or for modification of a delinquent loan. [FREE Help is available](#) through HUD-approved counseling agencies.

[Be wary](#) of any person or organization asking for [payment up front](#), before they have provided any services or results. Consumers should make no payment until they are satisfied with the services delivered.

[Beware of any person or organization](#) that offers an [easy fix](#) or [“one size fits all” solution](#) that states that you automatically qualify and promises to secure it for you for a fee, without knowing the specifics of your mortgage and your financial situation.

[Do not sign](#) anything until you fully understand it. [Read all documents thoroughly](#) and ask questions if you do not understand. [Do not sign blank forms](#) and never authorize any person or organization to sign anything on your behalf to “save you time.”

[Beware of fake modification programs.](#) Unscrupulous people may claim to be affiliated with, or approved by, the government or may ask you to pay high upfront fees to qualify for government mortgage modification programs.

[Do not release financial information](#) to an individual or company online or over the phone unless you know who will receive it.

For a list of current scams from the Office of the Comptroller of the Currency visit www.occ.treas.gov/ftp/ADVISORY/2009-1.html or contact the Rhode Island Housing HelpCenter at 401 457-1130.

What Homeowners Can Do

- Seek free help at the first sign of trouble from a HUD-approved counseling agency
- Be proactive and communicate with their lender
- Be prepared and communicate honestly, openly and regularly with their housing counselor

**Call the Rhode Island Housing HelpCenter at 401 457-1130,
or contact a HUD-approved counseling agency.**

Making Housing Counseling Work

As the stories within this briefing illustrate, there are many ways to resolve a housing dilemma. If a homeowner is experiencing financial difficulties that are impacting their housing situation, free help is available. Being positive, proactive and prepared will greatly improve chances of a satisfactory resolution.

For tips to improve chances of achieving the best outcome, please visit www.rhodeislandhousing.org and select *Get out of housing trouble*.

Resources

- **Rhode Island Housing HelpCenter** – In addition to the counseling, advice and education available at the HelpCenter, our website provides valuable resources including Tips for Avoiding Foreclosure, Guidelines for Prioritizing Debt, Tips for Improving Your Credit and Frequently Asked Foreclosure Questions. www.rhodeislandhousing.org
- **The Housing Network of Rhode Island** – Offers counseling programs for those who are at risk of foreclosure and classes for those who are ready to buy a home or need more time to prepare for homeownership. For more information on foreclosure prevention counseling, call 800 436-3180 or visit www.dontborrowtroubleri.org; www.housingnetworkri.org
- **Other HUD-approved Counseling Centers** – www.hud.gov
- **MoneyManagement** – A non-profit service that provides financial guidance, credit counseling, community-wide educational programs, debt-management assistance, bankruptcy counseling and education services. www.moneymanagement.org
- **RI Legal Services** – Provides legal advice and assistance to thousands of low-income individuals and families annually. Their basic priorities are to ensure that individuals with low income have food, shelter, income, medical care, and freedom from domestic violence. www.rils.org
- **HomeLocatorRI.net** - Rhode Island Housing and our partners have created a free website to help Rhode Islanders find a home that meets their needs and budget. www.HomeLocatorRI.net
- **2-1-1** – Sponsored by the United Way, 2-1-1 is available 24 hours a day, 7 days a week. One call provides access to resources across the community, whether the caller needs to get help for him or herself, a family member, or a friend, 2-1-1 will help connect them to the services or information they need. Calls are confidential, free, and multi-lingual. www.211ri.org
- **The United Way's Fund to Prevent Homelessness** – Accessible through 2-1-1
- **The Point** – Offers a phone and website triage resource service for seniors and adults with disabilities. Call 401 462-4444 or visit www.thepointri.org
- **RoadHome Emergency Housing Assistance** – Provides assistance to individuals and families who are facing a housing crisis. RHEHA is designed to help Rhode Islanders in need and reduce the Rhode Island shelter population by providing cash assistance to individuals and families at risk of becoming homeless due to a short-term housing emergency. RHEHA is funded and administered by Rhode Island Housing and implemented through community-based organizations including Amos House, Community Mediation Center of Rhode Island and Rhode Island Community Action Programs (CAPS). www.rhodeislandhousing.org



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