**ONAC Online Native Homebuyer Informational Guide 3: Understanding Delinquency, Default, and Foreclosure – and Examining Various Ways to Avoid Losing Your Home**

The information and material advice offered in this session is presented solely by ONAC and provides a general outline of topics related to the home buying process. It is meant to complement – not take the place of – other more in-depth financial education programs, services, and homebuyer counseling programs including, but not limited to: ONAC Financial Coaching Services; Building Native Communities Financial Skills trainings and Investor Skills trainings; PathWays Together; HUD Certified Homebuyer Counselors (offered in conjunction with a Tribal Housing Authority, or TDHE, or other HUD Approved Housing Counseling Agency); or other HUD approved homebuyer counseling programs, such as NeighborWorks and Fannie Mae.

ONAC appreciates and gratefully acknowledges related online information offered publicly by HUD, HUD ONAP, NAHASDA, NeighborWorks, Fannie Mae, and CFPB, etc. Online available homebuyer program guidance from various public and private organizations served as sources of information for this guide and is cited in the three guides when used.

**This session will: 1)** State common definitions of delinquency, default, and foreclosure, **2)** Suggest various reasons why homeowners with mortgages might find themselves in default and in danger of foreclosure, **3)** Consider established ways to proactively avoid foreclosure, **4)** Examine the different foreclosure processes and recommend ways to negotiate a foreclosure while preparing for the life changes that follow a home loss, and **5)** Suggest the impact foreclosure can have on a person’s credit and opportunities to buy another home in the future.

**Common Definitions of Delinquency, Default, and Foreclosure**

To better understand the consequences of missing timely mortgage payments, one might ask: 1) What is the difference between being delinquent on a loan, defaulting on a loan, and having a loan that is being foreclosed on? 2) What exactly are the steps of the foreclosure process, and is the foreclosure process done in the same way everywhere? and 3) Can foreclosure happen with all types of home loans – including loans for houses on tribal or other trust lands?

Firstly, let’s suppose you are a few months late on your home loan payment. How serious is the situation, and can you just pay a little each month until you get back on your feet financially? The technical answer is “yes” it is serious, and “no” you can’t pay less than you owe unless you have a new agreement with the lender to do so. There are common pathways to loan loss mitigation and working with your lender should you become unable to make timely payments; resolutions may include receiving a loan “forbearance” (a pause in payments granted by the lender; although you still have to pay the amount in arrears at the end of the forbearance period) and loan “modifications” (changing the terms of your existing loan; this is not refinancing or initiating a new loan) [Understanding Mortgage Forbearance vs Loan Modifications (notarystars.com)](https://www.notarystars.com/blog/understanding-mortgage-forbearance-vs-loan-modifications). See a graphic depiction of the process leading from missed payments to resolution at [What You Need To Know About Late Mortgage Payments | LendingTree](https://www.lendingtree.com/home/mortgage/late-mortgage-payment/).

Next let’s look at some definitions that will help both homebuyers and homeowners to better understand the common legal processes associated with late mortgage payments:

**Delinquent or delinquency:** When the borrower misses a mortgage payment on the due date, according to the loan agreement. Most mortgage lenders allow for grace periods of ten to fifteen days after the payment due date before late fees are assessed or delinquency is charged to the account. A borrower is considered “in delinquency” (also called “immanent default”) if a mortgage payment hasn’t been made for 59 days after the stated payment due date. FHA frames this as “mortgage borrowers are considered in immanent default if their payment is less than 30 days **past due** on a mortgage payment,” which is technically 59 days overdue, “**AND** if the borrower is experiencing a hardship that might prevent him/her from making the next payment.

**Default:** When a borrower has not made a payment in 60 to 90 days past the regular due date. For FHA loans, a mortgage loan is in default “after 30 days of the borrower missing a payment” (essentially 60 days without a payment being made). *By law, for all loans including 184 loans,* *the loan servicer must contact the borrower by day 36 of**default and make written contact by day 45, and recommendations must be made to the borrower regarding contacting their Tribe or DHHL (Hawaii) for possible assistance*. For FHA borrowers at risk for default: written communications by the mortgage servicer about the delinquency and the default process must commence (be sent to the borrower) by day 20 after the borrower has missed a mortgage payment (essentially 50 days without a full payment being made). Additionally, in the event of a default by a borrower on a 184 guaranteed loan on either tribal or individual trust land, the lender or HUD can only pursue liquidation of the loan after offering to transfer the loan to an eligible tribal member, the tribe or the Indian Housing Authority serving the tribe.

**Foreclosure:** A legal process (regardless of type of foreclosure) in which mortgaged property is sold to pay off the loan of a defaulting borrower. Aside from some Federal foreclosure process rules, foreclosure laws are based on individual state statutes or tribal laws, and so may differ from state to state and from tribe to state or tribe to tribe (some tribes mirror state policy). **All state** foreclosure laws fall into two categories: judicial (involving a lawsuit and generally a court-directed formalized process) and non-judicial (courts are NOT involved and it is generally a more informal process). In non-judicial foreclosures, foreclosure communications occur between the homeowner and the servicer or servicer’s appointed representatives. More info: [Foreclosure | USAGov](https://www.usa.gov/foreclosure)

**Mortgage servicer:** The company that handles all the administrative aspects of any type of mortgage or home loan – from closing on the loan to paying off the loan – including handling all payments, maintenance of escrow accounts, documentation of records, and procedures such as declaring default and initiating foreclosure on the loan. Again, the original mortgage lender might or might not be the current mortgage servicer if the loan was sold.

**Loan Originators:** The lender that a person signed the original loan agreement with is the loan originator. However, a large percentage of new mortgages are sold (loan contract and loan servicing), often in batches, by originating lenders or mortgage companies to a secondary market lender (sometimes immediately after the homebuyer closes on the original loan). The **secondary mortgage market** is extremely large and liquid, and purchases most types of home loans, including Section 184 loans. A growing network of regional and national lenders, including Fannie Mae, Freddie Mac, Ginnie Mae, state housing finance agencies, and federal home loan banks purchase HUD Section 184 mortgages, along with many other types, from loan originators.

**The Importance of Loan Type**

As addressed in Guide 2, the type of loan a homebuyer accepts is one of the main determining factors of whether or not a homeowner is likely to default on a loan or deal with foreclosure. Some loan types are more likely than others to be presented and sold in a predatory fashion (the lender targets certain buyers for loans that will provide the lender with high profits without the lender having any concerns about the high chances of those buyers defaulting on the loans).

There are several reasons why a homebuyer benefits by knowing upfront which types of home loans are desirable and which types can easily become money pits. Unfortunately, often homebuyers don’t know the significant differences between types of home loans – including any related loan mitigation programs available to homebuyers. If you follow the online links included on **pages 2 and 3 (naming loan types) of Guide 2** you will find detailed descriptions of the structures of the most purchased **types of home loans**.

**On page 3 of Guide 2,** you will also find a section that highlights **mortgage products designed specifically for Native homebuyers** (with online links). For Native Americans (enrolled citizens of Federally recognized American Indian and Alaska Native tribes), who have financed a home with a Section 184 loan on trust land (or built, rehabbed, or refinanced an existing 184 loan), *the default and foreclosure processes are largely determined by three factors:* **1)** their tribes’ established foreclosure policy (HUD requires tribes to have a policy in place – even if it is a defaults to state policy); **2)** the borrower’s loan servicer and; **3)** HUD 184 rules and regulations.

Additionally, many 184 loan foreclosures for tribal citizens on trust land go through tribal courts. Trust land can’t be taken by the lender in a foreclosure, but sometimes the home structure can, under certain requirements. These foreclosures can involve a complex process with significant delays in processing time. Loan payment forbearance and modification procedures, however, typically go through the servicer of 184 loans – those institutions will be responsible for offering loan forbearance or mitigation, if applicable – or direct the complete liquidation of the loan and possible seizure of property. Guidelines for 184 loan forbearance or modifications (preventing foreclosure) usually mirror those used for FHA loans. See your HUD/tribal homebuyer counselor or [Amended DLL 2022-01 .pdf (hud.gov)](https://www.hud.gov/sites/dfiles/PIH/documents/Amended%20DLL%202022-01%20.pdf) for more information on 184 programs.

For Native Section 184 loan buyers who are not looking to buy property and/or homes on any type of trust land but do plan to buy or build a home on fee simple land (the type of land designation that most people in the United States own homes on), some of the 184 loan processes are different. These 184 loan processes, including ones for foreclosure and eviction, tend to follow the guidelines of conventional, HUD FHA, and other *non-guaranteed* HUD loans.

Even if a homeowner in delinquency of a 184 loan avoids foreclosure by working out a forbearance or mitigation plan with the lender/servicer, *the homeowner is still responsible for repayment of any back payments owed on the loan after any determined forbearance or payment pause period ends, unless their mitigation terms state differently.* Similarly, *the homeowner may still owe the lender for any unpaid part of the loan balance owed after a foreclosure has taken place, unless the lender is willing to settle for less than the full balance owed.*

For those able to keep their homes the payment arrears are usually worked into the mitigation solution: examples of special repayment terms include 1) the borrower will still owe the entire unpaid amount accrued during forbearance, but instead of paying it in a lump sum at the end of the pause period, the total term length of the loan is extended by months or a few years as missed payments are added to the back end of the loan, or 2) subsequent monthly payments are agreed to be set at a slightly higher fixed amount for a set period of time; allowing for the deferred amount owed to be recovered. For buyers who must lose their homes, 1) *the lender can grant loan forgiveness of the unpaid balance*, or 2) a reasonable re-payment amount and schedule can be agreed upon. The mortgage industry in general offers several loan modification options for borrowers in financial crisis who miss multiple loan payments.

If your originating lender (or any lender who bought your loan directly after the sale) sells your loan (perhaps for a second time), it *must* send you a loan ownership transfer notice *in writing* within 15 days before the effective transfer. The institution that purchased your loan *must* notify you within 30 days of the official date of the change. Both notices must include:

* New servicer’s name and address;
* The date the current servicer will stop accepting your mortgage payments;
* The date the new servicer will begin accepting your mortgage payments (there is a 60-day grace period before any late fee is assessed, if the wrong mortgage servicer was paid)
* Contact info for the current and new mortgage servicer;
* Whether you can continue any optional insurance, such as credit life or disability insurance; what action you must take to maintain coverage; and whether the insurance terms will change;
* A statement that the transfer will not affect any terms or conditions of your mortgage, except those directly related to the servicing of the loan: For example, if your original loan contract states that you are allowed to pay property taxes and insurance premiums on your own, the new servicer cannot demand that you establish an escrow account;
* A statement explaining your rights and what to do if you have a question or complaint about your loan servicing.

If a letter is received only from the new servicer, the original servicer should be contacted to verify that the loan has been transferred (beware of scams). The new servicer should be informed of your current mailing address, if different than the one the information was sent to, so that all relevant correspondence is received promptly. [Is Your Mortgage Being Transferred? Here's What to Know (americanfinancing.net)](https://www.americanfinancing.net/mortgage-basics/mortgage-loan-transfer-guide)

This notice will include the name of the company that now owns your mortgage loan, its address, and its telephone number. It would benefit the homeowner to keep that information handy, so that they know who to contact should they want to negotiate any “re-payment of late payments” plan. See [Your Mortgage Loan Has Been Sold: Now What? - SmartAsset](https://smartasset.com/mortgage/your-mortgage-loan-has-been-sold-now-what)

Regardless of your current loan type, you should contact and negotiate with you lender immediately when you first realize that you are going to miss one or more loan payments, to pave the way for applying for a loan forbearance or modification. It is best not to wait until your loan has been declared in default. It pays to work with the lender/servicer in an honest and “good faith” manner at all times. Some HUD and FHA loan mitigation schemes can’t be entered into unless you are in default or eminent danger of foreclosure, but that doesn’t mean that you can’t explore other mitigation possibilities much earlier in the process – and then evolve into other processes down the road, if your financial situation does not improve as you expected.

When buying a home, all homebuyers should consider the potentially negative long-term personal financial impacts of the loans they have been offered; keeping in mind that if a loan seems too good to be true it probably is. Some government-backed loans have features that preclude or diminish abuse; for example, **HUD Section 184 loans are structured as fixed-rate loans for fifteen or thirty years and can’t be sold as adjustable-rate mortgages (ARMs); they also offer 100% guarantees to the lending institution.** However, any loans that lending institutions offer to buyers when the said lenders suspect that those buyers are not likely to be able to make future payments according to the terms of the loan are sold in a predatory way. Largely because of the continuation of such abusive practices, the current rate of mortgage foreclosures in the country continues to grow.

The following loan types are often offered to homebuyers in a predatory way; turning confusing loan features and terms into appealing packages that promise the best terms on the market:

* **Negative Amortization Loans:**  With these loans, the principal balance of the loan increases because the **lender sets and approves, upfront, low monthly payments that they do not cover the interest due on the loan.** The unpaid interest is then added to the unpaid principal balance, causing the loan balance to actually grow over time instead of reducing. At some point in time, the buyer will be required to start making payments to cover principal **and** interest. These adjusted payments will likely be much higher than the initial payments. This loan type can be risky because the buyer can end up owing more on the mortgage than the home is worth, meaning that, at that time, it will be difficult to sell the house at a price that covers the amount owed the lender. ***These loans are banned in at least 25 states.***
* **HELOCs:** HELOCs, or home equity lines of credit, are lines of credit secured by the equity in your home. There are fees connected to these loans, which are often set at variable interest rates so that payments will increase along with the current market rate of interest, often causing payments to spike rapidly. You could get a HELOC at a fixed rate, but only if the lender offers it. Some financial entities approve HELOCs for people who don’t have the amount of equity in the home necessary to support payments should interest rates rise sharply or if the owner faces reduced or lost income. The house could also lose equity with any financial downturns in the housing market, possibly causing a state of negative equity. HELOCs can quickly max out and, if the mortgagee calls in the whole amount owed at any time (which can be a stipulation), the homeowner may be required to pay the full balance owed immediately.
* **Subprime Loans:** Loans to borrowers with poor credit that typically carry higher interest rates than other loans, supposedly to insure against higher potential losses for the lenders. Subprime loans often include ARMs that have lower than usual starter interest rates that rise significantly over time. These loans don’t control for mortgage payments that spike so high that some borrowers struggle (or fail) to make timely payments – which could lead to default and foreclosure.
* **Teaser Rate Loans:** Home loans with unusually low introductory interest rates – sometimes 0% (typically found with ARMs). When the introductory rate expires, often after a relatively short period of time, the rates reset and homeowners begin to see much higher interest rates applied to their balances, which results in a rise spike of their monthly house payments. This is another type of loan that works well only if the homebuyer stays on top of the fluctuations – such as a buyer that 1) has a budget or spending plan in place that prepares for house payment increases before they happens, 2) has a substantial savings buffer to weather the fluctuations, and/or 3) has a secure income that raises often enough to cover the borrower over high-rate periods. Without adequate income to withstand increased payments while weathering other financial emergencies, payments can easily fall into arrears and defaults and/or foreclosures may occur.

**Legal Relief for Homebuyers Targeted for Loans Offered in a Predatory Way**

Standard home loans are most often offered by lenders in good faith; however, legal relief for homebuyers targeted with predatory sale tactics is available at both federal and state levels. Consumers, borrowers, and homeowners, have significant protections in place against the targeted abuse of the above practices by some lenders and mortgage servicers. These Federal legal Acts and rules (some state treasurers’ offices or attorney generals offer additional protections) have been put into place primarily to assist and protect consumers/homeowners. You may access additional important consumer information about these rules online at: CFPB, at [www.consumerfinance.gov](http://www.consumerfinance.gov), or HUD, at [www.hud.gov](http://www.hud.gov).

The Consumer Finance Protection Bureau (CFPB) established many of the rules that protect borrowers – mainly through *three different Acts*: **RESPA** (Real Estate Settlement Protection Act – Reg X); **TILA** (Truth in Lending Act – Reg Z); **and HOEPA** (Home Ownership and Equity Protection Act). No matter what the type of loan a homebuyer considered or contracted for is, it is important for homebuyers to know that laws have been established and designed to protect them from **any** abusive financial practices used by lenders and mortgage servicers, even if the buyers are not familiar with the details of each Act or rule. **Current protections assure that**:

* Lenders are required to make a good faith determination upfront as to whether the potential borrower can actually afford the mortgage, as it is offered;
* Lenders must make it easier (by language and wording that is understandable by the borrower) for borrowers to understand the terms of their loans (this rule is not mandatory for 184 loans – but can be made a requirement by tribal governments), and aid borrowers in finding qualified homebuyer counselors;
* Improved policies and procedures are in place regarding early intervention for struggling borrowers and loan loss mitigation requirements are made clearer to the borrower;
* Clarified borrower protections are in place, such as if the servicing of a loan should be transferred from one mortgage service to another, and loan information to borrowers in bankruptcy is provided;
* Ensures that surviving family members and others who inherit or receive property have, generally, the same mortgage servicing protections as the original borrower;
* Restricts dual tracking, which is a practice whereby the mortgage servicer starts foreclosure proceedings at the same time they begin working with a borrower trying to avoid foreclosure. Also, lenders are required to notify borrowers early on in delinquency (the default process) about alternative options to foreclosure (including mitigation), as well as offer a prompt and fair review process on the loan; **Reminder: \*\*\**lenders cannot begin foreclosure proceedings until a mortgage is 120 days (4 months) in delinquency or default.*** **\*\*\***
* Requires servicers to provide certain borrowers with foreclosure protections more than once over the life of the loan (provided borrowers have become current on payments at any time between completed prior and subsequent applications for loss mitigation or foreclosure prevention programs).

**Complaints against unscrupulous lenders and loan activities can and should be reported.**

If you suspect that you have been offered a predatory-type loan or have accepted a loan without being aware of the true nature of the loan, file a complaint with the**Consumer Financial Protection Bureau (CFPB)**. Heed any gut feelings you might have that something is wrong with the lender and/or the loan. Again, if the loan seems too good to be true, it likely is. This protection applies to all potential and current home loans.

You can submit a complaint to the CFPB online by going to [**Submit a complaint | Consumer Financial Protection Bureau (consumerfinance.gov)**](https://www.consumerfinance.gov/complaint/) or by calling (855) 411-2372. CFPB begins the review process immediately and claims that accused companies typically respond within the required 15 days of receiving a complaint. However, the CFPB may require significant time to investigate intricate cases or those that require gathering additional information. You can review complaint status at any time by logging into the CFPB website, using the identifier assigned to your complaint [**Learn how the complaint process works | Consumer Financial Protection Bureau (consumerfinance.gov**](https://www.consumerfinance.gov/complaint/process/) **.**

Also, if you are behind on your mortgage and find that you can’t make timely payments, you can call the CFPB at (855) 411-2372 and be connected to a HUD-approved housing counselor as soon as the **same** day. In addition, you can use the CFPB's [**Find a Counselor**](https://www.consumerfinance.gov/find-a-housing-counselor/) tool to get a list of HUD-approved homebuyer counseling agencies in your area. **CFPB also provides great information on the topic of homeownership and foreclosure avoidance and negotiation at** [**Help for homeowners | Consumer Financial Protection Bureau (consumerfinance.gov)**](https://www.consumerfinance.gov/coronavirus/mortgage-and-housing-assistance/help-for-homeowners/)**.**

**What Happens to Your Credit Score When You Miss Payments – Or Lose Your Home**

Your mortgage lender will likely report to the three major credit bureaus any payments more than 30 days past due, and your [credit score](https://www.lendingtree.com/home/mortgage/credit-score-needed-buy-house/) will take a hit. Even one late payment can negatively affect your credit score for up to three years, according to FICO. The effects of late payments can vary, depending on your overall financial history and each credit bureau’s system of calculating your score. Note, however, that a borrower with an excellent credit rating — around 780 — could see a drop of 90 to 110 points after one late mortgage payment, according to FICO.

The hits to your credit score will only get worse the longer you fall behind. Your credit report will indicate whether the payment is 30 or more days late, as well as what was done to resolve the late payment. If your late payments ultimately result in default and foreclosure, that will remain on your report and continue to affect your credit score by varying degrees for up to seven years. From: [What You Need To Know About Late Mortgage Payments | LendingTree](https://www.lendingtree.com/home/mortgage/late-mortgage-payment/#howalatemortgagepaymentaffectsyourcredit)

**Selected Loss Mitigation Programs and Services at The Local, State, and Federal Level**

Everyone has a chance to apply for loan loss mitigation through the HUD Making Home Affordable Program, to try and keep their home: [Interacting With Your Mortgage Company and Housing Counselor | Making Home Affordable](https://www.makinghomeaffordable.gov/need-help/need-help-interacting) and [HUD Contact Your Lender to Avoid Foreclosure | HUD.gov / U.S. Department of Housing and Urban Development (HUD)](https://www.hud.gov/program_offices/housing/sfh/econ/contactyourlender) and [MHA | Making Home Affordable](https://www.makinghomeaffordable.gov/) give advice on how to work with a homebuyer counselor and service provider to establish a forbearance or modification plan that is acceptable to all parties, including the steps necessary before coming to agreement. This can be a complex process, with many steps and document requirements, but homeownership counseling (and possibly legal) assistance can make the process smoother and relieve the homeowner of some stress.

A list of all HUD Loss Mitigation Options can be found at: [Loss Mitigation | HUD.gov / U.S. Department of Housing and Urban Development (HUD)](https://www.hud.gov/hudprograms/loss_mitigation). For additional information go to the HUD online site at [Avoiding Foreclosure | HUD.gov / U.S. Department of Housing and Urban Development (HUD)](https://www.hud.gov/topics/avoiding_foreclosure) for information related to FHA borrowers. However, the federal and most state foreclosure and eviction moratoriums ended as of January 1, 2022. Foreclosure counselors are specially trained to help clients seeking outside assistance to prevent foreclosure on their homes. HUD provides a thorough list of approved counselors who specialize in foreclosure counseling at: [U.S. Department of Housing and Urban Development (HUD)](https://apps.hud.gov/offices/hsg/sfh/hcc/fc/index.cfm) – this link takes you directly to a page where you will search for the counselor by state.

**However, beware scam claims such as “we’ll guarantee to get your loan changed or forgiven,” or “under foreclosure? – We can stop that from happening.” These are bogus promises that will cost you a significant fee for nothing.** Various kinds of assistance related to this topic is advertised extensively, both in print and online – some legitimate, but most of the ones requiring payment for their services are not.

The HUD Office of Native American Programs**(ONAP) administers several housing and community development programs**, [About ONAP | HUD.gov / U.S. Department of Housing and Urban Development (HUD)](https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/aboutonap) including the Indian Housing Block Grant program, for the benefit of American Indians and Alaska Natives tribal members, governments, the Department of Hawaiian Home Lands, and Native Hawaiian and other Native American organizations.  ***For AI/AN citizens who own a home on tribal trust land: land held in trust for a tribe cannot be mortgaged, and land held in trust for an individual must receive approval from the Bureau of Indian Affairs (BIA), before a lien can be placed on the property.*** In the event of a default by a borrower on a 184 loan on either tribal or individual trust land, the lender or HUD ***can only pursue liquidation of the loan*** ***after offering to transfer the loan to an eligible tribal member, the tribe or the Indian Housing Authority serving the tribe***; lenders cannot assume or own the property, although in some cases the house itself may be assumed.

**For information on the current practices and the possibilities of tribal partnership with its citizens on homeownership**, access a presentation titled: *Becoming a Tribal Partner in Defaults & Foreclosures* by the National Native Homeownership Coalition Center (NNHC), andpresented at the AMERIND Risk & NAIHC 2019 Annual Convention and Tradeshow, in Denver, Colorado, on May 19, 2019, go to [Slide 1 (naihc.net)](https://naihc.net/wp-content/uploads/2019/05/AC-2019-May-9-TH-145pm-Rm-704-Becoming-a-Tribal-Partner-in-Defaults-Foreclosures-DZuni.pdf). This presentation was given pre-COVID, and so does not include some options that have come into play since the pandemic but does includes a rundown of many still viable alternative mitigation options for Native homeowners that want to avoid foreclosure and keep their homes.

Any 184 applicant that had a mortgage foreclosed on is not eligible for another government loan until 3 years after the date the loan guarantee claim was paid to the lender. **If the applicant previously had a Section 184 insured home that was foreclosed on (making two), they are permanently ineligible for any future Section 184 loans.** Mortgage Short Sale-Applicants that were in default at the time of the short sale (or obtained a pre-foreclosure sale/deed in lieu of foreclosure) are not eligible for another government-backed loan until three (3) years from the date of the sale. **If the applicant previously had a Section 184 home loan and ended up selling the home in a short sale to avoid foreclosure, they are permanently ineligible for any future Section 184 loans.**

The following CFPB link provides access to information about Native homebuyers (with HUD 184 loans) in need of loan payment forbearance: [Mortgage forbearance during COVID-19: What to know and what to do | Consumer Financial Protection Bureau (consumerfinance.gov)](https://www.consumerfinance.gov/coronavirus/mortgage-forbearance-during-covid-19-what-know-what-do/) and information to tribal leaders about what HUD can do to help tribal citizens avoid foreclosure related eviction [DTL\_Action\_to\_Prevent\_Evtions.pdf (hud.gov)](https://www.hud.gov/sites/dfiles/PIH/documents/DTL_Action_to_Prevent_Evtions.pdf). More loan loss mitigation (related to COVID) information on the Section 184 Indian Loan Guarantee Program Disaster Policy is available at: [PowerPoint Presentation (hud.gov)](https://www.hud.gov/sites/dfiles/PIH/documents/DLL%202020-06%20-%20Lender%20Overview.pdf)

**RECAP AND SUMMARY**

Becoming a homeowner requires a borrower to start strong: be informed; plan ahead: and try to anticipate the mortgage problems or homeownership issues that are most likely to arise for them over the life of a typical home loan. The following includes preemptive actions homebuyers and homeowners can use to avoid defaults and foreclosures. Advice for homebuyers:

* Begin the homebuying process by working with a certified homebuyer counselor. This service should be offered for free or, in certain circumstances, provided at very low cost;
* Work with your counselor to determine if you are in good financial and employment positions to own a home;
* When ready to choose a property, do so carefully – work with a qualified realtor (check references). Evaluate the current and potential value of any property you like, and estimate what the current and future ownership costs related to that property might be;
* Learn to recognize various loan types and abusive lending practices (such as those outlined in the section above) that have a higher than average chance of being costly and eventually landing you in default and/or foreclosure;
* Choose a lender carefully. Get recommendations from people and sources you trust.
* Keep your budget current utilize it regularly. Have a savings plan in place for handling financial shocks while making timely home loan payments.

Advice for homeowners (a homeownership counselor can assist with all of these actions):

* If you find that are going to be, or are currently unable, to make a mortgage payment immediately contact your lender as soon as you know the payment will be late. Contact with the lender on this topic is best done by phone or in person. Keep written notes about all conversations with lenders – especially names, dates, and times. In addition, retain copies of all written correspondence with the lender;
* Request to be provided with a written description of any assistance the lender offers you to become current again with your loan (if you apply for formal mitigation, or mortgage assistance, the lender must consider your request and respond with an offer of assistance, or a reason for a rejection, in a reasonable period of time – usually within 30 days);
* Keep all of your loan information together and handy in case you receive an opportunity to pause or modify your loan with terms that will allow you to keep your home;
* If you think you are in imminent danger of a foreclosure, learn which type of foreclosure process is legal in your state (judicial or non-judicial); learn what steps a servicer must take to charge you with default and foreclosure and begin the foreclosure process, and the related established timeline for required servicer actions. Learn both the proactive and responsive timely actions required on your part;
* Determine the most efficient and effective way (one that is most beneficial for you and your family) to dispose of your house in the case that a mitigation plan fails or has been determined to not be possible, and you must immediately sell or surrender your home;
* Anticipate how and where you, and others in your household, might quickly find acceptable alternative housing should mitigation attempts fail and such actions as a short sale, surrendering a deed in lieu, or foreclosure with eviction become your only options.

Working with a homebuyer counselor can take a lot of stress out of these processes, for both homebuyers and current homeowners. The counselor will be familiar with any local, state, and federal loss mitigation or foreclosure/eviction assistance that the homebuyer might qualify for, provide guidance on negotiating solutions with a lender, and give advice on available financial and temporary housing assistance programs. HUD provides a list of approved counselors specializing in foreclosure counseling at: [U.S. Department of Housing and Urban Development (HUD)](https://apps.hud.gov/offices/hsg/sfh/hcc/fc/index.cfm) – you can search by state.