

Will my bank negotiate with me or lower my rate so I can avoid foreclosure?

Your lender may modify your loan if you have an adjustable rate mortgage or if you are several months behind on your mortgage. Call and ask to speak to your lender's loan modification or loss mitigation department. The lender may accept partial payments for a few months (though you may have to agree to make up the difference later), accept a late payment, or agree to modify the terms of your loan.

There are several plans offered by the federal government to help homeowners avoid foreclosures, including FHA Secure and Hope for Homeowners. The most recent program to be announced is the Homeowner Affordability and Stability Plan, which is aimed at helping homeowners refinance their mortgages to lower their mortgage payments. Homeowners might qualify for a refinance at a 15- or 30-year fixed-market-interest-rate (currently around 5%).

This plan would ease the rules so that homeowners whose loans are owned or guaranteed by the Fannie Mae and Freddie Mac could have a chance to refinance even if they have little or no equity in their home. A separate part of the plan would bring mortgage payments down for some homeowners to a total of 31% of their gross income. Both parts of the plan would apply only to homeowners with conforming loans.

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