

## Understanding Workout Options

If you are behind on your mortgage payments, a “workout” may be available through your lender. Workouts are special arrangements to bring your loan current and/or prevent foreclosure. The workout option available to you will vary based on the type of mortgage you have, your lender and your financial situation.

### Options for remaining in your home:

**Reinstatement:** A reinstatement is when you pay the full amount you owe (total of past due monthly payments plus all fees) in a lump sum by a specific date.

**Repayment plan:** Under a repayment plan, you make your regular monthly payment to your lender plus some extra each month to catch up on past due payments.

**Forbearance:** Forbearance is an agreement to temporarily change or suspend your payments. The term **special forbearance** may also be used in situations where the payment is reduced. To prevent foreclosure, forbearance must be combined with another workout option when the forbearance period ends.

**Loan Modification:** A loan modification is a change in any of the terms of the mortgage, resulting in a new monthly payment. In a typical loan modification, you have to pay some of the past-due amount you owe, and the rest is added back into your loan. A loan modification may also involve one or more of the following: changing the interest rate from an adjustable rate to a fixed rate, lowering the interest rate, or extending the number of years to repay the loan. Your lender may require a special forbearance or trial period where you make several monthly payments before receiving a permanent modification.

**Partial Claim or Advance Claim:** If your mortgage is insured, you may qualify for a low interest or interest-free loan to bring your loan current through the insurer (FHA or private mortgage insurance). This loan may have small monthly payments, or it may be repaid when you pay off your first mortgage or sell your home.

**Making Home Affordable:** A refinance or loan modification may be possible through this federal government program. For more information see our fact sheet, Understanding the Making Home Affordable Program.

### Options for moving out of your home:

**Pre-Foreclosure Sale or Short Sale:** If you owe more on the home than its value, your lender may agree to accept less than what is owed on the mortgage, allowing a “short” sale. Typically you would need a 3-5 month period for your real estate agent to sell the house to a qualified buyer at a price agreed upon by the lender.

**Deed-in-lieu:** A deed-in-lieu of foreclosure is an option where your lender forgives the debt you owe if you sign over (give back) the property. Typically you would first have to try to sell the home for 90 days before the lender would consider this. If you have a second mortgage or judgment on the property, a deed-in-lieu may not be an option.

### Tax Consequences

**Some workout options may impact your income taxes. To learn more, see our fact sheet, Tax Consequences: Foreclosure and Workouts**

For more information, or for help determining whether a workout option is affordable for you, contact a Housing Counselor in your area by calling the Minnesota Home Ownership Center today:  
651-659-9336 or 866-462-6466