

## HOW TO KEEP IT

By Judith I. Johannsen

Owning a home is easy – keeping it is another. The secret to staying a homeowner is fundamentally simple – your monthly mortgage payment is a *priority*, so know your loan and pay it on time.

When deciding which loan is right for you, your lender calculates what your monthly mortgage payment will be, based on the amount borrowed (the principal), the interest rate, and the term of the loan.

A lender will also explore whether a fixed rate mortgage (the loan's principal and interest payment remain constant for the term of the loan) or an adjustable rate mortgage (the loan's principal and interest payment adjust at a predetermined time) is right for you, because when it comes to mortgages, there is not just one loan product that works for everybody.

The lender should also explain that, along with the principal and the interest ("P" and "I"), there are two other parts to a mortgage – property taxes and homeowner's insurance ("T" and "I"). Together these are known as "PITI".

Lenders are funny folk – since they have a security interest in the property (they're lending you the money for the property), they want assurance that their investment is protected. However, most lenders won't simply take your word that you'll pay the taxes and insurance when they're due, they want to know for sure, so they typically require six months worth of taxes and insurance to be held in escrow so they can make the tax and insurance payments on your behalf. For lenders, it is all about the money.

So what happens if you find you cannot pay the mortgage and you're receiving phone calls and letters from your lender? Be proactive – do not ignore those calls and letters, contact your lender *immediately*.

Some lenders will agree to modify the existing loan, some can offer refinancing, and others will suggest entering into a forbearance agreement with a delinquent homeowner, allowing that owner to remain in the home, to begin payments again within a certain period of time, and then add the delinquent payments onto the end of the loan.

There are counselors, programs and temporary solutions to help homeowners having trouble paying their mortgages. For instance, The Connecticut Housing Finance Authority ("CHFA") administers CT FAMLIES, a refinance mortgage program for delinquent homeowners with fixed or adjustable rate mortgages.

CHFA also offers the Emergency Mortgage Assistance Program ("EMAP"), available to eligible CT homeowners who have fallen behind on their mortgage payments due to a temporary financial hardship beyond their control. An EMAP loan provides an initial disbursement to bring a homeowner's delinquent mortgage current. Furthermore, a homeowner may be eligible to receive monthly mortgage assistance up to a period of 60 months.

For those loans owned or guaranteed by Fannie Mae and Freddie Mac, there's The Making Home Affordable program which allows borrowers who are current but up to 125 percent underwater on their mortgages to refinance those loans.

Connecticut also has a mandated judicial mediation program which assists any homeowner/borrower whose 1, 2, 3 or 4 family owner-occupied residential property is the subject of a mortgage foreclosure action. The property must be located in the state of Connecticut and be the homeowner's primary residence. The homeowner meets with a mediator and the lender to try to reach an agreement.

In the end, it's not all about the money, it's also about your home, so to keep it, know your loan and pay it on time.

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