



Department of Commerce

Division of Financial Institutions

John R. Kasich, Governor
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Division of Financial Institutions Foreclosure Prevention • “Work Out” Resolutions

Before you fall behind in your mortgage payments, call your lender or the company servicing your loan as soon as possible and explain your circumstances. Don't procrastinate! Lenders are much more willing to work with borrowers who contact them than those who do not.

Since foreclosures involve time and expense for the lender, many lenders have options available to “work out” resolutions with borrowers. Although you have no legal right to insist that the lender modify a mortgage loan agreement to fit your changed financial circumstances, remember that lenders would much rather modify your loan than go through the effort and expense of foreclosure.

WHAT IS A “WORK OUT” RESOLUTION?

Generally, a “work out” resolution involves resuming payments and arranging to pay the past-due amount over a short period of time. Sometimes, lenders will allow a “loan modification” which might lower your interest rate or extend the final due date of your loan – making your monthly payments lower.

Forbearance Agreement

Under this plan, your lender may create a repayment plan based on your financial condition. In some cases, lenders will suspend payments for a month or two.

Loan Modification

The lender may extend the timing on the mortgage loan over a new 30-year period and/or lower the interest rate. This would reduce your monthly payment.

Partial Claim

If you have a Federal Housing Administration (FHA) loan, the U.S. Department of Housing and Urban Development (HUD) might lend you the money on a new note to catch up on what you owe through an interest-free loan. You will pay off this note when you sell the property or pay off your first mortgage.

Pre-Foreclosure “Short” Sale

You may be permitted to sell the property for less than the mortgage balance. This sale will damage your credit less than an actual foreclosure.

Deed-In-Lieu of Foreclosure

As a last resort, it could be best for you to voluntarily give the house back to the lender. This is better for your credit than an actual foreclosure. You should clearly establish in writing with the lender if the surrender will end all of the lender's claims.

Office of Consumer Affairs Hotline

1-866-278-0003

TTY/TDD: 1-800-750-0750

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