

# HINTS FOR HOMEOWNERS

## Navigating The Foreclosure Superhighway

(NAPSA)—If the news about home foreclosures has you worried about losing your home, here are some simple ways to find out if you're at risk and develop a plan to deal with whatever situation you're facing.

### Checking under the hood

A mortgage is not unlike a car: Regular maintenance is the best way to avoid unexpected problems. All homeowners should know whether they are scheduled for a rate reset that will increase their monthly payments, when it will occur and how much it will be.

If you're unclear about the terms of your loan, you can contact your lender and review the summary or "note" on your mortgage. The note provides details about your payment schedule, penalties and rate resets.

Once you know the reset amount, you'll know whether you can afford your mortgage payments over the life of your loan.

If you have an adjustable-rate mortgage, talk to your lender or mortgage broker about how much money an interest rate increase of one-quarter percent means in terms of real dollars you'll have to pay each month. That will help you determine the point at which an interest rate increase could cause financial problems for you.

### Green light

If you're not scheduled for a rate reset—at least for a few years—or you don't have an adjustable-rate mortgage, you can focus on the long-term value of your home.

While home prices are beginning to decline in some places, and many commentators believe the market is likely to be flat in the short term, over the long term, homeownership has been a good investment.

"We studied the Office of Federal Housing Enterprise Oversight's [OFHEO] house price index over a 20-year period, from 1986 to 2005, and found that owning a home for 10 years or longer during that period produced a positive return on investment 99.6 percent of the time, and owning for five years produced a positive return



95 percent of the time," said David Katkov, president of PMI Mortgage Insurance Co. "Our calculations were based on index results, so actual results may vary for individual homeowners, but what this shows is that homes can be an excellent way to build wealth if you treat them as a long-term investment."

### Yellow light

If a rate reset is in your future and you need to refinance your home mortgage, it's important to remember that it may be harder to get a mortgage today than it has been over the last few years. Refinancing could be more difficult for you if the value of your home, your credit score or your income has decreased since you purchased your home. Your bank or mortgage broker can help you assess your particular situation.

If this is your situation, you may want to get ready by making sure there are no errors on your credit report that could diminish your ability to get a new loan.

If you qualify for a refinance but don't have 20 percent equity in your home, you may want to opt for a single home loan with mortgage insurance.

"You shouldn't have to compromise your financial security or future to own a home," said Katkov. "Having the strength and stability of a mortgage insurer behind you can help you get the loan for the house you want, despite a low down payment. It's a great tool to help you get into a home and enjoy the benefits of homeownership. And premiums

can be tax deductible, making it an even smarter choice."

The best news for borrowers is that, unlike nontraditional mortgages, payments on a 30-year fixed-rate mortgage with mortgage insurance will be the same each month. This means you can develop a budget and stick to it without worrying about unexpected increases in your monthly payments.

### Red light

"If you've taken a look at your financial situation and you know your mortgage is going to cost you more than you can afford, it's important to contact your lender right away," said Marcos Rincon, executive director of LULAC National Housing Commission. "Contacting your lender before you have a financial problem gives you access to more home-retention programs. Your options will decrease the longer you wait."

You can also contact a national nonprofit service such as NeighborWorks at (888) 955-HOPE (4673), which can connect you with foreclosure-prevention programs.

In some instances, saving a home is simply not possible. By contacting your lender early, you give yourself the most options. One of these is a "short sale," where you agree to sell the house, and the lender agrees to accept the amount you can sell it for (which is "short" of the amount owed) and forgive the rest. The advantage is that you avoid damage to your credit rating, increasing the chance that you will be able to become a homeowner down the road. If you do consider the short sale option, be sure to consult with your tax adviser, because there may be tax implications for you resulting from this choice.

### Getting back on the road

If you're in trouble, you're not alone. Nonprofit and government programs are mobilized and ready to work with you. Moving quickly to take advantage of all of the available assistance options can improve your chances of staying on the road and moving in the right direction.