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SMART MONEY**Mortgage Survival Kit**By **ALEKSANDRA TODOROVA**

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It's a nightmare for any homeowner: An interest-rate hike pushes your mortgage payments into such costly territory that you fall behind, and soon the foreclosure notice arrives in the mailbox.

So when Countrywide Financial, the nation's largest mortgage lender, recently announced a program aimed at helping cash-strapped homeowners by canceling rate resets or modifying their loans, you could almost hear a collective sigh of relief.

Countrywide estimates it will offer help to 80,000 of its customers. It's likely that others will follow Countrywide's example, but if your mortgage is with another lender, you still may have to negotiate a solution yourself. Here's what you need to do.

Know your mortgage. If you have an adjustable rate mortgage -- any type of ARM -- be sure to call your lender immediately and ask when your interest rate will reset and how often it will change afterward, says Dania Perez, a housing counselor at the Tampa Bay Community Development Corp. in Clearwater, Fla. You should be particularly cautious with the so-called 3/27 or 2/28 ARMs, which carry a fixed rate for the first three or two years, respectively. These are subprime loans that carry high rates to begin with, but also tend to reset every three or six months once the fixed-rate period ends.

Prepare a budget. Once you know when your rate adjusts, figure out how much your payment will increase, says Maria Enomoto, a credit and housing counselor with the Consumer Credit Counseling Service of Ventura County, Calif. Ask your lender for an estimate of your new payment or, at the very least, what your new interest rate will be. You can plug that rate into the SmartMoney.com Mortgage Calculator to get a rough estimate of your payment. If the new payment is beyond your means, look for ways to cut back your spending or increase income.

Talk to your lender. Don't wait to fall behind on your mortgage. Call as soon as things start getting rough, says Ms. Perez. Although the lender might not be able to do anything like Countrywide, it will put a note in your file and may be more willing to help if you do become delinquent. Meanwhile, if you're already in trouble, don't dodge the lender's calls. "It's like telling them you don't care," Ms. Perez says.

Seek help, avoid rip-offs. Many credit-counseling agencies now have housing counselors to help you, free of charge, so don't fall for companies that charge fees. Use an agency that has been approved by the Department of Housing and Urban Development (HUD). You can also call the Homeownership Preservation Foundation (888-995-HOPE), a network of HUD-approved credit-counseling agencies that offers help nationwide.

Other alternatives. Some homeowners simply won't be able to keep their homes. Your only choice might be to let the house go, says Kate Williams, a vice president at Money Management International, a credit-counseling service. If that's the case, there are options. For example, if you haven't been able to sell your house but think you'll find a buyer at a much lower price, you can ask your lender if it will agree to a short sale. That means it will accept a lump-sum payment lower than the loan outstanding, and consider it paid off.

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