

6 Ways To Avoid Mortgage Trouble

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Because of recent changes in the housing market, more and more people are making late mortgage payments, missing payments altogether and going into foreclosure, according to a report released Tuesday of this week by the Mortgage Bankers Association (MBA). They reported that the rate of mortgage delinquencies and foreclosures increased in the fourth quarter of 2006, up from the third quarter. The rate for homeowners with riskier, sub-prime loans was even larger.

Economists and analysts are seeing trouble ahead for people with [less-than-perfect or bad credit](#) as well as for companies that specialize in sub-prime loans. Already there have been a handful of sub-prime companies that have gone out of business or are about to.

So what should you do to keep from getting into trouble with your mortgage?

Experts say you should:

1. Keep a close eye on your mortgage and your finances. Be sure you know when your bills are due so you can pay them on time.
2. If you find you're having trouble making your payments, don't be embarrassed to [talk to your lender](#). They can help you find out if you have the most appropriate mortgage for your situation. Plus, it's less expensive for them to help you than it is for them to foreclose your home and have to sell it.
3. If you have an adjustable rate mortgage (ARM):
 - o Know when the rate will reset (adjust) and how high it will go so you can be prepared for any increases in your mortgage payment.
 - o Look into refinancing to a fixed-rate mortgage. Interest rates are still low and will offer long-term stability and predictability when it comes to budgeting your finances every month.
4. If selling your home is the only option, you could sell faster if you can offer some help to the buyer.
 - o Offer to pay some or all of their closing costs. This may include paying points to help the buyer get a lower interest rate on their financing.
 - o Consider offering seller concessions (monetary allowance) for landscaping, interior design, etc.
5. If you have to, make your mortgage payment late rather than not making it at all. Don't wait until you're 30, 60, or 90 days late and facing foreclosure.
6. Your financial situation may change at any time. Never take a mortgage with a pre-payment penalty—it could cost you money if you need to pay off your mortgage by refinancing or selling your home. Since pre-payment penalties are a percentage based on your loan balance, the higher your loan balance, the higher the penalty.

If you're having problems making your mortgage payments or may be facing foreclosure, contact your lender immediately. Don't wait until you're actually in trouble to do something about it. Your lender will want to help you. If you're already in trouble, call your lender anyway. They may be able to provide some suggestions of how you can best weather the storm and keep it from happening again in the future.

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