

Date: 02/09
To: My CEEDS and OAs
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Re: Tough Times Article

Do I Renegotiate My Mortgage In Today's Economy?

Across our country and in our neighborhoods, individuals are being laid off. Homes sales are down. Bankruptcies are up. People cannot pay their bills. What should I do?

Here are 3 tips for renegotiating your mortgage.

1. Don't wait until you have skipped a payment.

Contact your mortgage servicer (that is who you write the checks to). If you have been laid off, be prepared to show proof of your recent lay off or reduction in hours.

2. Consider Refinancing.

Refinancing may save you money. Current rates are around 5% fixed. By trimming 1% from a \$200,000 loan can save more than \$1,500 per year. You will need at least 10% cash value in your home. Check the home-price calculators at www.ofheo.gov and www.Zillow.com to find a quick estimate of your home's worth. You will also need a credit score of at least 720 to qualify for good rates. Forget about any loan if your score is below 650. Closing costs usually need to be paid with refinancing. This is usually several thousand dollars. It is often worth refinancing even with closing costs when your current fixed rate is at least one-half a percentage point above the new rate. A rule of thumb when refinancing is to plan on staying in your current home for at least two years.

3. Don't Despair.

"If you are willing to make your loan payments, you are already way ahead of many borrowers who have walked away from their homes", says Moe Bedard, president of LoanSafe solutions.ⁱ With plunging home property values, this means that banks are recovering less on foreclosures and want to work with you. The U.S. Treasury is under pressure to show that they are responding to the housing crisis.

4. Look For Options.

Look for alternative mortgages backed by the Federal Housing Administration (FHA) that require as little as 3% down payment. FHA mortgages have high mortgage insurance costs. You will need a minimum credit score of 680 and a 10% down payment. For more information go to www.fha.com

Contact the Iowa Mediation Service. Call 1-877-622-4866 from 8:30 a.m. to 5 p.m. Central Time, Monday through Friday. They can help.

ⁱ Smartmoney.com