LSS Financial Counseling

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Mortgage Foreclosure Prevention Glossary

Deed in Lieu of Foreclosure (DIL)—Borrower gives back the property to the lender. In accepting the deed, the lender is also accepting the responsibility for all liens against the property including judgment, junior liens, etc. Lenders research the title very carefully before accepting a DIL.

- Consider this option when the borrower has little or no equity in the property.

Mortgage Modification—Lender changes one or more of the original terms of the loan, such as the interest rate, payment amount, maturity date or the amount of the unpaid principal balance. It is extremely important for the borrower to have money saved and available for modification.

- It may be appropriate when the loan is at least 12 months old and has not been previously modified.

Partial Claim—lender obtains a one-time payment from the FHA insurance fund to bring the mortgage current. Contact insurer and request they minimize their losses by asking for funds to help bring mortgage current with an interest free loan.

- Borrower may qualify if the loan is at least 4 months delinquent and the mortgage is not in foreclosure.

Pre-Foreclosure Sale (Also known as a short sale)—The borrower avoids foreclosure by selling property for less than the amount necessary to pay off the mortgage.

- Lender must approve sale and amount.

Reinstatement—One lump sum sent registered mail for the full amount due will reinstate the mortgage loan to current and stop foreclosure if sent and applied before the Sherriff's Sale date.

- It is strongly recommended to send funds by certified or registered mail with the loan number prominently listed.

Short Term Repayment Plan—Most lenders first try to set up a short term repayment plan and ask the borrower to pay the full amount due plus a partial payment to get the loan current.

- Short term repayment plans are generally 90-120 days.

Special Forbearance—Repayment plan based on borrower's financial situation and possibly a temporary reduction or suspension of payments. Lender agrees in writing to allow borrower to "catch-up" on mortgage payments over several months.

- A good past payment history will increase your chances of approval.