

Indiana Legal Services, Inc

www.indianalegalservices.org

Mortgage Loans That Are Insured by FHA

What if my mortgage is an FHA insured loan?

If your mortgage is an FHA insured loan, then you may have some other options instead of foreclosure when you are behind in your mortgage payments. Depending on your situation, you may qualify for other programs to avoid foreclosure on your home.

If you are not sure if your mortgage is FHA insured, you can look at your original mortgage papers or call your mortgage lender and ask.

Here are some examples of special programs that may be able to help you avoid foreclosure if your mortgage is FHA insured:

- **Special Forbearance**
 - If you recently started earning less money or had an increase in expenses, you might be able to arrange a new payment plan based on your situation. This could even include a temporary reduction in or suspension of your payments. You will need to provide proof of your current financial situation to your lender.
- **Mortgage Modification**
 - If you were having financial problems but your situation is better now, you may be able to refinance your debt or extend the term of the mortgage, which would make your monthly payments smaller.
- **Partial Claim**
 - If:
 1. You are at least 4 months behind on your loan, but not more than 12 months behind; and
 2. You are able to begin making full mortgage payments now.

Then you may be able to get a one-time payment from the FHA-Insurance fund that would bring your mortgage payments up to date. HUD will pay what you currently owe and you must enter into an agreement to re-pay HUD. A lien will be placed on your property until you have paid the money you owe to HUD. The HUD payment will be interest free and will become due when you pay off the first mortgage or sell the property.

- **Pre-foreclosure Sale**

- If:

1. You are at least 2 months behind on your mortgage payments;
2. You are able to sell your home within 3-5 months; and
3. A new appraisal shows that the value of your home meets certain HUD guidelines.

Then you may be able to sell your property for an amount less than necessary to pay off the loan without owing any money to the mortgage company.

- **Deed-in-Lieu of Foreclosure**

- If:

1. You are behind in your mortgage payments and you don't qualify for any other alternative;
2. You have tried to sell your house, but could not sell it; and
3. You don't have another FHA mortgage in default.

Then you may be able to "give back" your property to the lender. You won't be able to keep your house under this option, but you will not have a foreclosure on your record so your credit rating won't be hurt as much.

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