

Keeping a Roof Overhead

KEEPING A ROOF OVERHEAD

Keeping a roof overhead is an important concern when your income drops. If you rank your bills in order of priority, chances are housing is at or near the top of the list.

When you are under the financial stress of reduced or lost income, one of the biggest expenses is housing. Housing expenses include mortgage or rent payments, insurance, taxes, household maintenance and repair, utility bills, furnishings, and cleaning supplies.

When income drops, careful planning can help you avoid eviction from your rental unit or the loss of your house.

Rent Payments

If you rent, tell your landlord about your situation before rent is due. Ask for a temporary postponement until your income resumes. Offer to provide some service, such as painting, in exchange for rent. Suggest making smaller payments for a month or two, with the understanding that you will catch up when your income increases again. Often it costs money for a landlord to change tenants so they may be willing to work with you.



Laws regarding failure to pay rent on time vary among states. It is important to know the laws in your state. If you think your loss of income will continue for more than a few months, you may have to consider moving to lower cost rental housing.

Mortgage Payments

With reduced or lost income, you quickly feel the stress of a sizable mortgage payment on your finances. If your loss of income will only be for a few months, you may be able to cut back on other expenses and continue to meet your mortgage payments. Read [Sizing Up Your Financial Situation](#), [Controlling Spending](#), and [Meeting Your Insurance Needs](#) for more information.)

Important: *If you miss a mortgage payment*, you have defaulted on your contract and your lender can begin foreclosure on your home.

If meeting your mortgage payment appears impossible, contact your lender immediately before you miss the first payment. You may be able to skip a payment or arrange a lower payment. Go in person and take along a new spending plan that fits your reduced income.

Most lenders would rather avoid the time and cost involved in a foreclosure if another alternative can be worked out. If your loss of income is going to last a long time or be permanent, you will need to consider other options. You do not have to live under the extreme stress and strain of meeting mortgage payments that are too high. Some options you have are:

- Taking in a boarder and using the money toward mortgage payments.

- Renting your house to someone else and renting less costly housing for yourself. (Check the affect this will have on taxes and changes needed on insurance coverage.)
- Selling your house and buying or renting less costly housing.
- Moving in with relatives or friends. Offer to share some of the housing costs.
- Deeding your house back to the lender. You may not lose much. For example, if you have been paying on a 30-year mortgage for 10 years, you have not paid for much of the house yet-only about 10 percent. If you choose deeding the house back to the lender in lieu of foreclosure, and the house has decreased in value, you are still responsible for the total amount of the loan and must pay the lender the difference. If by staying in this house you will not have enough money for food or other necessities, you may find it less stressful to leave the house and find less expensive housing.

Other Housing Costs: Insurance Payments

Homeowner's or renter's insurance protects you in case of loss or damage to property. During times of reduced income, it is important to have property insured. If you can not make an insurance premium payment, call or write your agent or the company. There may be some leeway (10 to 30 day "grace period") for a late premium payment. Not paying insurance on your mortgaged home is considered defaulting on the mortgage.

Shopping around for property insurance from a lowerpriced, licensed insurer can save you money.

Contact the agency in your state responsible for licensing insurance companies and ask for a list showing typical prices charged by different licensed companies. Then call at least three of the lowest-priced insurers to learn what they would charge you for the coverage you need. Make sure you purchase enough coverage to replace the house and contents. Make certain the new policy is in effect before dropping the old one.

If your current company offers you the least expensive coverage, go into the office and talk to your agent. Explain your situation and discuss different payment plans. Check the possibility of smaller premiums through:

- Changing to a monthly, quarterly, or semi-annual payment plan with the same coverage. There may be a service charge for making a smaller payment which is based on the amount of the payment. Check the total yearly amount difference and select the payment plan that will give you the most savings and still fit into your spending plan.
- Increasing the deductible.
- Installing safety/security alarm systems.
- Examining coverage on other buildings and structures on your property.
- Changing to a more basic coverage.
- Check for possible discounts if all insurance (house and auto) is with the same company.

Real Estate Taxes

If you are unable to pay taxes, contact your local county treasurer or tax collector to learn about procedures used when property taxes are delinquent. Interest accumulates on unpaid taxes and you will have to pay this interest or it becomes a lien on your property just like the unpaid taxes. You will receive notice of any actions taken as a result of nonpayment of taxes. Take these notices seriously. Eventually, unpaid taxes will result in the sale of your property through auction.

In counties that have been declared a major disaster area by the President of the United States or the Governor of the State, the supervisor of assessments, the board of review, or board of appeals may make a reassessment of any taxable real property which was substantially damaged by the disaster. Application for reassessment must be made by the property owner.

Check on special programs in your state for homeowners to see if you qualify.

Utility Payments

Utility cutoffs can occur for nonpayment. Disconnection varies with weather and family health conditions. If you cannot make full payments on your utility bill:

- Contact the company right away - before the due date and before fuel is needed.
- Propose a new payment plan based on your current ability to pay. Take along information about your income and expenses when you go to your utility company.

- Explore a load management program or off-hour rate program to see if it would save you money and meet your needs.
- Ask your utility company to conduct an energy audit for free or for a reasonable charge. An audit can identify ways for you to save money on home heating and cooling.
- Check to see if any agencies operates a low income energy assistance program for which you might qualify.
- Talk with family members to decide how to safely reduce the use of your utilities to reduce costs. Health and safety considerations for family members are very important.

Telephone Bills

If you are unable to pay your phone bill on time, call the phone number listed on the bill and explain the problem. Unless you pay the bill or make other arrangements with the company, you will receive a Notice of Disconnection with the date your phone service will stop if the bill is not paid.

If you pay the bill late, they might charge an extra amount. If your phone is disconnected, you will have to pay the bill plus interest on the unpaid balance before your phone service is restored. You may be allowed one free re-connection each year, otherwise you will have to pay the cost for re-connection.

Cut phone expenses by eliminating all non-emergency long distance calls or writing a letter instead. When making necessary long distance calls, check when rates are lowest and make your calls during those hours. If you are paying for local telephone service based on the calls you make, you can cut the cost by limiting the number and/or length of the phone calls. Consider buying rather than renting your phone, returning all rented phones except one, or changing to a less expensive type of phone service. Check your local phone bill to see if you have optional services you do not really need.

Cell phones and related service plans have become a major budget item for many families. In times of reduced income, consider dropping cell phone service plans or reduce plan costs, for example reducing the number of minutes in the plan, if additional charges will not be incurred. Or consider removing residential telephone service and relying totally on a cell phone for communication to reduce total expenses.

Cable Service

If you have cable or satellite service, have the service disconnected or choose only basic service. Remember, there usually is a charge to reconnect your service.