February 2002 **FL/FF-I-07**

KEEP A ROOF OVERHEAD

Barbara R. Rowe, Ph.D.
Professor and Family Resource Management Specialist
Utah State University[1]

Keeping a roof overhead is an important concern when your income drops. When you rank your bills in order of priority, chances are shelter and utilities top the list.

When you're 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, appliances and furnishings.

When family income drops, careful planning can help you avoid eviction from your rental unit or loss of your house. It is important to realize that when you're in financial difficulty and don't relish talking to anyone, you cannot ignore financial obligations, particularly mortgage or rent payments.

Mortgage Payments

House payments can eat up as much as 30 to 40 percent of your family budget. What does a family do if a job is lost and income stops? If your loss of income will only be for a few months, you may be able to cut back on other expenses to meet your mortgage payments.

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 payments appears impossible, contact your lender immediately before you miss the first payment. Remember, most creditors want to work with you. They would prefer to work out a way for you to succeed in keeping that house if an alternative arrangement can be worked out. You may be able to skip a payment or arrange a lower payment. Go in person to see your lender and take along a copy of your net worth statement (see "Take Stock of Family Resources"), a projection of income and expenses (see "Set Priorities for Spending") and a plan for continuing to meet at least part of the payments with your family's financial situation in mind.

If your family's loss of income is going to last a long time or be permanent, you will need to consider other options. Could you rent a spare room or share the house and the mortgage payments with others? Rent your house to someone else and rent less costly housing for yourself? (Check the affect this will have on taxes and insurance coverage). Move in with relatives or

[1]Adapted from *When Your Income Drops*, written by Barbara Rowe and Denise Schroeder, Purdue University Extension Service, West Lafayette, IN 47906.

friends and share some of their housing costs while renting your home? Sell your house and buy or rent less costly housing?

As a last resort, you can deed your house back to the lender. You might not lose much. 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 place of foreclosure, and the house has decreased in value, you are still responsible for the difference between the value of the house now and the amount of the loan. If, by staying in the house, you won't have enough money for food and other necessities, you may find it less stressful to leave the house and find less expensive housing.

Rent Payments

If you rent, tell your landlord about your income situation before your 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.

Be familiar with the terms of your lease. Does your lease include a "late clause" that would allow you five to ten days to pay overdue rent? Check your lease for a statement about "late charges." If you do not have a lease or other advance agreement to add "late charges," none can be billed to you.

If you do not pay your rent, Utah law allows your landlord to evict you. Eviction is a five step process, the first part begins when the owner gives you a written notice to leave the premises. It should give you a choice to either pay the amount owed OR move out within three days. The count begins the day after you are served and includes weekends and holidays. If you do not pay the money within three days, the landlord goes to the second step, which is to file a complaint and summons with the court. You must reply in writing within three business days. If you file an answer with the court on time, you will generally have a trial. At the trial the judge will make a decision, which is then put on paper and signed by the judge. If the landlord wins, the judge will order you to move out and pay the landlord whatever money you owe in rent plus triple damages. You may also have to pay the landlord's attorney fees. If you fear becoming homeless after being evicted, there are community services that can help you. See "Take Stock of Community Resources," number three in this series of publications.

Other Housing Costs

Utility Payments

Monthly utility payments may include charges for gas, oil, electricity, telephone service and water. The customer has the full billing period (minus processing time) to pay. Typically if the bill is not paid by the billing date of the next month, a late penalty is assessed on the amount outstanding. When bills are 12 days past due, a notice is issued either to remind you that you are late or that utility services will be disconnected immediately if payment is not made, depending on your past payment history.

If you can't make full payments on a utility bill:

- Contact the company right away–before the due date and before additional service is needed.
- Propose a new payment plan based on your current ability to pay. Take along information about your income and expenses (see "Set Priorities for Spending") with you when you go to a utility company.
- Check with your local power company to see if fuel assistance programs are available. What are the qualifications?
- Talk with family members to decide how to safely reduce the use of your utilities to save money.

If you get behind on your utility payments, and service is disconnected, either the bill must be paid in full or a pay agreement reached before

service is reconnected. An additional re-connection fee will be charged.

Insurance Payments

Homeowner's or renter's insurance protects you in case of loss or damage to property. If you can't make an insurance premium payment during a time of reduced income, call or write your agent or the company. There may be some leeway (a 10 to 30 day "grace period") for a late premium payment.

Note: Not paying insurance on your mortgaged home is considered defaulting on the mortgage.

When you talk to the insurance company representative, explain your family's situation and offer a different payment plan. Check the possibility of smaller premiums if you:

- Change to a monthly, quarterly, or semi-annual payment plan with the same coverage. There will be a service charge for making a smaller payment and this 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 family's spending plan.
- Change the deductible.
- Examine coverage on other buildings and structures on your property.
- Change to a more basic coverage.
- Check for possible discounts if both house and auto insurance is with the same company.

Real Estate Taxes

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

Utah State University is committed to providing an environment free from harassment and other forms of illegal discrimination based on race, color, religion, sex, national origin, age (40 and older), disability, and veteran's status. USU's policy also prohibits discrimination on the basis of sexual orientation in employment and academic related practices and decisions.

Utah State University employees and students cannot, because of race, color, religion, sex, national origin, age, disability, or veteran's status, refuse to hire; discharge; promote; demote; terminate; discriminate in compensation; or discriminate regarding terms, privileges, or conditions of employment, against any person other wise qualified. Employees and students also cannot discriminate in the classroom, residence halls, or in on/off campus, USU-sponsored events and activities.

This publication is issued in furtherance of Cooperative Extension work. Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Jack M. Payne, Vice President and Director, Cooperative Extension Service, Utah State University. (EP/DF/02-2002)