

Getting Through Tough Financial Times

Keeping a Roof Overhead

Keeping a roof overhead is the most important concern when your family income drops. As for bills, housing would be near the top of the list.

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

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

Rent Payments

If you rent and are having difficulties making the rent, tell your landlord about your situation before rent is due. If your lease has a grace period before late charges, what are the fees? A fee of \$15 if not paid by the fifth of the month is much more reasonable than \$5 a day after the first of the month. Know your responsibilities as a renter. Suggest making smaller payments for a month or two, with the understanding that you will catch up when your income increases again. It costs money for a landlord to change tenants, so they may be willing to work with you.

In Illinois, if you do not pay your rent according to the terms of the lease, your landlord can take the following steps:

1. The first time your rental payment is late; your landlord may give you a five-day notice to pay the rent. If you pay the rent, you may continue living in the unit. The landlord is not required to accept payment of a lesser amount; if he does, he may waive his rights to the entire amount. If you do not pay within the five days, the landlord can consider the lease ended and start a suit for possession.
2. Under the Illinois Distress for Rent Act, the landlord can peacefully seize certain personal property of his tenant as compensation for rent claimed to be due. Check with the Illinois Attorney General's website for more details.

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 may 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 to meet your mortgage payments. (Refer to Setting Spending Priorities and Strategies for Spending Less 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.

Contact your lender immediately before you miss the first mortgage 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 family's loss of income is going to last a long time or be permanent, you will need to consider other options. You may be under 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 effect 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've 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 amount of the loan and must pay the lender the difference. If by staying in this house you won't 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 or renter's insurance protects you in case of loss or damage to property. During times of reduced income, it's important to have property insured. If you can't 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, but check your policy. Not paying insurance on your mortgaged home is considered defaulting on the mortgage.

Explain your family's situation and offer a different payment plan. Check the possibility of smaller premiums through:

- Changing to a monthly, quarterly or semi-annual payment plan with the same coverage. There is 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.
- Changing 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 county tax collector to learn about procedures used when property taxes are delinquent. Interest fees accumulate 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'll receive notice of any actions taken as a result of non-payment of taxes. You need to take the notices seriously. Eventually, unpaid taxes will result in the sale of your property through auction.

If there has been a natural disaster in your county and it has been declared by the Illinois state governor, President of the United States, or the supervisor of assessments, the board of review or board of appeals may

make reassessment of any taxable real property that was damaged by the disaster. The property owner must make an application for reassessment. You will need to provide the parcel identification number and the legal description of the real estate.

If you own and live in your home as of January 1 of the tax year, you are eligible for the Homestead Credit (owner/occupied). Contact your county tax assessor to verify if you are receiving this exemption. You do not have to apply every year.

The Senior Citizen Homestead Exemption for homeowners over age 65 must be applied for yearly through the local tax assessment official by showing a copy of deed and proof of age.

Utility Payments

Utility cut-offs can occur for non-payment. Disconnection varies with weather and family health conditions. The Illinois Attorney General's Office website has the details.

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

1. Contact the company right away — before the due date and before fuel is needed.
2. 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.
3. Check with your local power company to see if there are available fuel assistance programs.
4. 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.

Phone Bills (Landline and Cell)

If you are unable to pay your phone bill on time, call the phone number listed on the bill and explains 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 will charge an extra fee. 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 are allowed one free reconnection each year; otherwise you must pay the cost for reconnection.

Ways to cut phone expenses includes: eliminating all non-emergency long distance calls. Write letters instead. If you have a cell phone package, check to see when rates are the lowest and make your calls during those hours. A prepaid phone card will pay for your long distance calls. You may want to look at phone plans based on your phone usage. Check with your phone company for ideas on cutting service costs.

Cable Service

If you have cable service, consider choosing only basic service or having the service disconnected. Remember, there is a charge to reconnect your service.

Web Resources

When Disaster Strikes: What to Do After an Insured Homeowner Loss

<http://www.idfpr.com/DOI/HomeInsurance/disaster.asp>

Compare Bank Interest Rates

<http://www.bankrate.com>

Illinois Office of Attorney General – Tenant Rights

<http://www.ag.state.il.us/consumers>

References

Fox, Karen, Sarah Drummond, Susan James, and Linda Krute. **Taking Charge in Changing Times: Keeping a Roof Overhead**. Oklahoma State University Extension Service. 1993.



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