

# MANAGING



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## Keeping a roof overhead

### Paying the rent

Check state law, so you know your rights. In Wisconsin, if tenants do not pay the rent according to the terms of their lease, the owner can take these steps:

1. The first time your rent payment is late, the owner may give you a five-day notice to pay the rent. If you pay the rent, you may continue to live in the unit.
2. If you are late with a rent payment a second time within 12 months, the owner may give you a 5-day notice to pay the rent or a 14-day notice that terminates your tenancy — whether you pay or not.

Being evicted for not paying rent makes it difficult to find new housing, damages your credit rating, and increases the cost of starting over. Paying first and last month rent and a security deposit for a new apartment can be very expensive.

To avoid eviction, tell the building owner or manager about your situation before rent is due. It costs owners money to change tenants, so they may be willing to work out a payment solution with you.

**If your income reduction case is temporary:** Ask to postpone full payment until your income resumes. Suggest making smaller payments for one or two months, with the understanding that you will pay the rest you owe when your income increases again. Or offer to provide a service such as painting in exchange for rent.

See these fact sheets in this series: *Deciding which bills to pay first/Cómo decidir que cuentas pagar primero* and *Talking with creditors/Comunicación con los acreedores*.

**If your income reduction will continue for more than a few months:** Consider moving to lower-cost rental housing. For help finding affordable housing, contact your local housing authority, county or tribal social or human services office, or community action agency.

### Paying the mortgage

With reduced income, homeowners quickly feel the stress of a sizable mortgage payment.

**If your income will only be reduced for a few months:** You may be able to cut back on other expenses to meet your mortgage payments.

To adjust to living on less income, see the money management fact sheets in this series listed under “Resources” on page 4.

**If you miss a mortgage payment:** The lender will call or send a letter reminding you that your payment is past due. Lenders often charge a fee for late payment.

**If you neither pay the mortgage nor contact the lender:** After 2 to 3 months, the lender will send a formal notice declaring your loan is in **default** (failure to pay).

At this point, the lender may start **foreclosure** — the legal process of selling your home to pay off the debt. If your home is sold for less than the amount still owed on your mortgage, you are responsible for paying the difference, as well as the lender’s foreclosure costs.

### Co-signers

If a relative or friend co-signed your mortgage, the lender will expect that person to make the payments if you do not. Your missed payments could create serious problems for your co-signer as well.

**K**eeping a roof overhead is a major concern if you are living with a reduced income. When you rank your bills in order of importance, chances are housing will be at or near the top of the list.

Housing expenses — rent or mortgage and property tax payments, utility bills, insurance, maintenance and repair — usually take the largest portion of most family budgets.

When your income drops or you are dealing with financial problems, careful planning can help you avoid losing your house or being evicted from your rental unit.

Contact your lender before you miss a payment. Most lenders will work with you on a payment solution to avoid the time and cost of foreclosure.

## What a lender can do depends on...

- Who currently owns the mortgage.
- Whether your situation is temporary or long-term.

For example, if you are laid off and expect to get called back to work soon, the lender may allow you to temporarily reduce or defer your payment until you return to work.

If your situation will last longer, you may need to restructure the loan with reduced payments and a longer repayment time.

If interest rates are lower now than when you bought your home, refinancing your loan could mean smaller payments.

## Or the lender could...

- Extend the loan by adding years for repayment.
- Change a fixed interest rate to an adjustable rate for a period of time.
- Reduce or suspend payment now, and add a **balloon payment** — a large lump sum due as the last payment of the loan.

**Before you agree to any new terms on your loan:** Be sure you understand the costs and can follow through with the arrangement. If you cannot keep up with the new payments or cannot pay the balloon payment when it comes due, you could face foreclosure anyway.

**If your reduced income will last a long time or indefinitely:** You will need to consider other options. You do not have to live under the extreme strain of meeting mortgage payments that you can no longer afford.

## You could...

- **Take in a roomer or renter**, and use the money toward mortgage payments.
- **Rent your house to someone else, and rent less costly housing for yourself.** Or you could move in with relatives or friends, and offer to share some of the housing costs and household tasks.
- **Sell your house, and buy or rent less costly housing.** This can have tax implications. Consult an accountant or tax advisor to see if you would owe any capital gains taxes.
- **Deed the house back to the lender.** This option makes sense only if you have very little equity in the property. Seek legal counsel before selecting this option.

## Watch out for scams

**Beware of refinancing scams.** Some unscrupulous lenders prey on financially distressed families. These predatory lenders offer very costly refinancing loans.

Before responding to ads promising to get you out of debt, shop around.

Check your refinancing options and compare fees with several lenders. Be sure you know the real costs involved, which are often more than your original mortgage.

Be wary of lenders that encourage you to take a **home equity loan** or **home equity line of credit**. This is really a second mortgage.

Taking out a home equity loan means putting your home on the line. If you cannot make the payment on the loan, you could lose your house.

## Paying other housing costs

### Property taxes

These are a homeowner's next most important payments after paying the mortgage. Check to make sure you know when your property taxes are due.

In most of Wisconsin, property taxes can be paid in two installments:

- The first bill is due January 31 and is payable to the local treasurer.
- The second bill is due July 31 and is payable to the county treasurer.

### If you are late paying property taxes:

You will receive notice of any actions. Take these notices seriously.

Beginning February 1 or the day after the first installment is due, you will be charged monthly interest on the full unpaid property tax, adding to your total bill.

Soon after the second installment is due, the county sends a notice to all property owners who still owe taxes. This informs you that if you do not pay property taxes within two years, you will lose title to your property. Eventually, unpaid taxes will result in the sale of your property through an auction.

### If you cannot pay your property taxes:

Contact your county treasurer right away. If you miss some payments and resume payments later, you may still face foreclosure. To find out what you must do to prevent this, call your county treasurer (listed under local government in your phone book).

## Utilities

Utility cutoffs can — and do — occur.

While fuel suppliers cannot shut off heat-related utilities during winter, you are still responsible for paying the full amount owed. Interest may be charged on overdue bills, adding to your expenses. And you could face reconnection charges.

If you cannot make full payments on your utility bills, here are some actions you can take.

## Income tax credits

With less income, you may qualify for income tax credits. For example, if you were paid wages during the tax year, you may be eligible to receive the federal **Earned Income Credit (EIC)/Crédito por Ingreso del Trabajo**.

To find out more, call the Internal Revenue Service (IRS) at (800) 829-1040 or (800) 829-4059 (TTY). Both numbers are toll-free, and Spanish help is available.

To ask for a free copy of IRS Publication 596 Earned Income Credit (EIC)/*Crédito por Ingreso del Trabajo* IRS publicación 596SP, call (800) 829-3676 or visit the IRS web site at [www.irs.gov](http://www.irs.gov). Allow two weeks for delivery.

In Wisconsin, both homeowners and renters may qualify for the **Homestead Credit**.

To find out more, contact the Wisconsin Dept. of Revenue at (608) 266-8641 or [www.dor.state.wi.us](http://www.dor.state.wi.us).

You may be eligible to receive tax credits even if you do not owe any taxes. And these credits do not count as taxable income. More information is available from University of Wisconsin-Extension online at [www.uwex.edu/ces/econ](http://www.uwex.edu/ces/econ) and [www.uwex.edu/ces/connections](http://www.uwex.edu/ces/connections).

## Heating and cooling

- **Contact your utility company before the bill is due or you need fuel.** Provide information about your income and expenses. Many utility companies have budget counselors to help you work out a realistic payment plan based on your ability to pay. Make payments as promised.
- **Find out if you are eligible for low-income home energy assistance or other benefits.** This federal program provides money to help pay winter heating bills. You may also get help weatherizing to improve home insulation and reduce energy use. Information on how to apply for these programs is available in English,

Spanish, and Hmong. Ask your county or tribal social or human services office about the Wisconsin Home Energy Assistance Program, or call Home Energy Plus at (866) 432-8947 [toll-free, weekdays (Spanish help available)]. Or visit their web site at [homeenergyplus.wi.gov](http://homeenergyplus.wi.gov).

To find more assistance programs, call Focus on Energy at (800) 762-7077, or visit their web site at [focusonenergy.com](http://focusonenergy.com).

You can also contact the Wisconsin Energy Bureau's State Energy Help Desk at (608) 267-3680.

- **Conserve.** Clean and maintain your furnace and central air-conditioning using the use and care manual. Close doors and registers to unused areas, and seal cracks and leaks. Close drapes and shades at night during winter and during the day in summer.
- **Home heating and air-conditioning are the most expensive utility costs.** Talk with family members to decide how you can safely reduce costs. For energy-saving ideas, see the fact sheet in this series *Strategies for spending less/Cómo gastar menos*.

## Electricity

- **Conserve.** Choose energy-saving lights and appliances when you need new ones. Turn off lights, radios, and the television when no one is using them. Use your oven efficiently by cooking two or three things at the same time. In summer, turn off room air conditioners when no one is home, and close drapes and shades during the day.
- **Use hot water wisely.** Keep your water heater at 120°F or less, take short showers, and rinse laundry in cold water. Check faucets for drips. Ask your utility company for energy-saving ideas.

## Phone

Check the due date on your phone bill. If you do not pay within 10-15 days, you may receive a notice of delinquency. At that time, you may have five or six days to pay before the company disconnects your phone.

To reinstate service, you may need to:

- Pay your delinquent phone bill in full.
- Reapply for service and pay installation charges.
- Pay a large deposit.

## To cut expenses, you could...

- **Change to basic or less expensive service.** Drop services such as call waiting, three-way calling, voice mail, and caller ID. Each service costs extra.
- **Limit your long-distance calls.** Check on less costly plans or prepaid, low-cost phone cards.

If you have both wireless and landline phones, consider whether you could do without one. Talk with family members to decide how you will cut phone costs.

## Cable or satellite TV

If you have cable or satellite services, check your monthly bill to see if you are paying for extra services or premium channels that you could do without. Think about how you can save on what you pay for television and Internet.

## Insurance

### Homeowner's or renter's insurance

protects you in case of loss or damage to property. When you have less income, it's important to keep your property insured.

In addition to insurance that covers your own losses, **liability insurance** covers your obligation to reimburse other people for losses they suffer, such as from a hazard or accident you may cause.

### If you cannot make an insurance

**payment:** Call or write your agent or the company before the payment is due. There may be some leeway (usually 10-30 days) in premium payment due dates.

Explain your situation, and offer to consider a different payment plan. Check to see if smaller premiums are possible by:

- Changing to a monthly, quarterly, or semi-annual payment plan with the same coverage.

- Asking to have bills come due when you are working if your work is seasonal.
- Changing to more basic coverage.
- Increasing the deductible amount.

See the fact sheet in this series *Meeting your insurance needs / Cómo pagar por el seguro que necesita*.

## Maintenance and repair

Preventing moisture problems and keeping your home in good repair may keep some housing costs down. Consult the University of Wisconsin-Extension's "Housing—Owning & Renting Resource" at [www.uwex.edu/house](http://www.uwex.edu/house).

## Maintaining safe housing

In spite of reduced income, maintaining safe housing is a high priority. While usually the largest share of a monthly household budget, housing expenses — rent or mortgage and property tax payments, utility bills, insurance, maintenance, and repair — must be addressed to avoid losing your house or being evicted from your apartment.

### Before falling behind in your payments:

Contact your building owner or lender, your county treasurer, your utility company, and the county Home Energy Assistance Program. Work out lower payments or other strategies until your situation improves.

## Resources

### Know your rights

Look for these consumer guides online or at your local public library.

Leonard, Robin. *Money Troubles: Legal Strategies to Cope with Your Debts*, 9th Edition. Berkeley, CA: Nolo Press, 2003.

National Consumer Law Center. *Surviving Debt: A Guide for Consumers*. Boston: NCLC Publications, 2002: [www.consumerlaw.org/publications/guides/surviving\\_debt.shtml](http://www.consumerlaw.org/publications/guides/surviving_debt.shtml).

Ventura, John. *Beating the Paycheck to Paycheck Blues*. Chicago: Dearborn Financial Publishing, 1997.

### For help keeping a roof overhead...

See these money management fact sheets in this series, in English or Spanish:

*Setting spending priorities* (B3459-01)/  
*Cómo decidir cuáles son los gastos más importantes* (B3459-01S)

*Strategies for spending less* (B3459-02)/  
*Cómo gastar menos* (B3459-02S)

*Deciding which bills to pay first* (B3459-03)/  
*Cómo decidir qué cuentas pagar primero* (B3459-03S)

*Talking with creditors* (B3459-04)/  
*Comunicación con los acreedores* (B3459-04S)

*Keeping a roof overhead* (B3459-05)/  
*Cómo asegurarse de que la familia tenga donde cobijarse* (B3459-05S)

*Meeting your insurance needs* (B3459-06)/  
*Cómo pagar por el seguro que necesita* (B3459-06S)

*Bartering* (B3459-07)/  
*El trueque* (B3459-07S)

*Making the most of what you have* (B3459-08)/  
*Cómo sacar el mayor provecho de lo que tiene* (B3459-08S)

*Deciding if bankruptcy is an option for you* (B3459-09)/  
*Cómo decidir si la protección por bancarrota es una buena opción para usted* (B3459-09S)

*Taking care of yourself* (B3459-10)/  
*Cómo satisfacer las necesidades personales* (B3459-10S)

*How you can help when mom or dad is unemployed* (B3459-11)/  
*Cómo puedes ayudar cuando tu papá o tu mamá está sin empleo* (B3459-11S)

*Helping children cope* (B3459-12)/  
*Cómo ayudarles a los niños a sobrellevar las dificultades* (B3459-12S)

*Community agencies that can help* (B3459-13)/  
*Las agencias comunitarias pueden ayudar* (B3459-13S)

*Looking for a job—Watch out for scams* (B3459-14)/  
*Búsqueda de trabajo—Tenga cuidado con las estafas* (B3459-14S)

*Where to go for help finding a job* (B3459-15)/  
*Dónde conseguir ayuda para encontrar empleo* (B3459-15S)

*Starting your own business* (B3459-16)/  
*Cómo iniciar su propio negocio* (B3459-16S)

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Produced by Cooperative Extension Publishing, University of Wisconsin-Extension.

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