

Foreclosure Avoidance Options

Foreclosure is one of the most devastating financial challenges that a family can face and one that many times can be avoided. The options available to residents for foreclosure are many, including but not limited to short sales. Following is a brief explanation of these solutions:

Reinstatement

A reinstatement is the simplest solution for a foreclosure, however it is often the most difficult. The homeowner simply requests the total amount owed to the mortgage company to date and pays it. This solution does not require the lender's approval and will 'reinstate' a mortgage up to the day before the final foreclosure sale.

Forbearance or Repayment Plan

A forbearance or repayment plan involves the homeowner negotiating with the mortgage company to allow them to repay back payments over a period of time. The homeowner typically makes their current mortgage payment in addition to a portion of the back payments they owe.

Mortgage Modification

A mortgage modification involves the reduction of one of the following: the interest rate on the loan, the principal balance of the loan, the term of the loan, or any combination of these. These typically result in a lower payment to the homeowner and a more affordable mortgage.

Rent the Property

A homeowner who has a mortgage payment low enough that market rent will allow it to be paid, can convert their property to a rental and use the rental income to pay the mortgage.

Deed in Lieu of Foreclosure

Also known as a 'friendly foreclosure,' a deed in lieu allows the homeowner to return the property to the lender rather than go through the foreclosure process. Lender approval is required for this option, and the homeowner must also vacate the property.

Bankruptcy

Many have considered and marketed bankruptcy as a 'foreclosure solution,' but this is only true in some states and situations. If the homeowner has non-mortgage debts that cause a shortfall of paying their mortgage payments and a personal bankruptcy will eliminate these debts, this may be a viable solution.

Refinance

If a homeowner has sufficient equity in their property and their credit is still in good standing, they may be able to refinance their mortgage.

Servicemembers Civil Relief Act (military personnel only)

If a member of the military is experiencing financial distress due to deployment, and that person can show that their debt was entered into prior to deployment, they may qualify for relief under the Servicemembers Civil Relief Act. The American Bar Association has a network of attorneys that will work with servicemembers in relation to qualifying for this relief.

Sell the Property

Homeowners with sufficient equity can list their property with a qualified agent that understands the foreclosure process in their area.

Short Sale

If a homeowner owes more on their property than it is currently worth, then they can hire a qualified real estate agent to market and sell their property through the negotiation of a short sale with their lender. This typically requires the property to be on the market and the homeowner must have a financial hardship to qualify. Hardship can be simply defined as a material change in the financial stability of the homeowner between the date of the home purchase and the date of the short sale negotiation. Acceptable hardships include but are not limited to: mortgage payment increase, job loss, divorce, excessive debt, forced or unplanned relocation, and more.

This represents only a summary of some of the solutions available to homeowners facing foreclosure. Locate a CDPE in your area for an evaluation of your individual situation, property value, and possible options.

Understanding your options now could mean all the difference in the world.

A CDPE can help.