
STOP
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FORECLOSURE
5 Steps To Stop
The Foreclosure Process
Dead In Its Tracks

STOPPING A HOME FORECLOSURE

Anytime a homeowner runs into financial trouble dire consequences can enter into the equation. That is especially true when it comes to foreclosure of the home that was used to secure the debt owed to the lender who is now foreclosing to get title to the property back.

However, there are several methods that homeowners in financial distress can use to stop foreclosure fast. Some methods require money, while others require agreement to forgo money by the lender or through the court system.

Here are 5 steps which can help stop the foreclosure process dead in its tracks:

Step 1: Don't Panic.

Most households have a surprising array of assets that can be used to make payments and delay foreclosure. Unemployment insurance, disability insurance and savings are each potential cash sources. Household budgets can be slashed. Big, expensive cars can be traded in for cash. Retirement funds are often available — but be aware that withdrawals may result in penalties and additional income taxes.

Step 2: Late and Missed Payments.

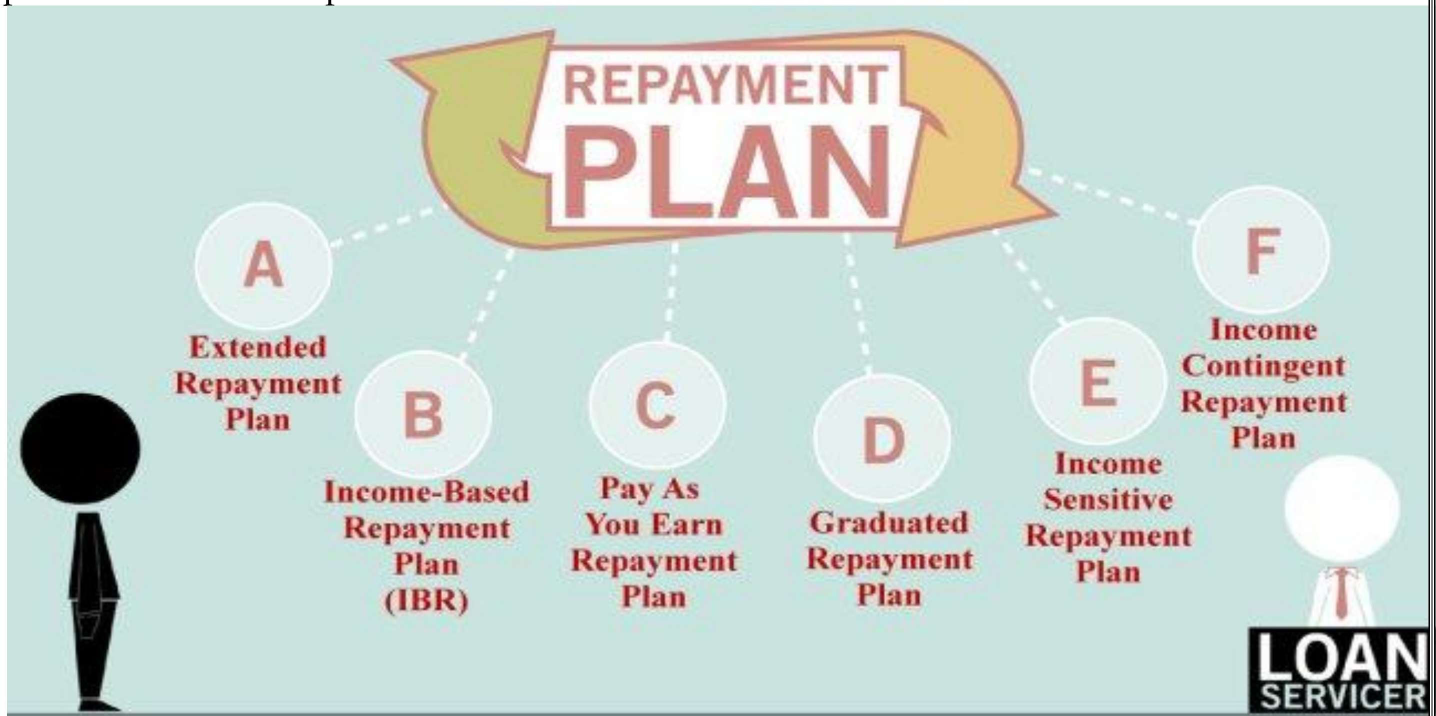
If problems cannot be delayed or deferred, and if mortgage payments will be late or unpaid, then you MUST contact the lender as soon as possible.

At this point your goal is to help the lender create a "workout" agreement that effectively modifies your mortgage so that the foreclosure can be stopped before going to completion.

Step 3: Look At Workout Options.

Once you enter into discussions with a lender or a "servicer" — the company which services the loan for an investor — a number of options are open. While lenders are typically NOT required to modify loan arrangements, many will. The usual choices include:

- **Loan Modification**: "This option should be considered when the borrower experiences difficulty making regular mortgage payments as a result of a permanent or long-term financial hardship," says Liz Urquhart with AIG United Guaranty, a leading private mortgage insurance company. "Reducing an above-market interest rate to a market rate and/or by extending the original terms of the note may enable the borrower to continue making payments. Permanent interest rate reductions appeal most to borrowers, but even a temporary rate reduction of one to three years can provide substantial help.”



- **Repayment plans**: Say you must miss a payment and that each payment is $1,000. With a repayment plan you might pay $1,075 a month until the missing money is repaid.

REINSTATEMENT

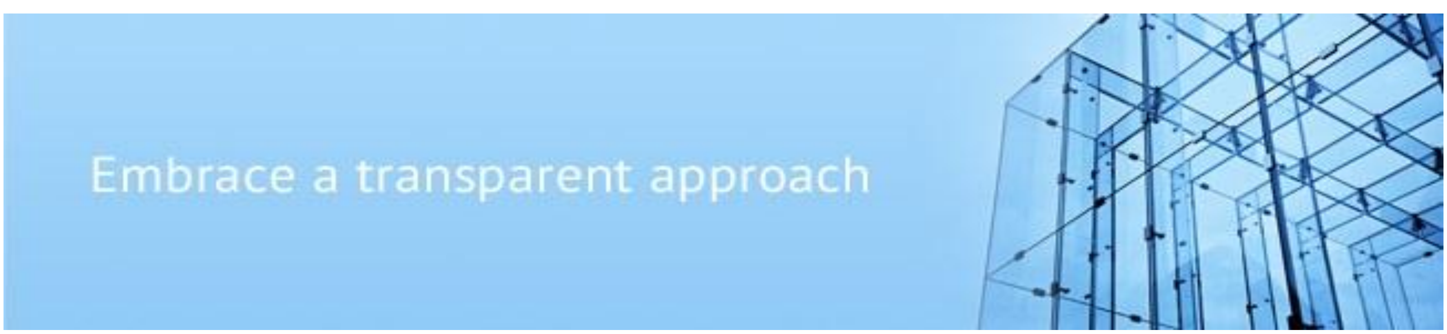
- **Reinstatement:** Imagine you missed two or three monthly payments. With a reinstatement, or what is also known as a “temporary indulgence,” you bring your loan current, pay late fees and other costs, and the loan continues as before.

VA | U.S. Department of Veterans Affairs

- **VA Refunding**. If you have a loan backed by the Department of Veterans Affairs, the VA may buy the loan from your lender and take over the servicing. If you have the ability to make mortgage payments, but your loan holder has decided it cannot extend further forbearance or a repayment plan, you may qualify for refunding, according to the VA.

- **FHA loans**: If you financed with a loan guaranteed by the Federal Housing Administration, call 1-800-569-4287 or 1-800-877-8339 (TDD) to reach a HUD-approved housing counseling agency for assistance and advice.

- **Forbearance**: This is a temporary change in mortgage terms, such as the right to skip a payment or make smaller payments for a year or less.



- **Private mortgage insurers**. Mortgage insurance companies typically require lenders to begin foreclosure proceedings once a delinquency reaches 150 days or when a sixth missed payment is due. However, such requirements may be waived in areas impacted by natural disasters and for other reasons.

- **Claim advance**: If you bought with less than 20 percent down then either the loan is self-insured by the lender or you have private mortgage insurance (PMI). In some cases PMI companies will provide a cash advance to bring the loan current — money which is sometimes interest free and need not be repaid for several years.

- **Disasters**: Most lenders, but not all, will provide substantial relief in the face of hurricanes, earthquakes and other terrible events. Typical measures include a suspension of late fees, no late payment reports to credit bureaus, a pause in foreclosure actions and modified payment schedules. To get such benefits you must contact the lender as soon as possible after the disaster.

- **Re-amortization**: In this case a missed payment is added to the loan balance. This brings your account current. However, says Saccacio, “since your debt has increased, future monthly payments may be larger unless the lender agrees to lengthen the loan term.”

- **Deed in Lieu** : The deed-in-lieu would allow you to sign over legal ownership to your home for the lender's agreement not to foreclose.

- **Short sale:** An arrangement where the lender accepts less than the mortgage debt in satisfaction for the entire loan amount. Also called a "compromise agreement" with VA loans. Be cautious: Saccacio says in some instances money not repaid may be regarded as taxable income. Also, lenders in some cases may sue to recover any shortfall.

- **Bankruptcy**: When all other options are exhausted many homeowners consider bankruptcy as a last resort to save their home. Unfortunately, in most cases bankruptcy only delays the inevitable; in the worst case it can actually speedup the process.

Step 4: Refinance The Loan.

Since 2001 millions of loans with new formats have been issued, permitting low monthly payments for the first several years of the loan term and then much higher monthly payments thereafter.

If you have a loan where soaring payments are a certainty, don't wait to refinance. Do it now while you have a strong credit profile and no missed payments.

Step 5: Sell The Property.

In some situations there is no workout or refinancing option which can save a property. If a job is lost, medical payments are overwhelming, or mortgage payments are rising to the point of bankruptcy the only plausible choice may be to sell the property.
If the situation is getting worse every month, you have to protect your interests and sell the property. This is a hard choice but if you sell before foreclosure you will get a better price for the property and preserve your credit standing.

Most importantly, remember that there still are options, but you have to act quickly. Also, never rule out seeking out foreclosure assistance.

To help avoid the foreclosure process in the future here are

10 Ways To Avoid Foreclosure

The foreclosure process can be damaging to your credit and emotionally painful. While sometimes foreclosure is inevitable and the only way out, other times it is possible to avoid foreclosure. Read on for the top 10 ways to avoid foreclosure.

1. **Pay your house bill as your first bill:** The best way to delay foreclosure is to not get behind at all. If you are struggling with making payments on your bills, you should usually think about paying the bill to your mortgage first after other necessities such as food. While it may seem as if you should pay credit card bills first since those tend to be smaller, credit card companies will rarely take your home... the bank, on the other hand, will.

2. **Increase income and cut your budget to make your payments:** Increasing your income and reducing your outflow so you can afford to make your payments is another good way to ensure that foreclosure is never a problem you face. Increase your income by working overtime or even taking on a second job until you get more wiggle room in your budget. Decrease expenses by cutting coupons, eliminating unnecessary luxuries such as cable or eating out, and otherwise finding out where you have a spending problem and solving it.

3. **Contact your lender about renegotiating your loan:** Sometimes no matter how much budgeting you do, you simply cannot afford your payments because of the way the loan is structured. If you had an adjustable rate mortgage or if your home has become worth far more than you owe, contact your lender to see if they can renegotiate the terms of your existing loan. The Economic Bailout of 2009 made government funding available to lenders to do just that, so you may be able to qualify for such restructuring depending on your circumstances.

4. **Seek help refinancing from your lender or government agencies:** If you can't renegotiate the terms of your existing loan, look into refinancing at a more reasonable loan or into a loan with a lower monthly payment or interest rate. You may be able to do this through your existing lender, or through government programs such as those sponsored by the Department of Housing and Urban Development (HUD), the Federal Housing Authority (FHA) or federally backed lenders such as Fannie Mae.

5. **Get help from a credit counselor or professional:** A professional credit counselor may be able to help you restructure or negotiate other debt so you can make your mortgage payments. He may also be able to help you negotiate with your mortgage lender. Likewise, a foreclosure attorney or a debt consolidation attorney can help you to explore all your options.

6. **Request to see the original note to delay the foreclosure**: Mortgages often change hands in the financial community many times, and even if they don't, the bank may not be able to readily lay their hands on this paperwork. You have a right to request that the bank prove you owe the debt, and requesting to see the mortgage note is within the bounds of your legal rights. This can delay foreclosure proceedings and give you time to come up with the cash to make your payments and keep your house.

7. **Contest the proceedings:** Just as requesting to see the mortgage note can delay a foreclosure, contesting the proceedings at each step of the court case- as long as you can legally do so- can also delay foreclosure and give you time to come up with the cash you need. A foreclosure attorney will have the knowledge to help you determine when you can contest the proceedings and how you can legally delay the foreclosure within the bounds of the law.

8. **Keep your lender aware of what is going on:** Lenders don't want to foreclosure if they can help it. If you let your lender know there is a problem as soon as possible, they may be willing to work with you to solve problems. They may also be less eager to rush into instituting foreclosure proceedings if you let them know early on that you are having a temporary financial setback but that you do have plans to resume payments.

9. **Consider Chapter 13 bankruptcy:** With a Chapter 13 bankruptcy, you can stop foreclosure proceedings temporarily upon declaring the bankruptcy and stop the proceedings entirely if you come current on what you owe. This can also help you restructure other debts you may have in order to make it more feasible for you to make mortgage payments.

10. **Negotiate a short sale:** A short sale is a situation in which you sell your home yourself to a buyer for less than what you owe and the bank agrees in writing- before you make the sale- to accept that as full payment on your debt. You will still lose your home and have a ding on your credit, but the affect on your credit will not be as bad as if the bank had foreclosed. Furthermore, you avoid the possibility of a deficiency judgment- which exists in some states to allow banks to come after you if any unpaid balance remains on your loan after your home is foreclosed upon and sold.