

10 Tips: Facing foreclosure? Here's help

If you're struggling to stay afloat, here's some help — and resources

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There's almost nothing more stressful – and more soul-crushing – than the specter of losing your home because you can no longer keep up with your mortgage payments. Thousands of homeowners across the United States are living with this fear, and many of them are convinced that it's too late to avoid the worst.

That, however, might not be the case.

No matter how bleak your financial situation may seem, you still may be able to avoid having your loan servicer foreclose on your property. And foreclosure is something you absolutely want to avoid. With a foreclosure on your credit report, your credit rating will be severely damaged – so much so that it may be difficult for you to find landlords who will let you rent from them.

If you're struggling to stay afloat – possibly because a real estate agent encouraged you to buy more house than you could afford, or because you got funneled into a toxic mortgage loan that has ballooned exponentially on you – consider the following tips, and also check out the helpful resources listed at the end of this column.

1. Face the problem head-on. Have you fallen into the habit of throwing all the ominous-looking mail you're receiving from your mortgage lender into a big pile – and then not opening any of it? If so, snap out of this state of denial pronto! By responding to your mail quickly, you could be directed toward viable foreclosure-prevention options. That's a good thing, not a bad thing. Credit and housing counselors say they're approached all too often by people who waited months to stop ignoring the problem and get help. By that point, though, many of them had already received foreclosure notices in the mail.

2. Contact your lender and explain your situation. This step may scare you to death – but do it anyway. Here's why: Depending on your circumstances, your lender may reduce your interest rate, lower your monthly payment to make it more affordable for you, or agree to a repayment plan for any payments you've missed. This won't happen in every case, mind you – but you stand a better chance of getting this kind of a response from your lender if you reach out sooner rather than later. Finding the correct lender to call may prove to be your biggest challenge, though. Mortgage loans often get sold again and again, so it may require plenty of

perseverance on your part to figure out who owns your loan. Start the process by calling the company that receives your mortgage payment.

3. Understand your mortgage rights. As unappealing as this task may seem, dig out that pile of loan documents you received when you bought your home. Start scanning them for the answer to this question: What can your lender do to you if you're unable to make your mortgage payments? Being armed with this information will equip you to have smart conversations with your lender about your situation. You also need to learn about the specific foreclosure laws and time frames in your state. Contact your state government's housing office or department to find out which rules apply where you live. To track down the correct agency, do a quick Internet search for the name of your state along with the words "state government housing office."

4. Consider selling your home. This may be one of the most painful decisions you'll ever make, but it could be the right decision if you were sold more house than you can afford. Selling your home on your own terms sure beats having your home taken away from you, and money from the sale could cover your mortgage debt and selling costs in full. Even if it takes you months to sell your home, the decision to sell could relieve your stress levels immediately. Here's why: Your lender likely will suspend foreclosure proceedings once your home is on the market, thus preserving your credit rating. In fact, your lender may even allow you to stop making mortgage payments until the house is sold.

5. Explore the "short sale" or "deed in lieu of foreclosure" options. Let's say your house can only be sold for a dollar amount that's less than the amount you still owe on it. If that's the case, your lender may agree to a "short sale" – that is, it will take what you can get for the house and forgive the rest of the balance owed. Or, if you simply can't find anyone who wants to buy your home, your lender may agree to a "deed in lieu of foreclosure." That means you would hand the deed to your home over to your lender voluntarily, and your lender would cancel out your remaining debt. This would be less damaging to your credit rating than having your home taken away from you in a foreclosure. In either scenario, it would be a good idea to get help from a lawyer, accountant, housing counselor or other adviser who is familiar with these approaches.

6. Don't give your money away to the wrong people. You very well may be approached by foreclosure-prevention companies that will offer to negotiate with your lender on your behalf. Don't take the bait! In the best-case scenario, the company will be a legitimate business but will charge thousands of dollars for help you could get for free. In the worst-case scenario, you could end up unwittingly signing over your property's title to a fraudulent company in a "foreclosure rescue" scam.

7. Seek out legitimate help. Considering how many con artists have emerged during the mortgage meltdown, it can be difficult to know where to turn. Here are some options to try that aren't scams:

- You can contact a housing counselor who is approved by the U.S. Department of Housing and Urban Development by calling (800) 569-4287 or visiting www.hud.gov. HUD-approved counselors can give you free or low-cost guidance and even represent you in negotiations with your lender.
- You also could be directed to HUD-approved counselors and free help via the Homeownership Preservation Foundation by calling (888) 995-HOPE.
- Another option is to get help from a housing counselor affiliated with the National Foundation for Credit Counseling by calling (866) 557-2227 or visiting www.housinghelpnow.org

8. Set financial priorities that fit your current circumstances. When you're feeling absolutely overwhelmed financially, it can be difficult to know which bills to pay first. Here's the main thing to keep in mind: Keeping your home – or walking away from your home on your own terms and avoiding foreclosure – should be your top priority. Your relationship with your mortgage lender is the relationship to preserve first and foremost. In negotiations with your lender, you can show how serious you are about making things right by demonstrating that you've sold assets, taken on extra work and eliminated optional monthly expenses, all with an eye toward reinstating your mortgage loan.

9. Consider filing for personal bankruptcy protection. This is a last-ditch tactic to be sure, but it may be better for you than a foreclosure. With a foreclosure, your home will be taken away from you, your credit rating will be seriously damaged and you'll still be saddled with all of your other debts. All of this can make it very difficult for you to find housing again – including rental housing. A bankruptcy filing also will hurt your credit rating for years to come, but here are the key differences: You'll be solvent and debt-free, and with a Chapter 13 bankruptcy you may get to keep living in your house. For more details about whether the bankruptcy route might make sense for you, check out this website: www.nolo.com and review the "Foreclosure" section.

10. Maintain your self-esteem. Try very, very hard not to panic or beat yourself up right now. This is a time to stay sharp, take charge of your situation and stick up for yourself. Remember that you're certainly not the only homeowner in America who's struggling right now. Direct your anger and negative emotions toward people who may deserve it – say, for instance, a predatory lender who may have deliberately locked you into a bad loan. If you're convinced that loan terms and risks weren't fully disclosed to you, file complaints with the Federal Trade Commission by calling (877) FTC-HELP (382-4357) or visiting

www.ftccomplaintassistant.gov, and with your state's attorney general's office or consumer affairs department. You can start the process of finding contact information for your state by going to <http://www.msnbc.msn.com/id/15228784/>

Sources and resources

- U.S. Department of Housing and Urban Development
- Nolo, a provider of do-it-yourself legal help for consumers
- National Foundation for Credit Counseling's Homeowner Crisis Resource Center
- Federal Trade Commission
- Better Business Bureau's warning about mortgage foreclosure scams
- Homeownership Preservation Foundation