

Determining Your Foreclosure Alternatives

Foreclosure can be a stressful and traumatic experience. You can quickly go from living the American dream in your own home to being unable to maintain your monthly payments. Losing your home can leave you completely devastated as if everything you have worked for is gone in an instant.

Understanding The Foreclosure Process

Although each state has its own laws regarding the foreclosure process, there are some similarities across the board. When your loan becomes delinquent, you are in what's known as default. The loan typically stays in default for 90 days. During this time the lender and homeowner communicate in an attempt to resolve the issue.

If it turns out that you are unable to keep the property, it could end up being sold by auction. In most cases the homeowner is forced to move out of the property after the auction.

Foreclosure Options

If you are facing foreclosure, you will need to decide if you really want to keep the property. If you decide not to keep the home, the property can be sold before the mortgage forecloses. This is an important step toward making sure that a foreclosure judgment stays off your credit record. This will keep your credit history in tact so that you can obtain another loan in the future. Another bonus to selling the property before foreclosure is that when the home is sold is your ability to benefit from the property's equity. You can pay off the mortgage debt and keep whatever is left over.

The Bankruptcy Option

Homeowners facing foreclosure also have the option of filing bankruptcy. There are two major types of bankruptcy: Chapter 13 Bankruptcy and Chapter 7 Bankruptcy. Chapter 13 Bankruptcy allows you to keep your primary residence while you pay off your debt. Chapter 7 Bankruptcy removes any debt the owner had left under the mortgage.

Be advised that bankruptcy comes with serious consequences that should be considered. It can really damage your credit. A bankruptcy will remain on a credit report for at least 10 years. Consult with a bankruptcy expert before making your decision.

Seek a Temporary Indulgence

A temporary indulgence is when the lender agrees to stop the monthly mortgage payments for a designated amount of time. The requirement of this type of agreement is that payments will be brought up to date when the temporary indulgence agreement ends.

Mortgage Forbearance

When lenders grant a homeowner forbearance, they are agreeing to reduce or temporarily stop the monthly mortgage payments for a period of time. In order to qualify for forbearance, you must have established an excellent payment history for the mortgage.

Mortgage Modification and Refinancing

Mortgage modification allows you to renegotiate the terms of the loan with the lender. Extending the mortgage term is an example of mortgage modification.

If you decide to refinance your existing loan, you are basically getting a new loan and a new lender. Be cautioned that this is not the recommended route for homeowners experiencing financial distress since it could make matters worse.

Even though your property has gone into foreclosure, you should be aware of the many options available. Lenders want to help homeowners keep their home and in most cases are willing to negotiate a plan of action to help.