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When life happens...

Avoiding Foreclosure: How to Save Your Home

Finding the Right Help for Your Needs to Save Your Home & Salvage Your Credit

Taking Steps to Save Your Home

Not only is your home where you hang your hat, it's also usually your biggest asset. With so much riding on your ability to successfully manage your mortgage, the threat of foreclosure is one of the scariest financial roadblocks you can face. You need to find a way to either save your home by regaining control of your mortgage payments or to sell as quickly as possible so you can minimize the credit damage and financial fallout.

Luckily, you have a wide-range of options when it comes to foreclosure prevention. Depending on where you live, your loan agreement and your financial situation, you may be able to renegotiate with your lender for better terms or even find government assistance options that will make your payments for a limited period of time. And even if you are unemployed and without household income, you may still be able to save your home.

When Life Happens...

Foreclosure can happen to any of us for any number of reasons. If you're facing foreclosure now and if you're facing foreclosure now and need help finding options to save your home, the tips in this guide can help. Since there may be other options that you haven't considered, you may also benefit from calling 1-800-810-0989 to speak with a debt specialist about your debts. We also invite you to visit www.Debt.com and browse through Debt Solutions that could help you manage your other debts more effectively. Doing so will offer you more leeway to address the issues with your mortgage.

First Step to Prevent Foreclosure

Your first instinct when you're having trouble with your mortgage is likely to be to avoid talking to your lender at all costs. However, this is the exact opposite of what you want to do. Keep in mind that it's actually in your lender's best interest to help you keep your mortgage, since the write-off won't be good for the bank either. Rather than take your home and presumably take a loss on the resale, it's better for the bank to help you stay put.

With this in mind, when you see trouble on the horizon for your mortgage, your first step should be to pick up the phone and talk to your lender. The more you communicate with your lender, the more room you will have to maneuver throughout the process. Keeping your lender informed can also increase the number of options you have available to find relief.

So step one - call your mortgage lender!

1. Be sure to have your loan account number ready when you call.

2. Provide a brief explanation of what's happening with your payments and why you're getting behind.

3. Be specific about what you're doing to regain control, such as seeking new/additional employment or consolidating your unsecured debts so you have more money available to make your payments.

4. If possible, have your household budget on hand in case you need to refer to any budget numbers.

5. Your mortgage lender should be able to point you towards options that you can use to find relief and get back on track.

Option #1: Refinancing

Your first option for mortgage relief and foreclosure prevention is to refinance your mortgage to get better terms. You modify your mortgage terms to:

1. Lower your interest rate.

2. Permanently adjust your monthly payment schedule.

You refinance directly through a traditional mortgage lender. You can refinance through your existing lender or through another lender. It's important to note that you may be required to pay closing costs again when you refinance; closing costs may be waived if you refinance through your existing lender.

When you refinance your mortgage, the lender will offer entirely new terms. Be sure that you can afford your new mortgage before you sign on the dotted line. If you refinance correctly and can keep up with your payments, then you will avoid any damage to your credit.

Option #2: Repayment Plans

If refinancing isn't the right option, another path you can take directly with your mortgage lender is to arrange a customized repayment plan. This is where you agree to pay off past-due amounts over a specific period of time. This way, you have time to catch up with your payments and get back on track.

If you want to arrange a repayment schedule with your lender, here are the steps you need to take:

1. Find out how much you owe in past-due mortgage payments.

2. Review your budget to determine how much you can afford to pay each month without making other payments late or decreasing your ability to purchase items you need.

3. Call your lender to negotiate.

4. If the response isn't immediately what you want, be firm in how much you can afford to pay and don't take no for an answer.

5. Also be sure to check if penalties and other fees can be waived or removed from your account.

With the right repayment plan, you can catch up on your mortgage payments and minimize the damage to your credit caused by past-due payments. You also get to stay in your home and avoid foreclosure.

Option #3: Forbearance

This mortgage relief option allows you to temporarily reduce or suspend your loan payments for a set amount of time. If you have a short period of financial hardship - say you had an unexpected medical expense or a limited period of unemployment - then you can temporarily adjust the payment schedule with your lender to cut your payments until you've recovered. You may cause some damage to your credit by missing payments or not paying the full amount due, but you will save your home and avoid the severe credit damage that comes with foreclosure.

Here's how it works:

1. Review your budget to see what you can afford to pay and/or when you would be able to return to a regular payment schedule.

2. Call your lender and let them know about the temporary change in your circumstances and what's causing the trouble.

3. Make arrangements for an adjusted payment schedule that will work for your limited budget.

4. Set a date where you will return to your standard payment schedule.

It's important to note that if you are approaching the end of the adjusted payment schedule and you still won't be able to meet your regular payment requirements, then you will need to make other arrangements. Call your lender to see if you can extend the payment adjustment or look into options for mortgage payment assistance (see page 8).

Option #4: Mortgage Modification

Sometimes simply adjusting your interest rate or changing the amortization schedule with traditional mortgage refinancing isn't enough. If your home is worth less than what you owe on your mortgage, then your loan is officially underwater. In this case, you need to permanently adjust the original terms of your mortgage to accurately reflect your home's value.

Mortgage modification basically allows you to build a brand new mortgage with your lender that's the right loan amount for your house in today's market. You negotiate a new interest rate and amortization schedule. Even your principal (original loan amount) may be adjusted to match the value of your property. All of this typically reduces your monthly payments, so your mortgage is more affordable for your budget.

1. Compare the principal on your mortgage with the current value of your property.

2. Check current interest rates to make sure you can get a good low rate.

3. Review your budget to see what you can afford to pay if your payments are adjusted.

4. Contact your lender to discuss options for modifying your mortgage.

5. Be sure to ask if you will have new closing costs and plan accordingly, if so.

Option #5: Short Sale

If Options 1-4 don't work, then you basically have run out of options that will allow you to keep your home and maintain your mortgage. In this case, you need to find a good way to sell your home or an alternative method to get out of your mortgage to avoid severe damage to your credit. Ideally, you want to sell your home for an amount that's equal to or greater than the remaining balance on your mortgage - i.e. a traditional sale. However, if you're facing foreclosure and market conditions aren't good, then a traditional sale may not be possible in the time frame you need.

By contrast, a short sale allows you to sell your home at whatever price you can actually get for it even though it's less than the value of your mortgage. Effectively, you're selling your home for less than what you owe, so there will still be a balance remaining on your mortgage. The lender is within their right to seek a deficiency judgment so you have to pay the difference, although this doesn't happen in all cases. If you negotiate an approved short sale with your lender, they may agree to waive their right to seek payment on the difference.

Benefits of a short sale:

- Get out of your loan quickly

- Eliminate mortgage debt

- Relocation assistance may be available

- Minimize the damage to your credit so you can get a new mortgage faster once you've recovered.

Option #6: Deed-in-Lieu of Foreclosure

With this option, you transfer ownership of your home to the lender and in exchange, they release you from your mortgage obligation. Essentially, you're returning the deed to the bank so they can sell the property and recoup any losses. As with a short sale, if the bank ends up selling the home for less than you owe them, then they can seek a deficiency judgment to make you pay the difference.

A deed-in-lieu of foreclosure (DIL) may help you get out of your mortgage faster than you could even with a short sale and much faster than a traditional sale. It may be the best option if you're in severe financial distress and have limited options for recovery. Sometimes getting out of your mortgage is the only way to save your finances.

With a DIL, you:

- Can immediately get out of your mortgage to get financial relief.
- Reduce or eliminate your mortgage debt obligations.
- May qualify for relocation assistance in some cases.

Option #7: Deed-for-Lease

Your final option to avoid foreclosure is similar to a DIL, but it allows you to remain in your home. With a deed-for-lease, you go through the DIL process to give the deed back to your lender. Then, you rent the property back from the bank at an affordable rate. Effectively, you become a tenant in your home while the bank takes formal ownership.

The advantage of a deed-for-lease is that you don't have to uproot your family. Although you don't hold on to your mortgage, you can at least stay put so your kids can finish up school semesters and you can get organized to relocate at a later time. You generally sign a lease with the bank for a specified term, just as you would with any other type of rental property. Once you move, the bank can then sell the property to recoup any remaining losses they may have.

What you get with deed-for-lease:

- Your family can remain in your home for a set period of time to get your affairs in order before you move.
- Relocation assistance may be available at the end of your lease agreement.
- You will cause less damage to your credit versus foreclosure, so you can get into a new mortgage faster once your recover.

Option #8: Mortgage Payment Assistance

The housing market collapse in 2008 forced millions of homeowners into foreclosure. Home were losing equity with lightning speed while unemployment skyrocketed hitting the entire country hard. Even homeowners who were responsible we're suddenly struggling to avoid foreclosure.

In response, the government instituted a mortgage repayment program to help residents in the states hit hardest by the recession. Often called Hardest Hit Funds, these programs help struggling homeowners to avoid foreclosure even when they are unemployed and cannot make any mortgage payments.

The availability and qualification standards for a Hardest Hit Fund vary by state. Therefore, you need to contact a HUD-approved housing counselor in your state to see if you would qualify. If so, the HHF program may help you get out of your mortgage without any additional losses or may even pay your past-due mortgage payments so you can get back on track. In some cases, the program may actually pay your mortgage up to 12 months if you can't find work and need to keep your home.

Notes

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About Debt.com

At Debt.com we're dedicated to helping you handle whatever life brings your way when it comes to money. We understand that being 100% debt-free isn't realistic for most people, so we have develop strategies to help manage debt. With the right plan, debt can be an effective part of your financial outlook and help you reach your goals - whatever those goals might be.

If you're struggling with debt and don't know where to turn, we can help. We have solutions to address most debt and credit issues. That's why we say, **"When Life Happens...Debt.com."**

Visit **www.Debt.com** to find solutions or call **800-810-0989** to find the help you need.

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