

What is Foreclosure?

A situation in which a homeowner is unable to make principal and/or interest payments on his or her mortgage, so the lender, be it a bank or building society, can seize and sell the property as stipulated in the terms of the mortgage contract.

What happens when I miss my mortgage payments?

Yes, Foreclosure can occur. This is the legal means that your lender can use to repossess your home. When this happens, you are required to move out of your house. If your property is worth less than the total amount you owe on your mortgage loan, a deficiency judgment could be pursued.

Both foreclosures and deficiency judgments can affect your ability to qualify for credit in the future. So you should avoid foreclosure if possible.

What should I do to avoid Foreclosure?

If you are having problems making your payments, call or write to your lender's Loss Mitigation Department without postponement. Explain your situation to them. Be prepared to provide them with financial information, such as your monthly income and expenses. Without this information, they may not be able to help. To avoid foreclosure, consider these three rules:

Rule #1: Contact your lender as soon as you know your payments will be late.

Rule #2: Never ignore the lender's letters or phone calls. Ignoring the problem won't make it go away.

Rule #3: Never assume your situation is hopeless

What are some alternate solutions for long-term problems to avoid Foreclosure?

Mortgage Modification

If you can make your regular payment now, but cannot catch-up the past due amount, the lender might agree to modify your mortgage. One solution is to add the past due amount into your existing loan, financing it over a long term.

Modification might also be possible if you no longer have the ability to make payments at the former level. The lender can modify your mortgage to extend the length of your loan (or take other steps to reduce your payments).

Pre-foreclosure Sale

This will allow you to avoid foreclosure by selling your property for an amount less than the amount necessary to pay off your mortgage loan.

You may qualify if:

1) The loan is at least 2 months delinquent;

2) You are able to sell your house within 3 to 5 months; and

3) A new appraisal (that your lender will obtain) shows that the value of your home meets program guidelines.

Deed in Lieu of Foreclosure

When the lender allows you to give-back your property--and forgives the debt. Although it does have a negative impact on your credit record, it is not as detrimental as foreclosure.

The lender might require that you attempt to sell the house for a specific time period before agreeing to this option, and it might not be possible if there are other liens against the home.

For FHA Loans

The lender might be able to help you receive a one-time payment from the FHA Insurance fund. Your loan must be at least 4 months but no more than 12 months past due and you must show you are able to begin making full mortgage payments.

- You must sign a promissory note which allows HUD to place a lien on your property for the amount received from the fund.
- The note is interest free, but must eventually be repaid.
- The note becomes due when you pay off the loan or when you sell the property.

For VA Loans

VA Regional Loan Centers offer financial counseling that's designed to help you avoid foreclosure. Call us to discuss options for your specific situation.

What are some alternate solutions for temporary problems to avoid Foreclosure?

Reinstatement

Reinstatement might be possible when you are behind in your payments but can promise a lump sum to bring payments current by a specific date.

Forbearance

In forbearance, you are allowed to delay payments for a short period, with the understanding that another option will be used afterwards to bring the account current. Lenders sometimes combine Forbearance with Reinstatement if you know you'll have the funds to bring your account current by a specific date.

A Repayment Plan

If your account is past due, but you can now make payments, the lender might agree to let you catch up by adding a portion of the past due amount to a certain number of monthly payments until your account is current.

Partial Claim

Your lender may be able to work with you to obtain a one-time payment from the FHA-Insurance fund to bring your mortgage current.

You may qualify if:

- 1) Your loan is at least 4 months delinquent but no more than 12 months delinquent;
- 2) You are able to begin making full mortgage payments.

When your lender files a Partial Claim, the U.S. Department of Housing and Urban Development will pay your lender the amount necessary to bring your mortgage current. You must execute a Promissory Note, and a Lien will be placed on your property until the Promissory Note is paid in full.

The Promissory Note is interest-free and is due when you pay off the first mortgage or when you sell the property.

How do I know if I qualify for any of these solutions?

Your lender will determine if you qualify for any of the alternate solutions. A housing counseling agency can also help you determine which, if any, of these options may meet your needs and also assist you in interacting with your lender

