

# Rescue Your Home From Foreclosure

## What To Do When Your Lender Starts Calling

If you are like most homeowners, your mortgage payment is the single largest expense you have every month. It is also the most important one. If you fail to make your house payments on time, you can lose your home — including everything you've invested in it — and ruin your credit rating for years to come.

Nobody wants to lose their home to foreclosure. That's why it is so important when buying a home to make sure not to overbuy — spending more than your budget can realistically handle. To ensure against late payments and foreclosure, you should have a reserve fund that would cover several months of mortgage payments in case unexpected events play havoc with your finances.

Unfortunately, because mortgage payments are so large compared with other bills and debts, it may be the very payment you just can't make when times get tough and cash runs short. If you are already late making one or more payments on your home, or if you can see you'll have a problem making future payments, the time to act is now — before your lender initiates foreclosure proceedings.

### What Is Foreclosure?

Foreclosure is the legal process by which your lender can repossess (take ownership of) your home because you fail to fulfill the terms of your loan repayment agreement. If it turns out the value of your home is less than the amount you owe the lender (including late-payment charges and legal fees), the lender may seek a "deficiency judgment" against you. If the lender is successful, you would not only lose the home, you would be required to pay the difference between your outstanding debt and what the lender was able to recoup by selling your home.

Both the foreclosure and the deficiency judgment would become part of your credit profile, marking you as a bad risk for credit from other lenders. Your ability to borrow money could be hampered for many years down the road.

### Act Fast!

The more quickly you contact your lender when you're having trouble making payments, the more options you will have for saving your home and your credit rating. Keep in mind, lenders would rather not own homes. They simply want their money back, with interest, at predictable intervals (through monthly payments).

Many mortgage lenders today are willing to work with homeowners who fall behind on payments, offering them opportunities to repay the outstanding amount in a variety of ways. It is often less expensive for a lender to help you keep your home than to go through foreclosing, repossessing and selling the property. The more temporary the problem looks to a lender, the more likely it is you can work something out.



The key, however, is to contact your lender and explain your situation early. The longer you wait, the more unmanageable the situation will become as you incur late fees and legal charges in addition to your mounting unpaid debt.

### The Foreclosure Process

Depending on the lender and state laws, foreclosure can take anywhere from a few months to a year and a half. Here are the stages leading to a foreclosure.

1. The lender (or the mortgage servicer working for the lender) will notice your payment has not arrived on time. Usually after 16 days or so, they will contact you and encourage you to bring the account up to date.
2. After a month has passed with no payment (or no payment in sight), the collections process will begin. For several months after payments go into arrears, the lender may offer one or more alternative loan "workout" plans to get you back on track. (We'll discuss these later.)
3. Usually after three or four months of payment failure, the lender will initiate the foreclosure process. While the foreclosure department will move as quickly as possible toward the foreclosure sale, the lender's "loss mitigation" department may continue to look for an acceptable workout. Whichever department gets their job done first determines the fate of your home.

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