Free Report on How to Avoid or Stop Foreclosure

5 Points To Remember

Act Early
The clock is ticking – after a lender files a notice against you, you will have a set period of time before your house goes to sale. The earlier you act during this timeline, the more options you will have and the better outcome you will receive. Don't be an ostrich – recognize your situation and act quickly.

Educate Yourself, Make a Plan

To be able to act early, you will need to educate yourself on your options and on the current housing market. We list 5 Options below, and it is imperative that you find out as much as possible about these different options and how they apply to your situation. You do not want to lose thousands of dollars because you are unaware of resources available to you – get smart about the decision facing you.

Keep In Contact with Your Lender

Lenders are not in the business of owning homes – they are in the business of making money on notes, and quite often will have many programs designed for people in your situation. Calling your lender and gaining a primary contact will allow you to keep the communication channel open and ensure that you receive no surprises as the process moves forward.

Try and Understand the True Equity of Your Property

Your options will vary depending upon how much equity you have. However, even in a situation where you have no equity, you still have options. The key to understanding the true equity of your property is to first come up with an honest assessment of the total debt by totaling the full payoff of all the loans and liens on the property, including any property taxes, back payments or pre-payment penalties. Then, you must assess the value of the property, usually by comparing the recent sale values of comparable properties in your neighborhood. Then, you subtract your total debt from your estimated value, and you have the equity of your home. Remember, if you sell through a realtor, the true equity will be your current equity minus all realtor commissions and closing costs, which typically range from 6%-9% of the total value of the property.

Save Your Credit

Our society is based on credit – foreclosure or bankruptcy can ruin it, and can stay on your credit history for 8 years or longer. Foreclosure is one of the worst things to have on your credit report – it will prevent you from getting credit cards, buying cars, buying homes and more. It is imperative that, during this time of difficulty and stress, you have a clear idea of what you would like your future life to be and that you protect your credit by making sure that your property does not reach the foreclosure sale.

5 Options to Know

Re-finance your current loan

If you have significant equity and the ability to make new payments (typically at a higher monthly), you can sometimes re-finance. There are many options and packages available from lenders to help, but you must watch out for lenders who are not familiar with properties going to foreclosure, as many times they will take too long to process your new loan and you may lose the property to sale. If you decide to re-finance, make sure you work with a lender who specializes in properties in danger of going to foreclosure, and make sure you are careful to not agree to lines of credit or new payment structures that you cannot afford.

Complete a Work Out with the Bank

If missing payments was a one time thing and you feel you can make them going forward, you may be able to create a work out plan with the bank. Also known as a forebearance or loan modification, the work out plan will quite often spread the back payments out over a period of time, thereby increasing your monthly payment but bringing you out of the foreclosure process. However, be cautious – if the circumstance that led to your first default still exists and you are not able to make the payments of your work out plan, the lender will quickly begin the foreclosure proceedings again, starting up from where they postponed it the first time.

Borrow Money from a Loved One

You can stop the foreclosure process by bringing the loan current and paying off all back payments owed. Typically, you will need a chunk of cash to do so, and borrowing money from a loved one quite often can bridge the gap in a tight situation. However, be advised that you will still have to make your monthly payments, and you do NOT want to put your loved one's money at risk by bringing the loan current only to default on it again in the near future.

Sell through a Realtor

If you are in a hot housing market and you feel your property would sell quickly, you may list your house with a Realtor. However, there are many drawbacks to working with a Realtor during the foreclosure process. First, Realtors typically move much slower than your foreclosure timeline, and often there is not enough time to find a qualified buyer and close escrow in time to save the property from foreclosure. Also, Realtors will take between 6%-7% commission on the sale price, thereby eating up a significant portion of the equity in your home. Another thing to remember – Realtors will typically ask you to sign a contract that gives them exclusive right to sell the property, and this can be a bad thing for someone in a foreclosure situation. You will want to be able to act quickly on ANY offer you receive, so if you do list with a Realtor, make sure you get an option clause in your contract with them, which allows you to sell the property on your own if need be.

Sell to a Real Estate Investor

There are many companies and individuals, ourselves included, that buy properties every day directly from homeowners. We can typically close as quickly or slowly as the homeowner needs or wants. We will quite often also have a host of services that can help ease a transition, from credit repair and relocation services to quick cash and saving of your long term credit history. However, there are many vultures in the investing world, and it is crucial that you work with a Real Estate Investor that is up front, honest and will give you a fair price for your property.

Homeowners in today's market are often "upside down" on their loan….they owe more than the house is worth. It is still possible to get your house sold and the lender satisfied. This can be done with a "Short Sale". This is where the lender agrees to take less than they are owed so they don't have to repossess the property. We can help you with that as well.

Please contact us if we can be of assistance.

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