Prevent Foreclosure by Refinancing Your Home

Seeking refinancing options is perhaps the best way to prevent home foreclosure. If you have encountered a life-altering event that may not allow you to stay current on your existing mortgage payments, refinancing through a new lender may qualify you for lower payments by extending the loan and possibly even a lower rate.

Every mortgage lender has their own criteria for approving or denying loans, but the most important will be your credit rating, the loan amount versus the value of your home, and your additional outstanding credit. Current income status will also need to be verified, or at least some indication on how you plan on paying the new installments.

Always remember that refinancing should be one of the first attempts to save your home and stop foreclosure processes. If you fall very far behind, this will reflect negatively on you and your credit report, lowering your chances of being approved.

Another option, if you are married and only you are listed on the deed currently, is to refinance by selling your home to your spouse. If he or she has a better credit rating and has never defaulted on a home in the past, this is an avenue you should explore.

When searching for a lender to refinance your mortgage, remember that a long-term fixed rate is what is typically best. You don’t want to find yourself in a mess a few years down the road with increasing rates and once again unaffordable payments!

If you have lost your source of income and are already behind on payments, entering a forbearance agreement with your lender may be a better option. This will allow you, upon approval, to either delay payments completely or at least lower them to a more comfortable level for a short amount of time. This is meant to give you time to find a new job, or resolve the current difficulties that have prevented you from having the financial means to pay the loan.

Foreclosure relief may also be found when entering a modified payment plan with your lender. Due to recent legislation and financial incentives available to lenders that utilize this method, they are inclined to alter your loan terms to make it more affordable for you. This type of plan does not require additional approval, and keeps your original loan in force.

Some lenders may agree to allow you to only make interest payments for a specified period of time, lower your interest rate, waive fees, or simply lower your monthly payment. Each arrangement is designed on a case-by-case basis depending on an individual’s current situation.

The key to any method of attempting to stop a foreclosure is to maintain communication with your lender. They should know as soon as a life-altering event affects your employment status, income or ability to pay, even if you haven’t missed a payment yet. This way, they are more likely to be flexible because you’re letting them know exactly what’s been going on to contribute to missed or severely late payments.