

What are the Options to Stop Foreclosure?

If you own a home in foreclosure proceedings or are steadily on your way there, you do have options before you. Although laws and regulations will vary between states, a few negotiating choices are fairly standard no matter where you live.

No lender in their right mind wants to foreclose on your property; this process is lengthy and very costly on their end, so they have every interest in keeping you in it. However, if you wait too long to initiate negotiations, your choices may be limited depending upon where you are in the process.

Ignoring the letters, notices and phone calls will not make the problem go away. The sooner you suck it up and actually talk to your lender and are completely honest with them, the better you and your family will be off.

Typically, there are five different options to help you avoid or stop foreclosure.

1. **Forbearance Agreements:** These will allow you and the lender to negotiate temporary adjustments to the terms of your mortgage or payments to make them more affordable for you. If you expect to regain your income within a short amount of time and know that your situation is not permanent, this is a great option. The lender will most likely either suspend your payments for a specified period of time, or lower your monthly payment to something you can afford in the meantime.
2. **Loan Modification and Refinancing:** Loan Modification will usually allow for an extension of your loan in order to lower monthly payments, or may result in lowering interest rates in order to do this.

Refinancing will actually require you to take out a loan with a new lender and get approved. This will pay off your current mortgage and extend the time you are paying off your home, but may be well worth it if you have a good credit score that will also qualify you for a lower interest rate. Remember you must do this before you get behind on your payments, as this will reflect negatively to the new lender.

3. **Short Sale:** A Short Sale happens when a bank agrees to release all claim to a property in exchange for less than what is actually owed on the home. Although this option will not allow you to keep your home, it will avoid foreclosure from tarnishing your good credit and allow you to get out from under the obligation of paying your lender for now.

This process will require prior approval from your lender, and you will need to retain the services of a real estate agent that can attest to falling home prices in the area. The agent will also be able to connect you to interested buyers in order to close the deal quickly.

4. **Deed in Lieu of Foreclosure:** This option should only be used as a last resort after attempting the first four on this list. If you choose to file for a Deed in Lieu of Foreclosure, you're basically voluntarily saying you will leave the property and release

all legal claims to it, in exchange for forgiveness of your defaulted mortgage. This will prevent foreclosure from being filed on your credit report and permanently affecting your score.