



Home » Real Estate & Investment » Foreclosure » Foreclosures » How to Fix A Foreclosure

# How to Fix A Foreclosure

By roylanders, eHow Member

## Instructions

Difficulty: Moderately Challenging

1.  (<http://i.ehow.com/images/a02/2v/bp/fix-a-foreclosure-1.1-800X800.jpg>)

Don't Panic

Begin with the proper mindset. Don't panic. Although it's an emotional situation, you must keep your wits about you, develop a game plan and execute it. Begin with the understanding that mortgage lenders do not want the property back. They are in the lending business, not the real estate business. If they foreclose on the property several negative things might happen to them:

- (a) They may have to buy the loan back from the investor pool they sold the loan to in the first place. Most lenders package loans, along with yours and sell them into the secondary market for investment (#) purposes. When they have to foreclose on a number of loans, often times they are forced to take back the loans they sold and this creates tremendous pressure and loss of profits to the lender.
  - (b) When the lender takes back the property it lessens the amount of money available to lend to other borrowers because they have to inventory the property and pay for maintenance and management fees.
  - (c) The property they take back usually has no equity left in it so they are already upside down with the property.
  - (d) Congress is putting pressure on lender foreclosures causing them to lessen their foreclosure efforts.
  - (e) Lenders are now being sued by home owners who allege the loans were bogus or fraudulent in the first place and therefore they should not be held responsible for the loan. This puts a lot of pressure on the lender to possibly renegotiate or modify the loan.
2. Gather your documents. Get your facts together before you contact the lender. Review the property loan documents and have an understanding of what your obligations were to begin with and what the lender agreed to. It's possible the lender hasn't done what it agreed to do. This is huge in negotiating and getting what you want. Make a budget and determine what you can actually pay as opposed to what you are paying. If there has been a change in your circumstances that affects your ability to pay your mortgage such as a job\_loss, divorce or medical bills, these are very important for the lender to know about.
  3. Determine whether renting or continuing to make a mortgage payment is the best route for you. You can obtain help with this decision by contacting a local housing counseling agency in your area. They can be found at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm> (<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>). Just click on your state and local link inside the website.
  4. Be sure to contact the right department when you contact your lender. The department you want to insist on talking to is the "loss mitigation" department. Do not attempt to negotiate with the "collection department". Their job is to collect and they will only be attempting to get you to pay your mortgage. Loss mitigation is where you will be able to negotiate to get your plan of action accepted.
  5. Know our options and be prepared to use them. It is not possible to go in depth with all the options available in this article. You can get more detailed information on these options by contacting the local housing counseling agency or contact the author of this article via the information provided at the end of this article. Here are several options to consider:
    - \* Modification - this option can be used to modify your present loan payments to an amount you can afford to pay. Usually the loan term is increased a few years allowing more time to repay the loan with a lower monthly payment amount.
    - \* Forbearance agreement. The lender will agree to stop payments for a few months until your financial circumstances are better. The payments that are not made during this period of time are tacked on to the back end of the mortgage loan (#).
    - \* Refinance. If you have a lot of equity in the property and have had a good payment record with the lender, the lender may refinance the property to a lower interest rate or a fixed rate for a longer time period, which could lower your monthly payment.

### Things You'll Need:

Your home loan documents

A monthly budget

Income statements

List of current debts

Pen and paper

A telephone

Some determination

Lots of patience

\* Offer a deal in lieu of foreclosure. Here you just sign the deed over to the bank and walk away. You've avoided a foreclosure being on your record. Be sure to get in writing that the bank will not seek to obtain any additional expenses or payments from you should you take this avenue.

\* Sell the property through a short sale. You can sell your property, even for less than what is owed on it through the short sale process as long as the bank agrees. If you have buyer willing to buy your property and the bank approves the sale this will avoid a foreclosure. You will not be subject to any penalty for any difference between the mortgage amount and the selling amount.

6. Have a last resort plan. If your lender is not willing to work with you there are some last resort techniques you may want to consider.

(a) File for bankruptcy. A chapter 13 bankruptcy filing stops a foreclosure immediately. It will give you time to work out a possible payment plan to save your home if that is your goal

(b) Have your loan documents reviewed by an attorney who has experience in predatory lending practices. If the loan documents reveal fraud or other inappropriate circumstances a lawsuit can be filed and injunctive relief sought to stop the foreclosure until the court makes a determination on the merits of the case.

(c) Allow the foreclosure to proceed. This is the very last choice. In some states you may be subject to what is called a deficiency judgment, which means you will have to pay the lender the difference between what it obtained from the sale of the property after foreclosure and what was actually owed on the property. Seek the advice of an attorney or local housing counselor before you take this action.

## Tips & Warnings

- If you meet certain criteria you may be able to get refinancing to avoid foreclosure through the Neighborhood Assistance Corporation of America, an 18 year old housing advocacy group that has pledged \$1 billion to refinance the loans of certain home owners at risk of losing their homes. The website is [www.naca.com](http://www.naca.com)
- Legal advice may be necessary to effectively carry out some of the steps outlined in this article and should be sought before attempting to take such steps.

0

## Comments

**passhton73 said**

on 2/2/2009 You could spend 29.95 and get an ebook that explains everything. [www.turbomodification.com](http://www.turbomodification.com) also has telephone support.

**PattyDaSilva said**

on 8/17/2008 This article has some of the worse advice for distressed homeowners that I have ever read.

Please if you are in need of advice, please seek a Certified Distressed Property Expert(C) for a consultation.

These are the ONLY two ways for a foreclosure process to end. If the borrower can catch and pay the total amount owed to the lender, even up to the sale date, the lender will stop foreclosure. No one but the lender can stop the foreclosure process, and they will do so when either the home owner pays the mortgage, bringing the loan payments up to date, or with the successful negotiation of a short sale.

Filing bankruptcy will not solve your foreclosure problem! Filing will only stop the process temporarily, the lender can ask the bankruptcy trustee for a relief, and they are VERY likely to get it, and the foreclosure proceedings will take its course. In the end, and you will still lo

**mgmt85 said**

on 2/2/2008 Very good advice. I dugg your article. Great job!!

**mgmt85 said**

on 2/2/2008 Very good advice. I dugg your article. Great job!!