

Alternatives to Foreclosure



Sellers facing delinquency and potential foreclosure action have options and alternatives. These options may not be available to every homeowner, but it is important to consider the advantages and disadvantages of each. Additionally, SSA recommends that sellers seek professional legal and tax counsel to consider the best alternative for the situation.

Repayment Plan:

A homeowner may choose to work with the lender directly to establish a repayment schedule for the delinquent amount; this usually includes making a small payment towards the delinquent amount in addition to the full mortgage payment each month over the specified period of time.

Special Forbearance Plan: This may provide a temporary reduction or suspension of payments to repay the delinquent amount; the regular mortgage payment would then be increased at a later point to make up the difference.

Mortgage Modification: A lender may allow a borrower to refinance the debt, permanently changing the terms of a borrower's loan and allowing the loan to be reinstated at a payment the borrower can afford.

HUD Partial Claim: If the loan is an FHA insured loan, the lender may be able to obtain a one time payment from the FHA-Insurance Fund to bring the mortgage loan current with payments.

Bankruptcy: Bankruptcy stops all civil proceedings against the debtor while the debtor is in bankruptcy. By law, a mortgage lender has to suspend all legal actions including a foreclosure action. While bankruptcy does stop foreclosure, it does not allow a debtor to keep a house without paying the mortgage lender.

Refinance: This option may allow a homeowner to use the equity in the home to pay the delinquent amount. Depending on the interest rate of the new loan, monthly payments might be reduced. The loan could be refinanced with the existing lender or with any lender of choice.

Sell The Home: If there is equity in the property, a homeowner may be able to sell the home and receive proceeds from the sale to cover what is due on the mortgage loan.

Short Sale: Lenders may be willing to make an agreement with the homeowner to accept less than the amount owed if the homeowner can prove a financial hardship.

Assumption: With this option, the homeowner signs the property over to another person; the third party person would then take possession of the home and take over the payments.

Deed In Lieu Of Foreclosure: This option may allow the borrower to voluntarily "give back" the property to the lender without actually going into foreclosure.



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