

## ALTERNATIVES TO FORECLOSURE

So, your house is in foreclosure... now what? Try to look at the situation unemotionally. When examining the situation from a strictly business viewpoint, you can more successfully analyze which option might best suit your needs and move you towards resolving your financial difficulty. One very important thing to remember: ***Time is of the essence***. So think seriously about your situation and consult with the appropriate professionals—attorneys, accountants, etc. It is also important to take quick action in order to allow enough time to complete the chosen process.

### Eight Options When Facing Foreclosure

1. **Do Nothing.** If a homeowner does nothing, the most likely result will be loss of the home through foreclosure auction. Loan applications generally ask if the applicant has ever been foreclosed upon. Credit reports also disclose this information for several years.
2. **Payoff/Refinance.** Pay off the entire loan amount plus any default amount and fees. This is usually accomplished through a refinance of the debt. New debt is at a normally higher interest rate and there may be a prepayment penalty because of the recent default. This option is only viable if there is equity in the home.
3. **Reinstatement.** Pay the entire default amount plus interest, attorney fees, late fees, taxes, missed payments and fees.
4. **Loan Modification.** Utilize the existing mortgage company to refinance the debt or extend the terms of the loan. This may allow the homeowner to catch up at a more affordable level. To qualify, you must prove to the lender you have fixed the problem that caused the late payment.
5. **Forbearance.** Lender arranges a repayment plan based on the homeowner's financial situation. The lender may even be able to provide a temporary payment reduction or suspension of payments. Information will be required from the lender to show that you are able to meet the new payment plan requirements.
6. **Deed in Lieu of Foreclosure.** Give the property back to the bank instead of the bank foreclosing.
7. **Bankruptcy.** This option can liquidate debt and/or allow more time. Always consult with a qualified bankruptcy attorney.
8. **Sale.** If the property has equity, the homeowner may sell the home without lender approval through a conventional home sale. In this case, the homeowner will get cash from the sale. On the other hand, a **short sale**, also known as a **short pay resolution** or **pre-foreclosure sale**, can be negotiated with your lender by a qualified Real Estate Professional. In this case, the lender agrees to accept less than the debt owed.