

Tips For Avoiding Foreclosure

By Tracey Porpora

Few homeowners actually plan to go into foreclosure, but if you've managed to fall behind on your payments for more than 90 days, this process will likely begin to unfold. However, real estate professionals say there are several steps you can take to avoid foreclosure.

“As soon as you realize you have a financial problem, you should seek assistance immediately,” said Todd Kessler, broker/owner/salesperson of Century 21 Charles Smith Agency in Sayreville and Edison. “The earlier you start the process, the greater the chance you'll be able to take one of the steps to avoid foreclosure.”

If you can't make your monthly payments, but want to avoid foreclosure, keep the lines of communication open with your mortgage lender. “Rule number one is don't avoid the phone calls. The biggest challenge I see for homeowners is that if they get behind on payments, they go into denial, and they hide,” said Tom Crivello, broker/owner of ERA Statewide Realty, which has offices in Hillsborough, Delran, Flemington and Cranford. “Many mortgage companies will recast or restructure your current mortgage situation if you have a chance to communicate that you need help. The bank really doesn't want to own a property; they don't want to foreclose. As long as the homeowner has a job, and is solid enough to recast it, the mortgage lender would rather work it out.”

If you have equity in your home, but can no longer afford the monthly payments, there are several options you can pursue. “If you have equity in your home, you can sell it, and you’re in a better position than if you didn’t have any equity,” said Kessler. However, if you owe more on your mortgage than the market value of the property, there are other options to explore. “If you took 100% financing or no money down, and the market went down, now you likely owe more than what the property is worth; that’s called being upside down,” said Crivello. “Many times the lender will accept less than what is owed, and the ‘forgiveness’ isn’t counted as income to the seller. In this case, the bank may restructure the loan at a better rate and for a better amount so the people can stay in the house.”

For many homeowners facing foreclosure, a short sale is an option that can help retain a good credit rating. “A short sale is when the bank takes less than what is owed on the mortgage to avoid foreclosure,” said Crivello. “This way the seller doesn't have the scarlet letter F for foreclosure on their chest, and it will show ‘paid in full’ on their credit record.” However, homeowners would need to prove to their mortgage lender that they qualify for a short sale. “To get a short sale, a homeowner would have to demonstrate an inability to pay their monthly expenses to show why they can’t make the mortgage payment. They also usually have to submit a hardship letter explaining why they can't make that payment,” said Kessler.