



Prepared Exclusively for:
Maine Homeowners
by Kevin Bishop

CERTIFIED DISTRESSED
PROPERTY EXPERT[®]

Options and Solutions For Homeowners in Foreclosure





Options and Solutions for Homeowners in Distress

The current US housing market and national financial crisis have caused untold stress and heartache for many American families. Foreclosure is one of the most devastating financial challenges that a family can face and one that many times can be avoided. The options for foreclosure are many, following is a brief explanation of these solutions. Now more than ever, it is important for you to understand these options to find the best solutions for you.

REINSTATEMENT

A reinstatement is the simplest solution for a foreclosure, however it is often the most difficult. The homeowner simply requests to know the total amount owed to the mortgage company to date, and then pays it. This solution does not require the lender's approval and will 'reinstate' a mortgage up to the day before the final foreclosure sale.



Does not require Mortgage Company or lender's approval.



Requires that a homeowner be able to pay all back payments, fines and fees immediately.

FORBEARANCE OR REPAYMENT PLAN

A forbearance or repayment plan involves the homeowner negotiating with the mortgage company to allow them to repay back payments over a period of time. The homeowner typically makes their current mortgage payment in addition to a portion of the back payments they owe.



Allows the homeowner to make back payments over time.



Requires that a homeowner be in a financial position to pay not only their current mortgage, but also a portion of the back payments owed. Some mortgage companies will require a homeowner to 'qualify' for forbearance.

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MORTGAGE MODIFICATION

A mortgage modification involves the reduction of one of the following: the interest rate on the loan, the principal balance of the loan, the term of the loan, or any or all of the above. This typically results in a lower payment for the homeowner and a more affordable mortgage.



Reduces the payment a homeowner is required to make on a monthly basis and may reduce the principal balance of the loan.



Requires that a homeowner 'qualify' for the new payment and will often require full documentation. Lender has to be actively pursuing modifications.

RENT THE PROPERTY

A homeowner with a mortgage payment low enough that market rent will allow it to be paid can convert the property to a rental and use the rental income to pay the mortgage.



Allows homeowner to keep property indefinitely.



The issues that can arise with a rental property are many, and rent often does not cover the full cost of property ownership and maintenance.

DEED IN LIEU OF FORECLOSURE

Also known as a 'friendly foreclosure', a deed in lieu allows the homeowner to return the property to the lender rather than go through the foreclosure process. A deed in lieu requires lender approval and requires the homeowner to vacate the property.



Many times in a successful deed in lieu the lender will forego their right to a deficiency judgment.



Requires that a homeowner vacate the property and may be reported to credit bureaus as a foreclosure.

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BANKRUPTCY

Bankruptcy has been marketed by many as a ‘foreclosure solution’, which it can be in some states and specific situations. If the homeowner has non-mortgage debts with payments causing a hardship—to the homeowner falling short of paying the mortgage payments, and personal bankruptcy will eliminate these debts - this may be a viable solution.

- ⊕ Does not require lender approval.
- ⊖ If a homeowner cannot afford their mortgage payment, a bankruptcy will only stall (not stop) the foreclosure process. Bankruptcy can be costly.

REFINANCE

If a homeowner has sufficient equity in the property and his/her credit is still in good standing, a mortgage refinance may be an option.

- ⊕ In some cases this will lower payments.
- ⊖ In today’s market, a refinance will almost always raise mortgage payments and is an expensive process.

SERVICEMEMBERS CIVIL RELIEF ACT (MILITARY PERSONNEL ONLY)

If a member of the military is experiencing financial distress due to deployment and that person can show that their debt was entered into prior to deployment they may qualify for relief under the Servicemembers Civil Relief Act. The American Bar Association has a network of attorneys that will work with Servicemembers in relation to qualifying for this relief.

- ⊕ If qualified this will lower payments on all consumer debt in addition to mortgage payments.
- ⊖ Must be active military to qualify.

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SELL THE PROPERTY

If a homeowner has sufficient equity in the property, they can list the property with a qualified agent that understands the foreclosure process in their area and sell their property.

	Allows homeowner to avoid foreclosure and harvest some of their equity.
	In many cases today homeowners do not have sufficient equity to sell their property without negotiating a short sale (see next solution).

SHORT SALE

If a homeowner owes more on their property than it is currently worth, then they can hire a qualified real estate agent to market and sell the property through the negotiation of a short sale with their lender. This typically requires the property to be listed on the market, and the homeowner must have a financial hardship to qualify. Hardship can be simply defined as a material change in the financial stability of the homeowner between the date of home purchase and the date of the short sale negotiation. Acceptable hardships include, but are not limited to: mortgage payment increase, job loss, divorce, excessive debt, forced or unplanned relocation, and others.

	Allows homeowner to avoid foreclosure and salvage some of their credit rating card. Keep a foreclosure off the public record for an individual. In many cases will allow homeowner to avoid a deficiency judgment. Borrower may qualify for another mortgage in as little as 24 months (5 years for foreclosure).
	Short sales can be trying process in which a homeowner is best served by contracting with a qualified real estate agent to guide the way.

This represents only a summary of some of the solutions available to homeowners facing foreclosure. Please call me today for a free confidential evaluation of your individual situation, property value and possible options.

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