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REALTORS

Tips to Avoid Foreclosure

Struggling to keep up with your mortgage payments or worrying about foreclosure? Here are seven simple steps that can help prevent you from losing your home.

If you've fallen behind on your mortgage payments and are concerned about the possibility of foreclosure, the time to take action is now! A few preventive steps can help save your home. Just be sure to avoid pitfalls that can make the situation worse. Here's a list of do's and don'ts to help fend off foreclosure:

1. Face up to your problem

The biggest mistake you can make is not facing up to the fact that you have mortgage problems. If you've fallen behind on your payments (or think you are going to fall behind), you need to create a plan of action to resolve the issue as soon as possible. The longer you ignore your problems, the greater the likelihood you'll end up losing your home.

Do Not Ignore Notices you Receive in the Mail

The notices you receive in the mail from your lender may offer information about foreclosure prevention options or pending legal options. The sooner you respond, the better.

2. Contact your lender

Your lender doesn't want your home. Foreclosures are expensive and it's in your lender's best interest to work out a deal. You may be able to negotiate "forbearance" (a period during which you will be allowed to delay payments). Or your lender may be willing to set up a loan modification or loan restructuring.

DON'T Pay for "Foreclosure Prevention" Services

You don't need to pay an outside company for help in preventing foreclosure. Be especially suspicious of any firm that promises aid in exchange for your signing over the title to your property. You could end up avoiding foreclosure but still losing your home. Don't sign any legal form without getting professional help.

3. Read through your mortgage documents

It's important to read through your mortgage papers to find out what will happen if you fall behind on your payments. The documentation will stipulate any potential penalty fees you could end up having to pay.

Missouri State Foreclosure Proceedings

In Missouri, foreclosure proceedings can begin after two missed payments. Check your loan documents for any provisions for foreclosure time lines.

4. Apply for refinancing

If you know that you will soon have to miss payments, ask your lender about refinancing, modifying, or extending your mortgage in order to lower your monthly payments. Also, shop around to see what refinancing offers you may be able to obtain from other lenders.

Beware of Predatory Lenders

Don't agree to any refinancing opportunities where the "lender," or their representative, comes to your house! Beware of any refinancing offers that sound too good to be true. Predatory Lenders may make you believe you are getting a fixed rate loan; then after a short time, the rate converts to an adjustable rate for a very long period of time. Switching to such a loan will make your problems worse in the long term.

5. Sell off other assets

Consider liquidating certain Assets.

If you have assets, such as a second car that you can sell for cash, consider liquidating to help reinstate your mortgage.

Get market value for Assets you Sell

Be careful not to sell assets off quickly at below-market prices before discussing mortgage options with your lender. Confirm that the proceeds from the assets will cover your needs. Otherwise, you could end up regretting your actions and still end up losing your home.

6. Request a short sale

If you're truly unable to get your mortgage back on track, ask your lender if you can be released from your loan by selling your home via a "short sale." This involves selling your home quickly before foreclosure. And, even if your home has gone down in value and the proceeds are insufficient to repay your entire debt, your lender may agree to take a loss on your mortgage in order to avoid the costs and delays of foreclosure.

Ask if there are any conditions attached to the Short Sale

Do not agree offer a Short Sale if you will still be responsible for the deficiency. In that case, you'll still end up with the financial hardship of having to make up any potential deficiency not covered from the sale of the home. Ask about a deed-in-lieu of foreclosure instead

7. Offer to sign over the deed

Ask your Lender about a Deed in Lieu of Foreclosure

Your lender may agree to accept the deed to your home in order to avoid foreclosure. This can be much faster than going through the foreclosure process. Make sure that your lender will be willing to cancel all of your outstanding debt.

Don't Allow your Home to be Sold at Public Auction

At the end of the pre-foreclosure period, your property may be put up for public auction and possibly end up selling for less than market value. If the sale doesn't provide enough to pay off your mortgage and cover the costs of foreclosure, you may still be held financially responsible for making up the difference. Check the Non-Deficiency status in foreclosure for Missouri.

Digging your way back out of debt is never easy. But asking your lender to help you to structure a repayment plan to avoid foreclosure is well worthwhile. It can mean the difference between saving or losing your home.