How To Stop A Foreclosure

Loan Modification- You can ask your lender if they would be willing to negotiate your loan terms if you can provide proof of financial hardship. Lenders may be willing to lower interest rates, extend the term of loan to lower payments. Permanent interest rate reductions appeal most to borrowers, but even a temporary rate reduction of one to three years can provide substantial help.

Repayment Plan- You can ask your lender if they will allow you to make higher payments until you are caught up on your mortgage.

Loan Reinstatement- Imagine you missed two or three monthly payments. With a reinstatement, or what is also known as a “temporary indulgence,” you bring your loan current, pay late fees and other costs, and the loan continues as before.

FHA Loan- If you financed with a loan guaranteed by the Federal Housing Administration, call 1-800-569-4287 or 1-800-877-8339 (TDD) to reach a HUD-approved housing counseling agency for assistance and advice.

Forbearance- This is a temporary change in mortgage terms, such as the right to skip a payment or make smaller payments for a year or less.

Private mortgage insurers- Mortgage insurance companies typically require lenders to begin foreclosure proceedings once a delinquency reaches 150 days or when a sixth missed payment is due. However, such requirements may be waived in areas impacted by natural disasters and for other reasons.

Claim advance- If you bought with less than 20 percent down then either the loan is self-insured by the lender or you have private mortgage insurance (PMI). In some cases PMI companies will provide a cash advance to bring the loan current — money which is sometimes interest free and need not be repaid for several years.

Disasters- Most lenders, but not all, will provide substantial relief in the face of hurricanes, earthquakes and other terrible events. Typical measures include a suspension of late fees, no late payment reports to credit bureaus, a pause in foreclosure actions and modified payment schedules. To get such benefits you must contact the lender as soon as possible after the disaster.

Re-amortization- In this case your missed payment is added to the loan balance. This brings your account current. However, says Saccacio, “since your debt has increased, future monthly payments may be larger unless the lender agrees to lengthen the loan term.”

Deed in Lieu- The deed-in-lieu would allow you to sign over legal ownership to your home for the lender’s agreement not to foreclose.

Short sale- An arrangement where the lender accepts less than the mortgage debt in satisfaction for the entire loan amount. Also called a “compromise agreement” with VA loans. Be cautious: Saccacio says in some instances money not repaid may be regarded as taxable income. Also, lenders in some cases may sue to recover any shortfall.

Bankruptcy- When all other options are exhausted many homeowners consider bankruptcy as a last resort to save their home. Unfortunately, in most cases bankruptcy only delays the inevitable; in the worst case it can actually speedup the process.

Refinance- Refinancing allows you to make lower payments on your current mortgage, but is must done quickly.

Sell The Property- If it has come to the point where you know you cannot pay and you don't want to take a bankruptcy on your credit report, sell your property. This way you will end up with some cash and little to no credit damage.