

Title:

How The Foreclosure Process Works

Word Count:

590

Summary:

I don't know about the rest of the world, but there have been times in my life when I have felt as though I was one paycheck away from serious financial peril. Too bad Superman doesn't come to the rescue for matters such as this. One of my greatest fears has been losing a home because I lost my job or had an injured child (or injured self) that required me not to work for an extended period of time that exceeded my savings, or any of nearly a thousand reasons. The recent movi...

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Article Body:

I don't know about the rest of the world, but there have been times in my life when I have felt as though I was one paycheck away from serious financial peril. Too bad Superman doesn't come to the rescue for matters such as this. One of my greatest fears has been losing a home because I lost my job or had an injured child (or injured self) that required me not to work for an extended period of time that exceeded my savings, or any of nearly a thousand reasons. The recent movie "Fun With Dick and Jane" struck a chord of sheer terror in my heart because bad things sometimes happen to good people. Good people have their lives ruined through circumstances that are completely and totally beyond their control.

With a foreclosure, there really isn't a bad guy. There is no mad banker waiting greedily in the wings to throw your family out on the street. The truth is most of these people have a great amount of compassion and come across as harsh because the decision to foreclose generally isn't up to them. Besides we signed on the dotted line when we decided to purchase a home. A home is, for most people, the single largest investment we make in our lives. The process of foreclosure can be frightening if you are armed with knowledge; it is absolutely terrifying if you are uninformed throughout the process.

Here are some things you should know about the foreclosure process.

1) First of all, a home does not go into foreclosure until you have become 3

months behind on your payments. Of course the goal is to never get behind at all, but we all know that stuff sometimes happens and some things are beyond our control. This means you do not have to exist in constant worry that if you are a few days late on your mortgage payment for a couple of months that the sky will fall. This is unlikely to be the case unless you are seriously behind. Be proactive and don't let yourself get that far behind, or start working with the bank beforehand if you know it's inevitable.

2) Once you are three months behind you will either go into what is called judicial foreclosure or non-judicial foreclosure. In a judicial foreclosure, a lawsuit is issued to the homeowner who can elect whether or not to respond. If the owner doesn't respond the home is auctioned off to the highest bidder unless the bid doesn't exceed the total amount owed on the home. In a non-judicial foreclosure the lending institution would issue a statement of default and notify the owner of its intent to sell the home. The owner at this time can possibly work to arrange an agreement and payment plan that is acceptable to the financial institution, or file a chapter 13 bankruptcy in order to stop the foreclosure. If this does not happen then the property will be sold.

3) Here is where it gets tricky. If the sale of the home doesn't result in a sum of money that is at least equal to the amount owed on the home, the original homeowner is responsible for the difference. Failure to pay the difference can be just as detrimental to your credit as the foreclosure itself.

The process of foreclosure is not fun; it is not meant to be. Don't overextend yourself credit wise. Buy a house you know you can afford and live below your means.