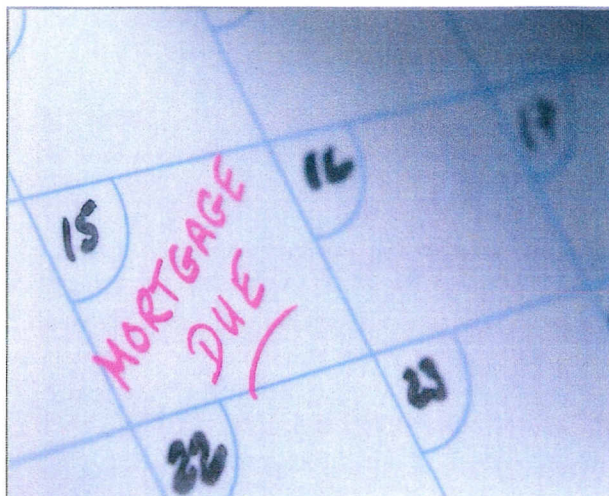


HOW TO AVOID FORECLOSURE



A PROACTIVE APPROACH
IS THE BEST APPROACH



Foreclosure on your home is a devastating experience, both emotionally and financially, and should be avoided at all costs. Lenders are in the business of making loans, not owning homes, so most will work with you to reach an arrangement that meets everyone's best interests.

PAY YOUR MORTGAGE FIRST

Making late payments on your credit cards may damage your credit and elicit phone calls from collection agencies, but defaulting on your mortgage will lead to loss of the roof over your family's head. So if you've run into financial trouble, make paying the mortgage your number one priority.

BE HONEST, FORTHRIGHT & PROACTIVE

If it is truly not financially possible to make your mortgage payment at the scheduled time, and it must be late, swallow your pride and contact your lender – and the sooner, the better.

When you do speak with your lender, be prepared to be forthright and honest. You will need to explain why you are unable to make the payments, provide all the details and documentation of your current income, and have a list of any other expenses you have. Granted, it may be a fair amount of work to prepare all of this, but ultimately it could save your home from foreclosure.

DON'T IGNORE THE SITUATION

If you've already been late on your payments, and your lender has begun calling, don't ignore the situation. You must own it and take control of it in order to improve upon it. Ignoring your lender will just lead to foreclosure. Speaking to your lender will most likely lead to workable options such as these:

- Have you been unemployed for a period of time but have recently found a new job and can make a large lump payment by a certain date? This type of agreement is known as a reinstatement.
- Another option is forbearance. This is similar to reinstatement. Payments can be delayed if you can work out a lump sum payment, bringing the account up to date, in the near future.
- If you are behind on a couple of payments but have enough to start making payments now, ask your lender if you can carry on with the required payments while adding a little extra each month until you're brought completely up to date.
- Your lender might agree to modify your mortgage if you can start making payments immediately but are unable to make up for the missed payments at this time. The missed payments could possibly be amortized into the loan.
- If you are unable to continue making payments at the current required amount, discuss the possibility of lowering the required amount with your lender. You may be able to drop Private Mortgage Insurance (PMI) payments for instance if the value on your home has increased.
- It may make sense to refinance your loan, either to remove some equity from you home or lower your interest rate. Check with your mortgage professional to see if this option makes sense.

ANOTHER OPTION

If you think it might be best for you to get rid of your home altogether, ask your lender if they will put the loan in foreclosure until you can sell the house. You may be able to get a "Deed in Lieu of Foreclosure" where you "give back" the home instead of having it foreclosed on. It does affect your credit record, but it's definitely not as bad as having a foreclosure listed. Give your REALTOR® a call to determine the amount you can hope to receive for your home, given market conditions.

FOR FHA AND HUD LOANS

If you have an FHA loan and you are at least four months behind but no more than a year behind, and have started to make payments again, you may be eligible for a one time payment via the FHA Insurance Fund. Be aware that HUD will then place a lien on your property for the payment amount and when you finally pay off the loan or sell the property it must be paid at that time.

For FHA and HUD loans remember that you can contact one of the approved counseling agencies to discuss the situation. They may also be able to help negotiate a solution with your lender.



FORECLOSURE LAWS IN YOUR STATE

For specific information regarding foreclosure laws in your state look at this website:
<http://www.uslossmitigation.com/states/index.html>.

CREDIT COUNSELING

If you're having consistent problems making your mortgage payments as well as keeping up with your other debt, you may want to consult with a non-profit credit counseling agency. They can assist you with getting organized, budgeting and other financial matters that can help give you a leg up. You may also want to try www.debtadvice.org.

PRIVATE INVESTORS

While there are most certainly legitimate investors who want to help out individuals who are in trouble with their mortgage payments, there are also scam artists who prey on desperate homeowners. Beware of any deals that sound too good to be true and consult your mortgage professional before accepting any offer.

IF ALL ELSE FAILS

Selling your home and downsizing into a smaller home, or renting for a while, may make the most sense of all. Have your REALTOR® prepare comps to determine a fair asking price. Then be honest with him or her about your situation so they can help you price the home to sell in the time frame you require.

A foreclosure is ultimately, not the end of the world, and seasoned professionals can help guide you to the best possible solution for your situation.

