

Your Options to Foreclosure

If you are working with your lender to keep your home there are several options:

- **Reinstatement:** Your lender may agree to let you pay the total amount you are behind, in a lump sum payment and by a specific date. This is often combined with forbearance when you can show that funds from a bonus, tax refund, or other source will become available at a specific time in the future. Be aware that there may be late fees and other costs associated with a reinstatement plan.
- **Forbearance:** Your lender may offer a temporary reduction or suspension of your mortgage payments while you get back on your feet. Forbearance is often combined with a reinstatement or a repayment plan to pay off the missed or reduced mortgage payments.
- **Repayment Plan:** This is an agreement that gives you a fixed amount of time to repay the amount you are behind by combining a portion of what is past due with your regular monthly payment. At the end of the repayment period you have gradually paid back the amount of your mortgage that was delinquent.
- **Loan modification:** This is a written agreement between you and your mortgage company that permanently changes one or more of the original terms of your note to make the payments more affordable.

If you and your lender agree that you cannot keep your home, there are a number of liquidation terms you should understand:

- **Short Payoff:** If you can sell your house but the sale proceeds are less than the total amount you owe on your mortgage, your mortgage company may agree to a short payoff and write off the portion of your mortgage that exceeds the net proceeds from the sale.
- **Deed-in-lieu of foreclosure:** A deed-in-lieu of foreclosure is a cancellation of your mortgage if you voluntarily transfer title of your property to your mortgage company. Usually you must try to sell your home for its fair market value for at least 90 days before a mortgage company will consider this option. A deed-in-lieu of foreclosure may not be an option if there are other liens on the property, such as second mortgages, judgments from creditors, or tax liens.
- **Assumption:** An assumption permits a qualified buyer to take over your mortgage debt and make the mortgage payments, even if the mortgage is non-assumable. As a result, you may be able to sell your property and avoid foreclosure.

While refinancing is not necessarily a good option when facing foreclosure and can sometimes even become a predatory practice, there are instances where it may help. Talk to your lender to see if refinancing is an option for you.