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ALTERNATIVES TO FORECLOSURE

Due to the current economic crisis, many Americans are finding it difficult to pay their mortgages leading to a significant rise in the number of foreclosures. Between February 13, 2010 and May 31, 2010, lenders issued foreclosure notices to approximately 60,000 homeowners in New York State. Suffolk and Nassau counties have the highest mortgage default rates in New York with Westchester and Bronx counties coming in seventh and tenth respectively.

If you anticipate falling behind in your mortgage payments or are already behind you still have options to avoid foreclosure. Some of the options that may be available to you are as follows:

Repayment Plan – lender agrees to accept full mortgage payment plus an extra amount each month to repay the delinquent amount over a specified period of time.

Special Forbearance – repayment plan whereby your lender agrees to reduce or suspend your mortgage payments for a period of time. At the end of the forbearance period, regular payment will resume with missed payments added on.

Loan Modification – lender allows you to refinance your mortgage, extend the term, or lower the interest rate resulting in a reduction in the amount of your monthly payments.

FHA/HUD Partial Claim – if your loan is an FHA insured loan, your lender may be able to obtain a one time payment from the FHU-Insurance Fund to bring your loan current.

Short Sale – lender allows a borrower to sell the property for less than the outstanding loan amount. The sale must be an arms-length transaction, which means the buyer and seller cannot be related or in any way affiliated with each other. Further, the seller cannot receive any proceeds from the sale – the seller's lender receives all of the proceeds from the sale minus any closing costs incurred by the seller. In some situations the lender will make it a condition of short sale approval that the homeowner sign a promissory note to make up all or part of the difference between the proceeds from the short sale and the actual amount owed on the mortgage.

Deed in Lieu of Foreclosure – the borrower voluntarily transfers ownership of the property to the lender. This will not save your home, but it will not damage your credit as much as a foreclosure. This is a last resort if all of the other alternatives do not work.

Since dealing with a lender can be difficult and time-consuming it is important to contact your lender as soon as you become aware that you will not be able to meet your mortgage payments. Ultimately your lender will determine if you qualify for any of the above alternatives. Our firm can assist you in communicating with your lender about your situation and the options available to you. Further, because it is generally not possible to resolve your default before a lender commences a foreclosure proceeding, it is imperative that you consult a legal professional who can adequately advise you of your options and assist you in stalling or preventing a foreclosure sale.

James G. Dibbini & Associates, P.C. has over 17 years of experience in the real estate and civil litigation fields and can assist you through these financially difficult times. Please contact us today if you are in default of your loan and anticipate or have been served with paperwork from your lender regarding possible foreclosure.

Please see prior newsletters regarding the importance of responding to foreclosure notices and outlining a general foreclosure timeline.

NEWSLETTER

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