Pre-Foreclosure Options

Behind on payments? The most common ways to avoid or alleviate foreclosure.

Hey there! It's the Moral Home Experts family here sharing the most common options used to help avoid or alleviate foreclosures. We truly hope this information helps you out! Feel free to use us as a contact if you need any additional assistance or information. Sending blessings!

Quick takeaways

- ✓ Act early — more options exist the further you are from the auction date.
- ✓ Talk to your lender about forbearance or a loan modification first.
- ✓ Bankruptcy or a TRO can buy time, but need an attorney lined up.
- ✓ Selling (cash, subject-to, short sale, or MLS) can protect your credit and equity.

1. Bankruptcy

The best way to temporarily stop a foreclosure (up to) the day before an auction — and when a homeowner has unsustainable debt beyond the home mortgage — may be to declare bankruptcy. Bankruptcy is another common strategy to avoid foreclosure (temporarily).

2. Loan Modification

You may be able to refinance the debt and/or extend the term of your mortgage loan. This may help you catch up by reducing the monthly payments to a more affordable level. You may qualify if you have recovered from a financial problem and can afford the new payment amount.

3. Reverse Mortgage

If you are over 62 years of age, you may be able to convert part of the equity in your home into cash. It's easier when you are not behind on payments.

4. Special Forbearance

Your lender may be able to arrange a repayment plan based on your financial situation and may even provide for a temporary reduction or suspension of your payments. You may qualify if you have recently experienced a reduction in income or an increase in living expenses. You must furnish information to your lender to show that you would be able to meet the requirements of the new payment plan.

5. Short Sale

A short sale takes place when a financially distressed homeowner sells their property for less than the amount due on the mortgage. The buyer is a third party (not the bank), and all proceeds go to the lender. The lender can forgive the remaining balance or go after the homeowner through a deficiency judgment, requiring them to pay all or part of the difference.

6. TRO (Temporary Restraining Order)

A TRO is a legal order filed by an attorney on behalf of a homeowner against their lender. In most cases it results in a brief delay (30 days, give or take) of a foreclosure auction — which may provide enough time to sell the home using other strategies or catch up the payments. TROs are a legal specialty; you must have an attorney with this specialty lined up in advance.

7. Have Someone Take Over Your Loan (Subject-To)

A subject-to deal is when you sell a property with an existing mortgage. The buyer takes over the property, but the seller retains the mortgage. The buyer pays the arrears and then begins making the mortgage payments. For sellers, subject-to is a good way to quickly resolve a property if you need immediate debt relief or are facing foreclosure.

8. Sell to a Cash Investor

An investor provides a cash offer that ideally pays off the balance due on the mortgage. This lets the seller completely avoid the foreclosure auction and prevent negative credit impact, in exchange for the property deed and typically additional funds to help with moving forward.

9. Sell on the MLS

List your home with a Realtor/listing agent who will help facilitate the sale. Buyer types may vary — investors, future homeowners, companies, etc.

Each of these options comes with its fair share of pros and cons and will vary in effectiveness depending on each individual's foreclosure situation. Reach out to our team with any questions or concerns.

Watch the video breakdown: youtube.com/watch?v=uVrm2FI1wuw

Questions? Talk to us — free, no-obligation consultation. Call (000) 000-0000 or email moralhomeexperts@gmail.com.

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