# What to do when facing foreclosure

The unimaginable has happened. For any of various reasons -- including job loss, health issues, death, disability, divorce or some other unexpected crisis -- you just cannot make the mortgage payment. What should you do?

The answer may surprise you. According to the experts, the first thing you should do is call the lender to let them know what the problem is and what you can or can't do to correct it. Most foreclosure victims never make that call. And the result of wishing the problem away is a foregone conclusion in the real world. You will lose your home.

Think about it. Typically, the lenders do not want your home. They want your house payments. Foreclosure proceedings are court actions involving lawyers' fees. They cost lenders a lot of money (as much as $40,000 for one proceeding), so often it is in everyone's interest to agree on new terms that modify the current mortgage.

However, nothing starts without your phone call. It can be discouraging. You may be placed on hold for up to an hour. Some mortgage companies immediately turn your account over to a collection agency, which may not want to work out new terms if they get paid only to collect your money.

If possible, try to circumvent the collection agency and go right to the mortgage company's "Loss Mitigation" department (it may be called the "Foreclosure Prevention" department) if the mortgage terms become unmanageable. Ask them to send a "work-out" packet to update your financial information, including income, expenses and other debts. If you qualify, several options may be made available:

**Forbearance Agreement**. This is a written repayment plan based on your current financial status. You make your regular payment, plus part of the amount you owe, until you catch up. Some lenders will suspend payments for a month or two.

**Mortgage Modification**. The lender may extend the timing on the mortgage loan out over a new 30-year period and/or reduce your monthly payment.

**Partial Claim**. If you have an FHA loan, HUD may consider lending you the money to catch up on what you owe by means of an interest-free loan that you will pay back when you sell the property or pay off your first mortgage.

**Pre-Foreclosure Sale**. You may be permitted to sell the property for less than the mortgage balance. This will damage your credit less than an actual foreclosure.

**Deed-In-Lieu of Foreclosure**. As a last resort, it may be best for you to give the house back to the lender. This is better for your credit than an actual foreclosure.

People considering a home purchase should try to educate themselves. After all, owning a home is one of the largest investments and biggest responsibilities most of us will take on in our lifetimes. In addition to being able to afford the monthly cost of buying a home, one must be able to afford the property taxes, insurance, and maintenance costs that are necessary to keep up the property.

Buyers should be especially careful to understand what the property tax amounts will be. For brand-new houses, the taxes will jump considerably once your new home is finished and you move in.

Above all, think for yourself. Don't be talked into buying more home than you are sure you will be able to afford.