

Help! I Am Behind on My Mortgage Payments

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What are my options?

As the fall-out from the credit crunch and tightening job market continues to impact our daily lives, many of us are facing very difficult questions. Unfortunately, tighter economic times usually create more stress on our personal lives. A sudden change in earnings can drastically weigh on our mind and cause added strain and stress to a relationship often times leading to separation or divorce.

1. What are my options if I can no longer afford my home?
2. How does the loss of my job or my spouse's income impact my situation with the bank?
3. What does it mean to "turn in my keys", or do a "short sale", or face "foreclosure"?
4. How does this impact my credit and ability to purchase in the future?

The good news is there are definitely options available to you relating to getting out from underneath your home and moving on to a fresh start.

The difficulty many times lies in the fancy terms and lingo that is used throughout the process. Let us start by simply defining some common terms associated with the process of selling your home under financial and personal stress.

- Short Sale - The home is sold for less than what is owed to the note holder (bank, investor, etc) and the seller cannot make up the difference.
- Deed in Lieu of Foreclosure - The note holder takes the deed (the legal title to the property) back. Meaning the note holder becomes the owner of the property without going through the process of a public auction.
- Foreclosure - The process in which the note holder purchases the property at a public auction (usually the sheriff sale) and the owner abandons the property.

It is important to understand that each of these avenues has its own set of positives and negatives. As with any major decision in life, the more you can educate yourself, the easier it is to make a sound decision.

Generally speaking, a short sale will have the least amount of impact on your credit. Thus, it is possible to get into a position of financial stability and purchasing power more quickly. However, you'll be a part of the sales process, which lengthens the time that you'll be dealing with the home, the strain, and the stress. You could be asked to sign an "IOU" for the remaining unpaid balance or perhaps be asked to pay taxes on the unpaid balance. You can plan having to document your financial hardship both with a written explanation and completion of your finances.

Deed in Lieu of Foreclosure means you give up the ownership to the property. You might hear this termed as "Deed for Keys". Since you are "giving up" your deed, you are sparing the note holder the cost and timely process of foreclosure. Your credit will be impacted more severely than a short sale, but not as much as a foreclosure. There are no cut and dry rules on this type of program. It is imperative to speak with the bank to discuss this option. Not all note holders are willing to offer this choice. If they do not consider this as an option, then simply "giving up" your deed might be interpreted the same as a foreclosure or abandonment of property. If it is an option, this avenue can be a little quicker than the short

sale. You won't be a part of sales process, once the deed is transferred and any future obligations are negotiated, you'll be finished.

Foreclosure has the greatest impact on your credit and ability to purchase in the future. Here, the note holder goes through the entire process of foreclosing on your home. While it differs from state to state, generally speaking the process could take 6-12 months from beginning to end. You'll receive notices in the mail making you aware that the process has started. Eventually a date will be set for an auction of your home, where the bank will try and purchase the home back for what is owed. If you are still living in the home once the bank has purchased it back, the Sheriff will come to remove you and your possessions.

Generally speaking, you will find these three options (or slight versions of them) available to you, should you find yourself in a position where you can no longer afford and can not simply sell it on your own terms. It is recommended that you maintain open communication with the note holder and you work with a real estate agent with experience in these situations. For more information, please contact the author.

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