

Avoiding the National Foreclosure Crisis¹

By: Allison Fridy Arbuckle

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There are alternatives to foreclosure proceedings. Prevention requires action. Be aware of your financial situation, ignoring the problem will only make it worse. Waiting to ask for help may result in the loss of your home. If you are unable to make a mortgage payment or have missed a mortgage payment call your lender to discuss your options, you may qualify for a loan workout. Being proactive allows the lender to propose options to assist your particular financial circumstances. Lenders do not want your home. It is advantageous for the lender to find a solution with you – the lender does not want to pay enormous foreclosure fees any more than you want to lose your home.

Call the Lender

Communication may be the key to saving your home. Contact your lender or loan service provider at the first sign of a problem, if possible, before the first mortgage payment is missed. If a payment is missed a notice from the lender will follow. Notices from the lender often contain valuable information, it is important to open and respond to all mail from your lender. Lenders are more likely to facilitate foreclosure prevention options for homeowners that demonstrate the need for help.

Talk to the Workout or Loss Mitigation Department

The workout or loss mitigation department specializes in assisting customers with foreclosure prevention options. Keep notes of each conversation with the lender, including the day, time and name of the employee you spoke with. Ask for an explanation of the lender's workout approval process – often additional financial documentation is reviewed by the lender before a proposal is made. Request all offers and agreements in writing and confirm the timeframe to respond.

Explain the Particular Financial Situation

Being honest with the lender is critical. Full disclosure of your hardship circumstances allows the lender to assess if a workout option is available. It is important to explain the nature of your

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financial problem and the length of time your extenuating circumstances will last. Make sure the lender understands your particular goals.

Reduce Expenses

Exercise belt tightening on your monthly budget. Now is the time to review your finances and prioritize spending. Know where your money is going. Make a list of all monthly expenses and compare to monthly income. Eliminate all non-priority expenses and stick to the budget to prevent foreclosure.

Beware of Foreclosure Scams

Avoid companies offering foreclosure assistance for a fee without exhaustive research. Often, such companies may only take your money that should have gone to the mortgage payment for little or no results. You are your best advocate.

Your best chance to avoid foreclosure and save your home is asking for help from the lender as soon as possible. In light of our current economic times lenders or mortgage service providers are streamlining the administrative process to help homeowners in need of workout options get the help they need as quickly and effectively as possible to avoid foreclosure.

For more information about this topic or any other debt restructuring opportunity, please contact Allison Fridy Arbuckle (aarbuckle@dlgfirm.com) or one of our other Insolvency attorneys.

Below are helpful links that may assist you during your financial situation:

- [U.S. Department of Housing and Urban Development \(HUD\)](#)
- [Freddie Mac](#) – Avoiding Foreclosure
- [Fannie Mae](#) – Act Now to Avoid Foreclosure
- [Protect My Kentucky Home](#)
- [Hope Now](#)
- [Fannie Mae Provides New Servicer Flexibility to Help Borrowers Avoid Foreclosure](#)