



Foreclosure Myths Debunked



When millions of foreclosures suddenly flooded the market at the onset of the housing crash, home owners knew little to nothing about holding onto their homes or how to recover if they got the boot.

Misinformation and fraud compounded the effects of slow regulatory action and lackadaisical response from the lending industry.

Uncharted waters were submerged in rumors, speculation, conjecture and ignorance.

Years later, foreclosure myths endure.

Freddie Mac, one of the nation's largest home loan investors, initially charged with expanding opportunities for home ownership and now focused on the liquidity needs of the mortgage market, is also about myth busting.

To set the record straight on foreclosures, it offers "*Top Foreclosure Myths*" and the truth behind those false beliefs.

To wit:

- **Myth: You should stop paying your mortgage so you can leverage assistance with your mortgage payments.**

The approach, called a "strategic default," can become a tactical trap.

It isn't necessary to default on your mortgage payments in order to qualify for help.

If you are struggling to stay current on your mortgage, you may be eligible for a loan modification or other assistance program.

You signed a contract that binds you to making regular mortgage payments. If you

don't make your payments, you will be exposed to foreclosure, subsequent black marks on your credit report and years of financial recovery.

If you can financially afford to make your mortgage payments, even if you've been declined a mortgage modification, short sale or other work out, do so to maintain your credit standing.

If you need help, contact your lender, contact a U.S. Department of Housing and Urban Development (HUD)-approved counselor online or call the Homeowner's HOPE Hotline at 888-995-HOPE (4673).

- **Myth: After a foreclosure, you'll never get another mortgage.**

Well, perhaps you borrowed more than you could afford or your ability to pay for what you thought you could afford went away. You may not qualify for a home for as long as seven years, but that's not "never."

Work to create a spending and savings plan that will rebuild your credit. Get approved counseling that will reveal your effort to recover.

- **Myth: Workout options are over once you get a foreclosure notice.**

Lenders would prefer that you keep your mortgage and continue to make payments because they lose money when they foreclose on you. Even if foreclosure proceedings have begun, it's not too late to be considered for a workout or other alternative.

- **Myth: You need to leave your home as soon as you're notified that your property is in foreclosure.**

A notice of foreclosure is the first step in the foreclosure process. There are procedural and legal guidelines and applicable state and federal laws that servicers and lenders must follow in every foreclosure. Foreclosures take months to complete.

- **Myth: If you're late on your monthly payments, you'll lose your house.**

You will if you stick your head in the sand. If you have a financial hardship and fall behind, it's possible to keep your house and get back on track if you tell someone who is able to help. Contact your lender to discuss your options that include forbearance, loan modification, reinstatement, repayment plans, even a short sale.

- **Myth: All the offers for help are probably all scams.**

Scam artists do often target homeowners who are struggling to meet their

mortgage commitment or who are anxious to sell their home.

Deal with your lender first, rather than an outside party. If you do deal with an outside firm avoid those that ask for a fee in advance to work with your lender to modify, refinance, or reinstate your mortgage. Ignore guarantees from outside firms that claim they can stop a foreclosure or modify your loan.

Legitimate offers will have specific information identifying your current mortgage, including the loan number of your mortgage. Shy from offers that come from a company other than your current lender or an authorized agent of your lender.

- **Myth: Give up if your lender is not responding to your inquiries.**

Never give up. Lenders are deluged. It make take longer than you'd like to reach your lender, which is why you should contact your lender at the first sign of trouble. The process of obtaining a loan modification or other foreclosure alternative may require diligence in the form of multiple calls and multiple submissions of documents between you and your lender. The process isn't perfect, the procedures continue to change.

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