

# Foreclosure Recovery



## What is Foreclosure?

Foreclosure is the process of losing possession of a mortgaged property as a result of failure to keep up mortgage payments.

## How Can Foreclosure Affect Credit?

The impact of foreclosure on an individual's credit score depends on a number of factors, including:

- The length of time mortgage payments has been delinquent;
- If there was an ongoing delinquency on the mortgage or other credit obligations;
- If a homeowner is current on all other debts at the time of foreclosure, and still has the ability to cover debt payments, his/her credit score will be more negatively impacted, but the homeowner should have an easier time rebuilding his/her credit; and/or
- If the homeowner has been delinquent with his/her mortgage for some time, and is behind on other lines of credit as well, the impact of the foreclosure on his/her credit score may not be as severe but he/she will probably be facing a longer road to recovering his/her credit.

## What to do after Foreclosure

- Home foreclosure can leave you and your family without a place to live, so it is important to secure a rental home before your house gets foreclosed.
  - This ensures that you have a place to live before owning a home again.
- Seek assistance from non-profit that deals with foreclosure and housing
  - The Department of Housing and Urban Development (HUD) is a good place to begin searching. Counselors at HUD can assist in locating and securing affordable housing through non-profit city and county departments.
- As soon as homeowners default on mortgage, other creditors assume that they will probably not be able to make credit card payments as well, therefore the "default" rate applies and their interest skyrockets
  - Rebuilding credit through credit counselors will help to get homeowners back on track as well as being able to manage their everyday expenses.
  - **It is important to begin rebuilding credit quickly.**
- Organizations such as the Urban League, United Way, Goodwill, and the American Red Cross can help with health, education, financial, and homeownership resources

## Moving On

Losing a home can be traumatizing, so it is of the utmost importance to remain hopeful and not to lose confidence in your decisions which will encourage your family to remain hopeful and confident as well.

## Restoring your Finances

Locating Housing	How to Restore Your Finances
<p>It can be really difficult to purchase another house right after foreclosure, so securing a place to live is a top priority. Because the foreclosure process can take time, it allows for time to looking for a new place to live for the time being.</p> <p><b>Resources for Locating New Housing</b> There are several resources available to assist homeowners in locating and securing new housing for themselves and their families, including:</p> <p><u>Rent.Com</u>: An online apartment search tool with detailed rental listings nationwide.</p> <p><u>HUD Approved Housing Counselors</u>: Counselors who can assist in identifying local affordable housing options through a nonprofit housing developer or the city/county housing department.</p> <p>It is important to note that a foreclosure will definitely show up in the form of a blemish and will have an adverse affect on the homeowner's credit report. To avoid a misunderstanding, it is a good idea to explain the recent foreclosure on the rental application.</p> <p><b>Avoiding Rental Scams</b> Properties sometimes are fraudulent Some properties that are facing foreclosure are advertised as rentals and should be avoided. It is important to verify that the person renting is legally qualified to do so by visiting <a href="http://www.rentalforeclosure.com">www.rentalforeclosure.com</a>.<sup>1</sup></p>	<p><b>Credit Counseling</b></p> <ul style="list-style-type: none"><li>• Credit counseling is a service that can help you find solutions to your financial challenges and provide you with the planning and budgeting tools to help you reach your financial goals.</li><li>• Pros:<ul style="list-style-type: none"><li>○ Credit counseling agency is able to negotiate lower interest rates and fee waivers</li></ul></li><li>• Cons:<ul style="list-style-type: none"><li>○ The consumer typically <b>pays a high price</b> for this service that will also significantly impact their credit.</li></ul></li></ul> <p><b>Debt Counseling</b></p> <ul style="list-style-type: none"><li>• Debt management agencies provide financial education, personalized budget and a debt management action plan where you and your creditors to make a set monthly payment. The debt management company will work with the creditors and manage the payments on your behalf.</li><li>• Pros:<ul style="list-style-type: none"><li>○ Making one regular monthly payment, while interest on your credit lines may be suspended and once completed all your unsecured debts will be cleared.</li></ul></li><li>• Cons:<ul style="list-style-type: none"><li>○ Your debts must be repaid in full or they will not be cleared creditors might not agree to your plan. Also, you are paying the Debt Counseling Agency to complete all these steps for you, instead if directly paying off debts yourself</li></ul></li></ul>

