

AVOIDING FORECLOSURE, KEEPING YOUR HOME

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Few things in life are worse than the prospect of losing your home to foreclosure. Foreclosure occurs when you fall behind on payments for your dwelling, and the lender moves to reclaim and sell the property in order to get its money back. If this happens, you will be forced to leave, and you will lose your equity in the property. Your credit score will be hurt, making it more difficult to finance other big purchases in the future. You may still even owe money to the lender, if the sale price of the property does not settle your debt. Foreclosure rates in the United States have soared in the past few years. Do not let it happen to you! Fortunately, foreclosure can be easily avoided with a little knowledge and advance planning.

The first step in avoiding foreclosure is to plan carefully when considering the financing and purchase of property. How much can you afford to pay each month? Generally, total housing expenses should consume no more than 30% of your gross monthly income. A more expensive mortgage increases the risk of missed payments. Think about possible changes in your future income when you make this evaluation. Do you anticipate any changes in your employment or pay during the term of the mortgage? The next step is to pay your bills in a timely fashion and respond immediately to any correspondence from the lender. Foreclosure proceedings become increasingly difficult to prevent and fight as time passes after the first missed payment. As soon as you know you will miss a payment or receive notice of default, contact your lender and seek help from one of the foreclosure assistance organizations listed at the end of this article. Do not wait! Your lender will lose \$50,000 or more if you foreclose, so it may be flexible in negotiating a new payment arrangement. Additionally, you may be able to settle your current mortgage by refinancing with a longer term or at a better rate, but this takes time to arrange. The earlier you contact your lender and seek help, the more likely you are to achieve a positive outcome.

One missed mortgage payment initiates the chain of events that can eventually lead to foreclosure. However, there are still many things that can be done to shut down the process and keep your home. First, many (but not all) mortgage agreements require that your lender notify you of default and right to remedy before initiating foreclosure proceedings. Right to remedy means that even after default, you can resume good standing and prevent foreclosure by paying all past due amounts, which will likely include some penalties and fees. In the state of Maryland, your lender must wait at least 90 days after the default before it can file the foreclosure action. It must also send you a letter stating its intent to foreclose, at least 45 days before it initiates the action. Once this time has passed, the lender can initiate a foreclosure action in the circuit court. You will then receive notice of the foreclosure action, either by delivery to your residence or through the mail. 45 days after this notice is given, the lender is free to sell your home to settle the debt. During this time, it must publish notice of the time, place, and terms of the sale in an established newspaper. You retain the right to remedy until one business day prior to the sale. Once the sale occurs, the new owner of the property may petition

the court to have you evicted. Hence, at a minimum you have 135 days after default to meet your obligations and keep your home. Your outstanding balance will be aggravated by fees and penalties as this time passes, so it is important to act quickly. These events and deadlines may be different in states other than Maryland, so be sure to check local statutes if your property is located elsewhere.

If you (1) are a servicemember or the dependent of a servicemember, and (2) entered into a mortgage agreement prior to the start of active duty military service, you may be entitled to additional protections from foreclosure under the federal Servicemembers Civil Relief Act (SCRA). If these conditions apply to you, be sure to speak with an attorney or one of the organizations listed below about the SCRA. Potential benefits include an interest rate reduction to 6%, and a shield against foreclosure in the absence of an order from the court.

After notice of foreclosure is published in the newspaper, you may be approached by individuals or services about saving your home. These offers are frequently scams and will make the situation even worse for you. Consult with an attorney or one of the resources listed below before agreeing to any such assistance.

As always, the Fort Meade Legal Assistance Division is here to assist you with foreclosure and other consumer issues. If you are concerned about your mortgage payment arrangement, or have any additional questions, please call (301)677-9536 to make an appointment with an attorney.

Additionally, you can seek free assistance from the following organizations:

Homeownership Preservation Foundation – free nationwide foreclosure counseling. Phone: 1-888-995-HOPE. Internet: www.995hope.org.

Home Owners Preserving Equity (HOPE) Initiative – Maryland counseling service for homeowners needing to refinance. Includes links to other foreclosure counseling services. Phone: 1-877-462-7555. Internet: www.mdhope.org.