

# **Foreclosure: A Tool Toward Personal Recovery?**

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Page D3

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An international developer recently described corporate bankruptcy not as a business failure, but as one of many tools in a large financial toolbox that can be used to help companies recover from looming financial disaster.

The same can be said of home foreclosures, which, if handled properly can be the first step in financial recovery. Many homeowners see foreclosure as a sign of personal financial shortcomings, but in many cases the events that led to foreclosures are far beyond their control.

Homeowners who borrowed prudently when seeking a mortgage, lived within their means and even put money aside to pay their bills during emergencies should not feel responsible, or pay the price, for the effects of national economic woes. The national economy has been in a downturn for well over a year, and many homeowners who had built a reliable financial cushion have been out of work for too long, exhausting their savings and facing the possibility of losing their homes.

Yet too many are willing to give up without obtaining the best legal advice on how to proceed. There is a tendency among many homeowners to "cut losses," and leave disposal of their home to others without fully exploring all the options that could make foreclosure much less painful or even stave it off altogether.

Virtually all experts on the foreclosure process agree that seeking professional help is paramount. A solid team that provides legal and financial advice can save the harried homeowner far more than its cost.

It makes sense to be in communication with your bank or mortgage lender, even if the communications are uncomfortable, and borrowers should not ignore the phone calls and letters that are sure to come from lending institutions when home payments lapse.

But at the same time communications between lenders and homeowners should be handled from a position of knowledge. While banks and mortgage companies are concerned primarily with loss prevention, they may not be inclined to see the situation from the homeowner's point of view.

Homeowners and their advisers should be able to review all offers to ensure that the best interests of all parties are being served.

While the perceived stigma of foreclosure often pressures homeowners into quick resolutions, not every situation is the same, and the causes of a given foreclosure may be quite different, and have far different potential solutions than another.

There also are unscrupulous companies and individuals waiting to prey on those who are experiencing financial difficulties. It is human nature to want a quick resolution but predatory people are aware of this, like sharks in the water waiting to feed, and often make offers that literally are too good to be true, all in the name of a speedy resolution.

There are both long and short-term solutions available depending on the circumstances and these should be fully explored and explained by competent professionals before anything is signed or agreed to.

Homeowners may find out too late that there are additional financial burdens, including hefty tax bills that still must be paid. The circumstances that led up to foreclosure also can have an influence on its resolution.

If for instance, a sudden influx of medical bills, compounded by loss of employment, was the immediate situation that stained an otherwise solid financial status, it is possible that a program can be worked out that will not involve losing one's home.

There also are a number of viable options. Forbearance is one. This entails adding a set amount of money to each monthly payment to ultimately pay off the arrearage. Short sale may be another option. In this situation, the home is sold for less than the amount of the outstanding mortgage. The lender may be willing to accept that reduced amount as a final settlement, leaving the individual clear of mortgage debt – and perhaps even with some cash in his or her pocket.

It often is possible to modify the terms of an outstanding mortgage loan in a manner that will still provide an acceptable amount of principal and interest to the lender, but also will make it possible for the homeowner to catch up on late payments – and keep their home.

These days, just as homeowners don't want to give up their homes, banks and other lenders really don't want to add more real estate to their portfolio – they don't want your house. In today's real estate market, it will be tough for any lender to sell the property to recover the amount of the outstanding mortgage, let alone all the other costs they will incur to mount a foreclosure

For homeowners who are facing foreclosure, knowledge is king -- knowing the options that are available throughout the process, and the ultimate cost savings of each, makes it well worth the time and effort to seek out qualified advisers.

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