

Consumer Choice

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Losing a house to foreclosure can be devastating to families who worked hard to buy a home. For many it may have been the first home they owned after living in apartments or with other family members. Iowa Legal Aid is working to provide more resources to Iowans facing foreclosure and to help homeowners understand their rights when facing the loss of their home.

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What is foreclosure?

Foreclosure can start when you fail to make your mortgage payments. But it can't happen overnight and it can't happen without first getting notice. It's important for you to understand what happens when you can't make a monthly mortgage payment. Knowing what to do about a delinquency or foreclosure and acting quickly might save your home.



Credit card...or mortgage

Always pay your mortgage before your credit cards and other unsecured debts like personal loans and medical bills. Unsecured debts like credit cards and personal loans can be discharged in a bankruptcy if they must be, but you can't discharge the mortgage loan on your home. Pay the mortgage first and then get help from a professional about handling the delinquent credit cards and other unsecured debts. Adding your unsecured debts to your home mortgage or taking out a home equity loan to pay off credit cards can also be a bad idea. Many people who think they're doing the right thing by paying off credit cards with a home equity loan end up losing their home to foreclosure.

Making ends meet

The U.S. Department of Housing and Urban Development (HUD) funds free or very low cost housing counseling nationwide. Housing counselors can help you understand the law and your options, organize your finances and represent you in negotiations with your lender if you need this assistance. Find a HUD-approved housing counselor near you or call (800) 569-4287 or TTY (800) 877-8339.

Missing a mortgage payments

Call the mortgage lender as soon as you know you can't make a mortgage payment. Ask about their forbearance policies and other options like a repayment plan to "cure" the default over a period of time. All lenders will have programs and policies you can use to get your mortgage loan reinstated. Whether you qualify for these programs will depend on if you can make "catch up" payments beyond your regular monthly payment.

Avoid Scams

Many for-profit companies will contact you promising to negotiate with your lender. While these may be legitimate businesses, they will charge you a hefty fee (often two or three month's mortgage payment) for information and services your lender or a HUD approved housing counselor will provide free if you contact them. If any firm claims they can stop your foreclosure immediately if you sign a document appointing them to act on your behalf, you may well be signing over the title to your property and becoming a renter in your own home! Never sign a legal document without reading and understanding all the terms and getting professional advice from an attorney, a trusted real estate professional, or a HUD approved housing counselor.

For more information about this newsletter or to schedule financial presentations, contact Mary Weinand, FRM Specialist, ISU Extension, 319/385-8126, mweinand@iastate.edu