

# Foreclosure Is Not Inevitable, Advises Consumer Finance Expert

September 20 2007

---

If homeowners facing mortgage problems follow the advice of a University of Arkansas consumer and family finance expert, they can greatly increase their chances of keeping their homes. Time is of the essence, and reliable, free help is available.

A recent estimate for foreclosures in the next 12 to 18 months is nearly 2 million homes, which could affect as many as 7 million individuals, says William Bailey, associate professor in the School of Human Environmental Sciences. But foreclosure, Bailey says, isn't inevitable for those who are unable to pay their current mortgages.

"If consumers find themselves behind on their mortgages, they should start by talking to their mortgage banker or whoever owns the mortgage to see if they can work something out," Bailey said. "The quicker you respond to this crisis, the more likely you will keep your property. Some recent research showed people are waiting three to six months before they seek help, and as a result they never recover."

He said the ideal time for homeowners to contact their mortgage holders is before they miss a payment, but often financial institutions will be flexible if the consumer has missed only one payment. Some mortgage holders are willing to cut interest rates and monthly payments.

"That's something you can negotiate with the mortgage company because they're not interested in owning that property, particularly in a market where the value of homes is going down," Bailey explained. "As a result

they will do a lot of things to keep you in that house, because an abandoned house loses value as it sits there, and they don't want that."

This climate is advantageous to consumers during the negotiating process, and according to Bailey, they should have only one goal in mind: keeping their homes.

"It's my personal and professional opinion that working out a deal is better than foreclosure," he said. "Foreclosure will affect your credit rating for a long period of time."

Help is available for those who are unsuccessful at brokering a deal, whether because they don't know how to or because they are too far behind in their payments.

"If you can't work out something with the mortgage holder or you're two months behind, go to a consumer credit counseling agency because they have the right people to talk to and they will serve as your intermediary for free," Bailey said. "They know what words to say, who to talk to and what telephone numbers to call - all the things that most consumers don't know how to do. When credit counselors call, people listen because they know they've got someone sitting there who needs help."

In about 90 percent of cases, Bailey said, credit counselors can keep homeowners in their homes if they are only one month behind in their mortgage payments.

Bailey recommends agencies like Credit Counseling of Arkansas, which is located in northwest Arkansas but also helps consumers nationwide through a toll-free number. Consumers in any part of the country should be able to find agencies comparable to Credit Counseling of Arkansas in their communities.

"Just make sure they are accredited and part of the National Foundation for Credit Counseling," Bailey cautioned. "There are some fly-by-night operations that are fundamentally scams, and those organizations will say such things as 'Don't make any payments on your mortgage. When it gets so bad, we'll negotiate a 50 percent payoff.' And that will put homeowners so far behind that they'll really be in trouble."

Bailey also recommends consulting the financial resources of the state Cooperative Extension Service, which has locations in all 50 states and offers advice on a wide variety of topics including housing, credit and borrowing, children and money, retirement and taxes. The University of Arkansas Cooperative Extension Service is available online at [www.arfamilies.org/money.htm](http://www.arfamilies.org/money.htm) .

Source: University of Arkansas

Citation: Foreclosure Is Not Inevitable, Advises Consumer Finance Expert (2007, September 20) retrieved 24 April 2024 from <https://phys.org/news/2007-09-foreclosure-inevitable-consumer-expert.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.