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Can Filing Bankruptcy Save Your Home?

If you fall behind on repaying the bank on a housing loan, you may be faced with a foreclosure notice. What can you do to save your house?

The first thing you ought to do is try to negotiate a deal with your bank.

If you can work out more affordable terms of repayment, then it might just save your house from being sold in a foreclosure.

If this does not work, you may want to negotiate for a short sale. A short sale is where the bank agrees to you selling your house for less than what you owe. In a “deed in lieu” of foreclosure, you give the bank the deed to your home and avoid a formal foreclosure. The reason for doing this is to avoid the negative effects on your credit brought by a foreclosure.

If these steps do not work, then here’s one more thing you can consider - filing for bankruptcy. Bankruptcy laws are there to enable you to

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reorganize your debts and start afresh if you are in financial trouble. But can this really save your home? And if so, what repercussions are there?

Bankruptcy will automatically stop the foreclosure process, giving you the time to catch up with your mortgage payments. No one can guarantee you won't lose your home. However, filing for bankruptcy may have less severe consequences than a foreclosure because to the bank you are making an attempt to clear your debt and keep up with what you owe whereas in a foreclosure, you're just dropping everything and walking away after not paying your dues for some time.

According to the American Bankruptcy Institute, last year about 1.5 million people filed for bankruptcy. This represented a rise of 9% following double digit gains in each of the previous three years. On the other hand, statistics for foreclosures are just as alarming. According to RealtyTrac, there were 2.9 million foreclosure filings in the US last year (a record figure), up nearly 2% from 2009 and 23% from 2008. More than one in five homeowners owes their lenders more than what their homes are worth. This figure is set to rise as property prices continue to plunge.

The mortgage industry would be glad if you file for bankruptcy because that typically frees you from unsecured debts like credit card debts, which would mean you have more money to repay your mortgage. And contrary to popular belief, filing for bankruptcy does not necessarily deprive you of credit.

Though the record of a bankruptcy filing typically remains on your credit report for seven years, many filers begin getting credit card offers within a year or two after exiting bankruptcy. The credit card companies know you don't have any more debt, so you're a good credit risk.

If you wish to file for bankruptcy, call us at (813) 200 4133 for a free consultation.