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## Fight Foreclosure with these Alternatives to Bankruptcy

The most frightening thing for most people straddled with debt is losing their primary homes which they worked so hard to purchase. In this awful economy, foreclosure of properties is on the rise. Some people take the bankruptcy route to avoid foreclosure, but others are reluctant to do so because of the social stigma that comes with being a discharged bankrupt. So what are the ways to fight foreclosure other than bankruptcy? And more importantly, do they really work? In this article, I will discuss a few of these alternative methods and help you decide if they are for you.

One alternative to bankruptcy in avoiding foreclosure is forbearance, which is a temporary suspension of your monthly payments to your bank. The key word here is 'temporary'. If your financial problems are temporary (such as a medical crisis), then you should seek out a forbearance agreement with your bank. If they agree to it, all your monthly repayments will be postponed to a later date. They may impose some terms and conditions to a forbearance agreement which you have to comply with. And most importantly, the bank will only agree to such an arrangement if they are sure that your financial setback is temporary.

If your financial problems are long-term like a job lay-off or prolonged medical condition, then it would be better off if you file for bankruptcy that would grant you an automatic stay to avert foreclosure.

Another alternative method is to apply for a mortgage modification. A mortgage modification means the terms of your mortgage are changed to make it more possible for you to continue paying for it. However, a mortgage can be modified in a myriad ways and not all ways are beneficial to you, the mortgagee in the long term. Sometimes your mortgage may end up being more expensive after a mortgage modification. If you negotiate a mortgage modification with your bank, you should pay close attention to the terms set therein. If the modification results in paying more or saving less in the long run, it would be better if you file for bankruptcy.

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One more alternative to bankruptcy to save your home can be a Housing and Urban Development (HUD) loan. The Department of Housing and Urban Development offers its own mortgage loans in times of economic recession. According to Bloomberg, two years ago HUD offered \$1 million in interest-free loans to homeowners running the risk of foreclosure as a part of the Emergency Homeowners Loan Program. These interest-free loans are an alternative to traditional bank loans available to the public.

Finally, in order to decide which route to take to save your home, you should consider your other debts as well. Even if a forbearance or mortgage modification or HUD loan can help you avert foreclosure for your home, but if you are not able to repay your other debts then you will end up using the money you save in your mortgage payments to pay for your other debts. This defeats the purpose of averting foreclosure and you may still end up facing legal action from other creditors.

To discuss your financial options on overcoming debt, call us at (813) 200 4133 for a free consultation.