

Opinion: Alternatives to foreclosure

By Deborah McNaughton

Foreclosure filings spiked upward another 7 percent in March. There are alternatives consumers can use to avoid becoming part of next month's statistic.

During March, the amount of foreclosure filings totaled 239,745, according to statistics released from RealtyTrac. This is up from February, when filings totaled 225,101. Granted, the rate of increase is slower than it was this time last year, but that the decrease wasn't attributable to better market conditions.

The slowdown is because there are so many foreclosures to file, it's taking lenders longer to process foreclosure proceedings. The allegations of fraud in some of these foreclosure proceedings started last September, and as a result, there was a temporary suspension of foreclosures while the fraud was investigated. There are people out there who are still in trouble, but there are ways they can avoid a foreclosure, if they're willing to do the work.

My alternatives include:

* Short Sale – Of course you have considered a short sale. That should be your first choice, but the downside is that there are so many players in the mix. First, you have to list the property with a real estate company. If you get a buyer, you have to submit a hardship letter and your financials to the lender along with the offer to purchase your property at a price that is lower than your balance. It may take the lender weeks or months to decide if they are willing to accept the offer. By that time you may have lost your buyer. If you have not been making your mortgage payments, the lender may

foreclose on your property. Unless you can overcome these issues, this alternative may not be the one for you.

* Short Refinance – If your payments are not behind, contact a lender to see if you are eligible for a short refinance. An appraisal on the property will be ordered. If the appraisal is less than the balance you owe, the lender will tell you how much of a loan they will make. When you get a commitment letter and appraisal from the lender, submit it to your current lender requesting a reduction of your current balance. If they agree to a reduced payoff, continue with the new lender and complete your new loan with a lower loan amount and hopefully better terms.

* Lease Purchase Option – Put your home or property on the market as a lease with an option to purchase. A lease purchase allows a buyer to purchase your property for an agreed sales price and date to complete. Earnest money is applied towards a down payment, and you would collect monthly payments. Make sure you get enough down payment money to catch up any past due payments, and continue to make the mortgage payments until the sale is complete.

* Rental – Renting your house out may also be an option for you. If you get a renter that can cover your payments you can rent another place for less money. When things get better and your finances loosen up you can always move back into your home.

A lot more people are facing foreclosure than the statistics currently reflect. As a result, everyone should be aware of the alternatives. Foreclosure can sometimes be a worst-case scenario for some, but that can be avoided simply by choosing to accept something that isn't a best-case scenario, but it's better than losing your place to live with no alternatives at all.

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