



Briefly Legal: What to do if you're facing foreclosure

By [Nicole Barber](#) on August 2, 2014



In her column Briefly Legal, Nicole Barber offers advice on what to do if your home is foreclosed on.

Being underwater might be fun at the shore — but not when you are “underwater” with your mortgage.

The number of Connecticut homeowners in danger of losing their homes to foreclosure continues to rise, according to a March 2014 report. In fact, home foreclosure activity early this spring jumped nearly 40% over the year before, due to the backlog of pending foreclosures, with first-time notices increasing by 2% over the previous year.

It would take more than 10 years to resolve all the pending foreclosures in Connecticut, experts believe, stalling economic recovery and creating untold anxiety for those affected.

While our state is struggling with increases in foreclosure activity, the nation as a whole saw overall activity — including the first-time notices, auctions and repossessions — plunge to the lowest levels in more than seven years.

Foreclosure is a specific legal process in which a mortgage lender attempts to recover the balance of a loan from a borrower who has stopped making payments. This is done by forcing the sale of the property.

Millions of American borrowers have been left without equity in their homes after the housing market tanked and home values plunged. These borrowers often find themselves “underwater,” that is, they owe more on their mortgages than their homes are worth, making it difficult to refinance or sell if they run into financial trouble. They can’t make their payments and foreclosure proceedings have begun.

According to the *Washington Post*, one of the most effective ways to ward off foreclosure in such cases would be for lenders to reduce the size of the loans. Policy makers and many of the nation’s largest banks reluctantly have come to embrace this type of debt relief — called principal reduction.

But there is a snag: the Federal Housing Finance Agency often will not allow lenders to reduce principal sums, fearing that such principal reductions will entice homeowners to intentionally default on mortgages in an attempt to lower their payments.

What should you do if you receive the dreaded notice of foreclosure on your home?

Foreclosures, if handled properly, can be the first step toward financial recovery. Oftentimes, the events that led to the foreclosure are out of the control of the homeowner. People should not feel ashamed of this procedure.

The first step always is communication. Communicate with your bank or mortgage lender, even if the communications are uncomfortable. Don’t ignore the phone calls and letters that are sure to come from lending institutions when home payments lapse.

Communications between lenders and homeowners should be handled from a position of knowledge. While banks and mortgage companies are concerned primarily with loss prevention, they may not be inclined to see the situation from the homeowner’s point of view. Educate them.

Beware the unscrupulous companies and individuals waiting to prey on those who are experiencing financial difficulties. It is human nature to want a quick resolution, but unscrupulous lending agents are aware of this and often make offers that literally are too good to be true, all in the name of a speedy resolution. Find legal and financial professionals you trust to help you through the process.

Keep in mind, also, the additional financial burdens, including potentially hefty tax bills that still must be paid.

Both long- and short-term solutions should be fully explored and explained by competent professionals before anything is signed. There are other options, too, including forbearance. This entails adding a set amount of money to each monthly payment until the arrearage is paid.

Short sale may be an option. In this situation, the home is sold for less than the amount of the outstanding mortgage. The lender may be willing to accept that reduced amount as a final settlement, leaving the individual clear of mortgage debt — and perhaps even with some cash in his or her pocket.

The good news for Wilton homeowners is that March 2014 single-family home sales rose by 27% over March 2013. The bad news is that median sale prices dropped by 23.8% over the previous year. We are not out of our economic woes just yet. But with some smart planning, and trustworthy professionals at the helm, we can navigate the turbulent waters of homeownership and stay afloat.

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