

# TRI-STATE DEFENDER



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## BUSINESS & ECONOMICS

### It's Your Money

## Financial Problems? Avoid losing home to foreclosure.

By Walter Dawson

The loss of the family's home through foreclosure is a terrible waste.

"However, many foreclosures can be avoided by homeowners going to their lenders and explaining their financial problems," said Beth Dixon, head of the RISE Foundation, a group dedicated to helping low-income Memphians build wealth for their future. "Most financial institutions would rather work with the homeowner to get paid than to suffer their own loss through foreclosure."

"That's the biggest mistake homeowners make when they have money troubles: They don't take that first step and work with their lenders."

#### What is foreclosure?

When you sign a mortgage agreement, you're agreeing that you will pay the mortgage lender until the debt is paid off. If you miss a payment, the lender may legally go to court and force you into foreclosure.

That means the lender takes over your home and property, and you and your family must move out.

The lender will try to re-sell the house, but if the price is less than what you owed on your loan, you will still be responsible for the difference. So, you could lose your home and still owe money to the lender.

A foreclosure also will stain your credit record, making it more difficult for you to get credit in the future.

Never take a threat of foreclosure lightly.

The first step a homeowner must take is to respond quickly to any hint of foreclosure.

Contact your lender immediately, explain your financial problems that have led to being late with your payment, and try to work out a plan so you can get caught up in your payments.

Your options vary, depending on whether you have an FHA or conventional loan, but you do have options.

The U.S. Department of Housing and Urban Development has a pamphlet addressing foreclosure issues for people with FHA loans. The pamphlet, which is also available in Spanish, can be reached at:

<http://www.hud.gov/foreclosure/index.cfm?&lang=en>.

If you have a conventional loan, your options are bound by the agreement you signed with that lender. These vary from state to state and also from lender to lender.

However, you should immediately sit down with the lender to discuss possible refinancing, modifying the loan and coming up with a payment plan to pay back the late payments.

1. Lenders have more flexibility in dealing with temporary financial setbacks rather than permanent ones.

**The information in this article should not be a substitute for the advice of a professional.**

*Walter Dawson, Manager, Publications for First Tennessee, is a member of the MemphisDEBT Collaborative, a group of 150 local nonprofits, governmental agencies, businesses and concerned citizens who are helping Memphians keep the money they earn. For free advice about your finances, you can call the collaborative at 507-6638. Or check out their Web site at [www.memphisdebt.org](http://www.memphisdebt.org).*