

Steps to Get Out of Financial Distress

Olen Soifer, March 29, 2010

1. **Remember that you are not alone in this.** You probably have family, friends to support you, and professionals are available to help. We are at your service and firmly believe that there is usually a good solution to financial problems in most cases. But don't neglect to consult an attorney, plus your accountant or financial advisor.
2. **Pay the mortgage first, even if that will postpone other debt payments.**
3. **Communicate with your creditors or lender and explain the situation.** *Avoiding creditors or lenders will only hurt the situation.* Keeping in touch with them, especially if you contact them before things get very bad, will nearly always improve your chances of getting cooperation in times of hardship. Explain what caused you to make payments late & what you are doing to get back on track. Ask how they can help you out of trouble. *Very few lenders really want to take your property!* Most are quite willing to work with you if they feel that you are genuinely trying to resolve the matter. They may be willing to give you one, or a combination, of these options:
 - a. Let you skip one payment, or more, to get debt in control;
 - b. Lower the interest rate for a period of time, or allow you to pay interest-only until you are "caught up";
 - c. Lengthen the loan term to lower your payments or add the arrearages ("late balance") to the rest of the balance owed;
 - d. Capitalize the arrearages into another loan allowing them to be paid over a long period of time;
 - e. Divide the arrearages up into payments to be made over the course of a year or two along with the normal payment;
 - f. Hold off taking further legal action as long as you continue to trying to bring yourself current.

In any event, always press the lender for responses when you contact them. *Do not just wait for them to get back to you.* And be meticulous about keeping copies of all correspondence to and from the lender. Keep detailed notes of all phone calls (dates, times, who you spoke to, summary of the conversation, agreements made, etc.) Summarize and confirm your phone calls to them in writing,

4. **Manipulate your present financial situation:** Grab a hand calculator, pencil and paper &/or download the free budget software at our web site. Then:
 - a. List your present expenses and determine which are voluntary (can be eliminated), and which are not.
 - b. List any non-liquid assets (cars, boat, trailer, Jet-skis, etc) to determine what you can turn into cash if need be. Consider working with one car, not 2, etc.
 - c. Make a budget that you can afford, now, and stick to it.
 - d. Now is the time to ask people that owe YOU money to pay up!
 - e. Don't be embarrassed to ask for assistance...You may be eligible for utility bill help; municipal tax abatement; home repair assistance; food stamps; employer or union help, etc.
 - f. Find a HUD approved Housing Counselor at (800) 569-4287.
 - g. Call HOPE for Homeowners at (888)995-HOPE.
 - h. Consider a part-time job. Your goal here is to increase income and reduce expenses.

5. Call us! Allow us to pull, & analyze, your credit history & finances to determine what we may be able to do for you to obtain cash from your property, pay off debt, reduce your monthly debt payments, or even get you tax free income from your home's equity.

6. Do NOT do any of the following before speaking to an attorney, an accountant (if you have one) and us:

- a. List your property for sale
- b. Sign anything you don't understand
- c. Fall prey to phony home counseling agencies that contact you OR to any deal that seems "too good to be true"...it probably is!
- d. Agree to sell it to anyone who offers to "bail you out" at a large price discount;
- e. Give out private information to anyone without verifying who they are
- f. Deed the property back to the lender "in lieu of foreclosure"
- g. File for Bankruptcy
- h. Agree to deed out the property, in exchange for funds to pay your debts, on the premise that you can re-purchase it later
- i. Borrow non-institutional "hard-money" funds to bring yourself current (ie: "loan sharks")
- j. Give up entirely and abandon the property

Some of the above remedies may be appropriate in some circumstances, but timing is important and you should not make a decision when you are in the midst of a financial panic! You need professional guidance to help determine which remedy might be the right course to help, not hurt, you as well as determine the proper timing of each.

7. You have options even after a judgment or foreclosure: A judgment is a court's validation of a creditor's claim against you. Foreclosures are either judicial, or non-judicial in nature. That is: foreclosures in some states require court action (ie: NJ), other states do not. Thus, some foreclosures are a type of judgment, and some are not. In some states, both types of foreclosure may be allowed depending upon the individual circumstances.

Don't confuse a foreclosure with an involuntary (ie: lender or sheriff) sale of property. Usually the foreclosure takes place long before the sale. A foreclosure, itself, is actually the termination of your right to pay off a loan over time. Long before a property can be sold out from under you, a lender "accelerates" the loan--declares it to be in default and demands one "lump sum" payment of the loan balance plus interest/penalties. Then, if the property state requires court action, the lender obtains a court-ordered foreclosure judgment that orders a "judicial" sale of the property if the debt is not paid beforehand. Thus, the foreclosure is what allows, causes and/or orders the sale.

You probably have options after a judgment and even in the midst of a foreclosure action. You can often postpone judicial sales and take your own legal action, with proper cause, even in "non-judicial" states. Even after such a sale, you often have a period of time to "redeem" your property...though the sale is final in some states.

Remember that, even if you are unable to save the property and it is sold and you cannot redeem it within any allowed period, the matter may not be over: Sometimes, if the lender does not get all you owed them from the sale proceeds, they will be able to go back to court

and get a "deficiency judgment" against you for their remaining loss! This is all very serious business. Then again, you may have some remedies no matter how deep in "over your head" you find yourself. Always consult your attorney and other professionals available to you.

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This information is not meant to replace the advice of competent legal & accounting professionals, which is recommended.