



TAMPA BAY BANKRUPTCY CENTER, P.A.

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Saving your Home through Forbearance or Bankruptcy

In the state of today's ailing economy, it is very common to find lenders tightening credit which in turn makes paying for your home more difficult. Once you fall behind on your payments by more than a couple of months, the banks will start collection efforts. One unpleasant thing banks do to recoup their money is initiate foreclosure to take possession of your house and sell it off. If your bank is about to launch foreclosure proceedings against your home, you should take action to keep your home.

The first thing you should do is to approach your bankers to inform them of your financial difficulties. The bank may be willing to adjust your payment plan. Alternatively, you can try asking for forbearance. Forbearance is where your banker agrees to stall foreclosure proceedings and negotiate an agreement with you. A forbearance agreement can take several forms. It may be in the form of a postponement of monthly installments or a reduced payment amount or even an extension of the repayment period.

If you default on your forbearance agreement, your banker will have the right to foreclose your property immediately. Forbearance is a good way to deal with temporary financial difficulties such as a major illness or loss of job. It is generally not a solution for longer term financial problems.

If you have already gone through the process above and you still cannot keep up with your monthly payments, the best option would be to file for bankruptcy. There are two options in filing for bankruptcy – Chapter 7 or Chapter 13 bankruptcy. Chapter 7 bankruptcy is where your non-exempt assets are sold off to pay for your debts and any debts that are not settled after all your non-exempt assets have been sold will be cancelled. In Chapter 13 bankruptcy, the court will enforce a payment plan for you to clear your debts over a period of up to 5 years.

To file for Chapter 7 bankruptcy, you must pass the means test i.e. your household income must be below the average income set by your state. In addition, you also have to be current with your mortgage payments to be eligible for Chapter 7 bankruptcy.

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If you are already defaulting in your mortgage payments or if your banker has already initiated foreclosure, it is advisable to file for Chapter 13 bankruptcy which is essentially a restructuring of your debts. The bankruptcy court will put you under a payment plan that is more affordable for you. So if you want to keep your home but cannot afford to make your mortgage payments due to some long term problem, then you might as well file for bankruptcy instead of negotiate forbearance. You should not wait till the last moment to file a bankruptcy petition.

Call us at (813) 200 4133 for a free consultation on how bankruptcy can save your home from foreclosure.