



OPTIONS IN FORECLOSURE *LET FORECLOSURE HAPPEN*

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I. LET THE FORECLOSURE HAPPEN

Letting foreclosure happen should be a decision about what is possible in your situation and what is best for you and your family. Do this if you have explored all choices and realize that this is the only option or it is the best option. If you are passively letting the foreclosure happen because you do not know what to do or are discouraged, face your situation and get help - something better may be possible.

If you cannot keep the house and have not had success selling it or negotiating with the lender for a deed in lieu of foreclosure, your decision is about when to leave: immediately or near the end of the redemption period? For most people, the redemption period is six months after the Sheriff's sale.

A. Staying in Your Home Until the Redemption Period Ends

Go back to your budget. Without the house payment, look at your income minus expenses. What money do you have to work with for your next living situation?

Ask yourself these questions:

1. Will you be better off moving quickly because the cost of rent, utilities and renter's insurance will be less than the monthly upkeep of the house you must leave? By moving early in the redemption period, are you better facing reality and the need to start over?
2. Or will you be better off staying because you can save money like mad for the first month's rent, security deposit and moving expenses? Will staying give you more time to look for new housing and to sell items? Or by staying in the house, are you clinging to the past?

B. Life After Foreclosure

A financial crisis is a very stressful time, but you are not your house. You can start over and have a good life. Have hope.

1. Spend less than 30% of your gross monthly income on rent.

2. Do not rent a storage unit. Recovering from a crisis takes time and finances will be tight. Many people end up losing their items in the storage unit for non-payment. Sell your stuff or store it at a relative's place for free. Concentrate on the essentials. Travel light!
3. Take a money management class. Use a budget. Do things differently so that you have an emergency fund and other savings. Spend less than you earn.
4. Get renter's insurance and car insurance. Search for affordable health and dental insurance. Insurance protects you from going backwards.
5. Limit junk mail so you aren't overwhelmed by credit offers. The maximum amount of debt that you should have (not counting the mortgage) is 11% of your income. Do not go overboard.
6. A lender will consider you for a mortgage two - four years after a foreclosure if you have steady employment, modest debt and a good payment history during the time. You will qualify for first-time homebuyer programs after three years of not owning a home. Remember only spend 30% of your monthly gross income on a house payment that includes principal, interest, taxes and insurance.

Sources: Michigan State Housing Development Authority, *Housing Counselors Training Manual*
National Consumer Law Center, *Guide to Surviving Debt*

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