



# OPTIONS IN FORECLOSURE *LET FORECLOSURE HAPPEN*

MSUE FORECLOSURE DEPARTMENT  
586-469-6430

## **I. LET THE FORECLOSURE HAPPEN**

Letting foreclosure happen should be a decision based on what is possible in your situation and what is best for you and your family. Letting the foreclosure proceed should only be considered after 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 (6) months after the Sheriff's sale.

### **A. STAYING IN YOUR HOME UNTIL THE REDEMPTION PERIOD ENDS**

You can stay in the house without making a house payment during this period. You are responsible for general upkeep and cleaning and paying all utility bills.

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? By moving early in the redemption period, are you facing reality and the need to start over?
2. Or will you be better off staying because you can save money 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. The following recommendations will help you start over and move toward a financially stable life:

1. Limit new house or rental payments\* to no more than 31% of your gross monthly income.

2. Do not rent storage units. 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 the stored items to improve your situation or store them in a relative's place for free. Concentrate on the essentials.
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. The goal should be to save, over time, six (6) months living expenses.
4. Get renter's insurance and car insurance. Search for affordable health and dental insurance. Insurance protects you from large financial losses and could prevent a future financial crisis.
5. Limit junk mail so you aren't tempted by credit offers. The maximum amount of debt that you should have (in addition to the monthly housing costs) is 11% of your gross income.
6. A lender will consider you for a mortgage two to four years after a foreclosure IF you have steady employment, modest debt and a good payment history since the foreclosure. You may qualify for first-time home buyer programs after three years of not owning a home. Remember only spend 31% of your monthly gross income on a house payment\*.

\*includes principal, interest, taxes and insurance and, if applicable, homeowner's association dues.

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

MSU Extension programs and materials are open to all without regard to race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, marital status, or family status. Michigan State University, U.S. Department of Agriculture and Macomb County Board of Commissioners cooperating. MSU is an affirmative action equal opportunity institution.