

Facing foreclosure?

Richard Hall, co-founder of Bottomline Lawyers in Auburn, wants hard-hit homeowners to know their options.

"Whether you're two weeks away from a trustee sale or you haven't even received notice of your late payment, you should sit down with competent legal counsel and find out what your options are," says Hall. "For a very small investment, you can have a much better understanding of what your possibilities are and what might work best in your particular situation."

There are five major courses of action

homeowners can take: loan modification, short sale, deed-in-lieu of foreclosure, bankruptcy and litigation. Since each option has its own tax implications, Hall recommends seeking guidance from a tax consultant before proceeding.

Loan modification

In a modification, the lender lowers your interest rate so that your mortgage payment is reduced for a period of time. On the upside, payments are more affordable and, if successful, you can stay in the same house. On the downside, relief doesn't last forever – typically five years or less.

"The gamble you're taking is that your home

will again be as valuable as the amount of your mortgage in five years," Hall says. "If it's overvalued by 30 to 40 percent today, in my opinion, there's not a snowball's chance you're going to be back to that value in five years. Then you'll be in the same position – you can't refinance, you can't sell, you're right back in the soup again."

Short sale

Here, the lender agrees to accept less than the full amount of the mortgage – often, the forgiven portion is the drop in a home's value.

"Someone buys (your house) for far less than what you owe. In that context, you get a longer period of time in the house

without making a mortgage and there's a slightly better result on your credit report than foreclosure."

Deed-in-lieu foreclosure

On the upside, this offers the opportunity to speedily turn a property over to the lender without liabilities associated with foreclosure. On the downside, "there's no guarantee a lender will accept it as fulfillment of financial obligation," Hall says. "It gives people a sense of relief, but not much more."

Bankruptcy

Though this choice is potentially the most damaging to your credit score, it also provides the

most powerful (albeit sometimes temporary) tool to stop foreclosure. Filing for bankruptcy enacts an automatic stay, which "can stop foreclosure up to the last minute before a trustee sale," Hall says.

Litigation

If examination of your loan turns up lender violations, you may have basis for a lawsuit.

"The result can be as little as a delay (of foreclosure) or as great as the homeowner getting the home free and clear – though that's very rare," Hall says.

For more information, call (530) 888-7100. Bottomline Lawyers is located at 985 Lincoln Way, Suite 206 (in the State Theater).