

Getting Through Tough Financial Times

Common Reasons for Foreclosure

Learn some of the most common circumstances that can result in foreclosure.

If a family loses a home to foreclosure, it is easy to speculate that they were irresponsible with loan payments or they bought out of their league. The truth is told that there are many reasons people foreclose on a home. Sometimes it is out of their control. When a family forecloses on a home, there is always hope and someone to help. There are other factors that may cause a family to suffer from one of the many life changing events, such as:

Divorce

Divorce is a life changing issue. When there is a split in a household, this can cause people to lose their home in foreclosure. Divorce is definitely a reality of our society today. Depending on who keeps the house is the determining factor of who will take over the monthly payments of the house. The cost of a divorce itself can be the main cause of losing a home in foreclosure. Poor communication in a divorce is a factor which leads to unintended neglect and defaulted payments as well. There are many different divorce scenarios that lead to home foreclosure.

Medical Reasons

Unexpected illnesses lead to a surplus of uninvited bills. Many people can't afford these expenses or do not have the insurance coverage to save them. Nobody plans to foreclose on their home, just like they do not expect to pay thousands of dollars in hospital bills. Ideally saving money out of each paycheck to cover potential medical expenses would be great, but that is not always an option. Many Americans live paycheck to paycheck, barely making the home loan payment. When a medical emergency happens within a family, the monthly mortgage payment is put on the back burner. Reason being that an illness can cause emotional stress, or disable someone from working.

Job Loss

Job loss is a frequent cause of home foreclosure. The economy strengthens and weakens, and in conjunction with that the workforce moves up and down in numbers. As the unemployment rate goes up in a city it is safe to assume that foreclosure numbers will raise as well. Again, ideally one might hope to have saved enough money over the years to cover the home loan, credit card bills, electricity, or other bills in the case of job loss. However, this is not a social reality. The many Americans who have suffered job loss cannot pay monthly dues. They result with a default home loan, fall into debt, and in many cases are foreclosed on by their mortgage lender.

Death

Death is single handedly the most damaging event for a person or family. Death can, in many ways, cause a family to lose everything - including their home to foreclosure. Take for instance, if the sole provider of the mortgage payments has died, then it is very likely that the rest of that family will lose their home in foreclosure. Unfortunately, the other spouse may be disabled or unable to work and sadly that person is in a

seemingly out of control situation. This is where a qualified housing counselor specializing in foreclosure will step in and help him/her get control again.

Conclusion

The reason a person or family goes into foreclosure is important for all to understand. As a homeowner, one can be prepared for such a situation as the aforementioned, and as an investor, one can be informed as to what causes foreclosure and how to be of service. Death, job loss, medical expenses, and divorce are a few of the most common reasons people foreclose on a home. These factors are real and an everyday part of society.

Source: Adapted from the National Association of Foreclosure Prevention Professionals

