

Bankruptcy Buyout Programs

By Patricia Rae Linn

Bankruptcy buyout, or foreclosure buyout, is designed to help you avoid home bankruptcy or foreclosure. Government mortgage modification programs---all require you to be a homeowner and pursue a refinancing program---can help avert bankruptcy. The programs essentially use the equity from the reduced mortgage to pay off other debts. If you have a heavy debt load and insufficient income to cover your monthly obligations to that debt, research home refinancing options before filing for bankruptcy protection. Legitimate government programs do not charge a fee for modifying your mortgage.

HAMP Program

The U.S. Department of Housing and Urban Development anticipates that Making Home Affordable's Home Affordable Modification Program will help up to 4 million homeowners reduce their mortgage obligation by the year 2012. The Obama administration designed the HAMP program to use stimulus money to pay off or reduce the interest load on eligible mortgages, reducing the homeowner's overall mortgage and monthly payments. Eligible homeowners must use the property in question as their primary residence, have experienced financial hardship, and/or had their lender increase the mortgage enough to make it impossible to meet the payment obligation. You must have obtained the mortgage before Jan.1, 2009 and the monthly payment must be 31 percent or more of your monthly gross income. Although homeowners can apply for HAMP on their own, it's advisable to do so with the help if a Housing and Urban Development-certified counselor.

U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410
202-708-1112
makinghomeaffordable.gov/modification_eligibility

2MP Program

The Making Home Affordable program also offers a Second Lien Modification Program. In some cases, the program might even eliminate the second mortgage altogether. To qualify for the 2MP, you first must receive HAMP relief. The Housing and Urban Development counselor who helps you achieve HAMP relief will also process a 2MP application. Additional eligibility requirements include: second mortgage origination before Jan. 1, 2009, a minimum total debt of \$5,000 for the loan and no previous 2MP modifications. The second mortgage cannot be subordinate to any mortgage except the one which received HAMP assistance. Not all lenders participate in the 2MP program. Your HUD counselor can tell you if your lien holder does.

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HAFA Program

If you cannot afford your mortgage but don't want foreclosure to damage your credit, Home Affordable Foreclosure Alternatives can help. To qualify, you must be ineligible for HAMP or fail to make mortgage payments after a HAMP adjustment. You also may prefer and request a short sale or deed-in-lieu of foreclosure rather than go through the HAMP process. Short sales are when the mortgage lender permits you to put the property on the market and sell it to pay off the remaining mortgage. If the short sale doesn't go through by the deadline your mortgage lender sets, return the property to the lender's ownership and walk away. Short sales and deeds-in-lieu of foreclosure relieve you of your mortgage and property obligation without damaging your credit score. This enables you to move, or even buy a new home, fairly quickly. While your lender helps you either sell or return the home, HAFA augments their effort by providing eligible participants with \$3,000 for relocation.

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http://www.ehow.com/list_7206522_bankruptcy-buyout-programs.html