

## Homeowners who fall behind face rough road

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Homeowners who can't pay their mortgages don't have many appealing options.

Housing counselors typically advise them to approach their lender to try to rework their loan so they can stay in the house. Lenders can lower interest rates or forgive part of the loan amount, or tack it onto the later years of the mortgage.

Three years into the housing downturn, lenders seem more open to negotiating, said Tom Toronto of Bergen County United Way.

"What's better for the bank – to hope that the person can get reemployed and resume paying on the mortgage, or kicking the family out of the house and being in the real estate business with that house in your inventory?" Toronto said.

Sylvine Marabotto of Consumer Credit Counseling Service in Cedar Knolls, however, said many lenders respond slowly to requests to rework loans and seem confused about how to use new government programs aimed at helping homeowners in trouble.

Homeowners who bought or borrowed against their houses during the housing boom typically can't sell their properties to pay off the mortgages, because many of these homes are worth less than the

amount owed. These homeowners often try short sales, in which the bank agrees to take less than the full mortgage amount, just so the sale can go through. However, short sales tend to be drawn out, months-long transactions that many buyers and real estate agents don't want to face.

Another option is declaring bankruptcy. Ron LeVine, a Hackensack bankruptcy lawyer, said he is working with a client who bought his home in 2005 – at the market peak – with a first mortgage covering 80 percent of the sale price and a second mortgage covering the remaining 20 percent. Through the bankruptcy, LeVine said, the client will be able to wipe out the second mortgage, plus credit card debt.

Some homeowners simply stay in their homes as the foreclosure grinds forward, waiting to be kicked out at the end of the process, which can take a year or more, Marabotto said.

The price of these actions is steep: Bankruptcy or a foreclosure sale will hurt a homeowner's credit rating. On the other hand, said LeVine, most people who end up in this situation already have damaged credit scores.

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