

Preventing Mortgage Foreclosure

Preventing foreclosure on a mortgage requires quick action and use of available resources. Here are some steps you can take:

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1. Communicate with Your Lender

As soon as you realize you may not be able to make your mortgage payments, contact your lender. Explain your situation and ask what “loss mitigation” options you might have. Lenders usually should work with homeowners to find solutions rather than going through foreclosure. Depending on the type of mortgage you have, some options may be the following:

2. Bring the Loan Current/Reinstatement

If you have resources available you can prevent the foreclosure by paying the delinquent amount, usually at least until a foreclosure judgment is entered. You can request a “reinstatement quote” from the bank or their attorney with a “good through” date. That amount will include all fees paid by the bank including attorneys’ fees that your mortgage allows them to charge to you. There is some limited financial assistance to homeowners in certain counties through the [Wisconsin Foundation for Rural Housing](#).

3. Forbearance

If your financial hardship is temporary, you might qualify for forbearance. This allows you to temporarily pause or reduce your mortgage payments. Make sure to understand the terms of the forbearance agreement, including how and when you'll need to repay any missed payments.

4. Contact HUD Counselor

[Search for a local housing counselor](#) or call HUD at 800-569-4287 to talk with a housing counselor about your mortgage loan situation. They can provide guidance on how to make the best decision for you.

5. Loan Modification

With a loan modification, the terms of your loan are adjusted to make payments more manageable. This could involve reducing the interest rate, extending the loan term, or deferring the arrears (outstanding overdue balance) to the end of the loan. Contact your loan servicer and ask if a loan modification is available for you.

The loan servicer is not allowed to begin the foreclosure process while they are evaluating your completed “loss mitigation” (modification) application. The Consumer Financial Protection Bureau (CFPB) has [established rules](#) about what mortgage loan servicers must and must not do when working with borrowers who have missed payments and who may be at risk of foreclosure. You may [find a HUD counselor](#) to help you submit a workout application for little or no cost to you.

6. Refinancing

If you have not missed too many payments and have good credit and steady income, you can try refinancing the mortgage; however most lenders require a good payment history. Potential downsides to refinancing your mortgage include increases in interest rate, closing costs of the new loan amount and more debt in the long run.

7. Explore Mediation in a Foreclosure case

Many Wisconsin counties offer a mediation referral which will be attached to the foreclosure papers. The [Wisconsin Foreclosure Mediation Network](#) provides mediation services to help homeowners negotiate with lenders and find alternatives to foreclosure. The program is voluntary so both the homeowner and lender must agree to participate and pay the mediation fee.

8. Seek Legal Assistance

Consult with an attorney who specializes in foreclosure prevention. They can help you understand your rights, explore available options, and navigate the foreclosure process. Moderate or low income homeowners may be able to get free or lower cost assistance. Use our [Get Help Tool](#) or look at our [Legal Directory](#) to find legal resources.

9. Chapter 13 Bankruptcy

Filing a bankruptcy case usually stops the bank from filing or continuing a foreclosure, even up to the time the sheriff's sale is held and confirmed by the circuit court. A Chapter 13 "reorganization" bankruptcy can allow the homeowner to pay the delinquent mortgage payments and back property taxes over three to five years while maintaining the regular payments to the lender. See the bankruptcy articles and contact an attorney who has experience with this kind of bankruptcy case.

10. Non Retention Options

If you can't bring the mortgage current through a modification, repayment plan or Chapter 13 case, consider :

1. Selling your home or
2. Signing a deed to the bank to avoid foreclosure.

Unfortunately the bank may not be willing to make the payments affordable, or you may have decided that keeping the house is not practical for you. A HUD counselor can help you decide whether keeping the house is realistic. Selling your home before the foreclosure is final or giving the deed to the bank may be the next best options. These options can help you avoid foreclosure and may help you preserve some of your equity, or get relocation assistance. Selling and paying off the mortgage and any other liens may limit damage to your credit, but a "short sale" or "deed in lieu/in place of foreclosure" will hurt your credit almost as much as a foreclosure. Before you sell or deed the house back to the bank, get a free "market analysis" from a

realtor to find out whether the house can be sold for more than you owe.

1. Selling your home:

- a. Depending on the resale value you might be able to sell for enough to pay off the mortgage(s) and get some money at the closing. If you decide to sell, notify the lender and they may put a foreclosure on hold while you sell.
- b. Get a payoff quote from the lender to find out how much you'll have to pay when you sell the house (payoff should include all collection, legal and late fees with a "good through" date). Your realtor may be able to get this for you. You will have closing costs and may have to pay off other liens (taxes or judgments). If you are selling for more than you owe, list it and make sure the realtor knows you have a limited time to sell, especially if you have a foreclosure case pending.
- c. If the house cannot be sold for enough to pay off the mortgage(s), you might be able to get a "short sale" approved. A short sale is when you sell your home to a third party for less than the total amount of debt owed. The lender(s) must approve any short sale and will require you to list with a realtor and get the best price you can. Although you will not get funds from the sale, some lenders offer a relocation payment to encourage short sales, and should waive collection/write off the unpaid balance of their debt.

IMPORTANT: You may still owe taxes on the amount of sale "gain" or for debt that was forgiven by the bank in exchange for the short sale price of the house; depending on whether it was your residence and when it was sold (Mortgage Debt Relief Act has been extended through 2025; <https://www.nar.realtor/mortgage-debt-cancellation-relief/mortgage-debt-cancellation-relief-qa>).

- d. To begin the short sale process, contact your loan servicer and ask for a loss mitigation application, and find a realtor who knows how to work with short sales. The realtor can help get a short sale approved.
- e. Before you sign an agreement for a short sale, make sure the agreement says that the bank or loan servicer waives its right to get a deficiency

judgment against you after the short sale. If it does not say this, the bank or loan servicer could come after you for the remaining amount on your mortgage loan after the short sale.

2. Signing over the deed to the lender to avoid foreclosure.
 - a. This process is also known as a “deed in lieu” transaction. You transfer the title of the property to the bank or loan servicer in exchange for forgiveness of the remaining amount of your mortgage.
 - b. Signing a deed may be a good option if you owe more than the house is worth and need to leave or don’t want to go through the short sale procedure. The lender may require you to try to sell first and this won’t work if you have other mortgages or liens on your house.
 - c. To begin the deed in lieu process, contact your loan servicer and request a loss mitigation application.

IMPORTANT: You may owe taxes on the amount of debt that was forgiven by the bank in exchange for the deed (title) to your house, depending on your other assets and status of the tax laws.

Acting quickly and seeking assistance as soon as you encounter financial difficulties can increase your chances of preventing foreclosure.

Scams

Beware of foreclosure rescue scams that ask you to pay thousands of dollars promising a modification which they cannot guarantee. It is illegal for foreclosure “consultants” to charge up front fees before doing the work unless they are a Wisconsin licensed attorney. Also if you are in a foreclosure or at risk of one you may get offers to buy your house by paying off the mortgage or to buy it and rent or sell it back to you. Get legal advice before signing any contract for mortgage assistance or selling with the idea that you’ll be able to stay in the house.

[Prevention Foreclosure Housing](#)

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