**How a Foreclosure Will Affect Your Future**

The word foreclosure is used often, but many people don’t have a true understanding of what it really means. The basics of it are easy to understand – if you don’t pay your mortgage, you lose your property. But there a lot of technical aspects that can be a little bit more confusing. Before discussing how foreclosure works, it’s important to fully understand what a mortgage is. When you want to purchase a property, the lender (usually a bank) will give you a loan. In return for this loan, the property becomes collateral, meaning if you don’t pay back your loan, the lender can take your property from you. They can then sell the property to cover the outstanding loan. This process is known as foreclosure.

Foreclosure is something that can end up happening to anyone. Buying a house is such a huge investment; you could spend the next 30 years of your life paying off the loan. What this means is that it is easy to fall behind on your payments. You may be financially secure at the time you decide to purchase a home and take out such a huge loan, but further down the road, something might happen that prevents you from paying your loan back. Sometimes people end up in a situation where their property is being foreclosed on because they suddenly lose their job or have unexpected medical bills. Some people buy a house with their spouse, and when they get divorced, neither of them is able to pay the loan back and they end up losing the house.

Generally, you will be able to miss 3 monthly mortgage payments, sometimes even more than that, before a lender will begin to think about foreclosure. Once the lender decides to start formal foreclosure proceedings, you should get a notice in the mail informing you of this. If the loan isn’t made current within 3 months, the owner will receive a notice of sale, and a date will be set for the home to be sold at an auction. At this auction, the home will be sold to the highest bidder (most states require cash only). If a third party does not purchase the home, the lender itself takes ownership of the home and it becomes a bank-owned property. Bank-owned properties are then sold either with a real estate agent on the open market, they are put on MLS (multiple listing service) so agents can show the property to a qualified buyer for a commission, or the property will be sold at a liquidation auction. Some of these details may vary depending on what state your property is located in.

A foreclosure will negatively impact your credit score and could prevent you from purchasing a home in the future. It could hurt your ability to get credit cards as well. Experts say that generally a foreclosure will drop your credit score by 200 to 300 points, which is very significant. You will most likely need to wait between three and seven years before you will be able to take a loan and purchase a home again. How much time you have to wait depends on why you defaulted on your loan in the first place, as well as what type of loan you are trying to get. If your house was foreclosed on because of economic hardships, like losing a job, getting divorced, or becoming ill, you may have to wait less time than someone who defaulted on their payment once the interest rate increased even though they had the ability to pay the loan back. Regardless, you will have to show that your credit score has gone up significantly before anyone will consider giving you a loan to purchase a home again.

If you are behind on your mortgage payment and need help, [Cabanillas and Associates](http://www.cabanillaslaw.com/how-we-help/foreclosure-defense) can help. Please visit our website to see our [past cases](http://www.cabanillaslaw.com/case-outcomes-1) and [testimonials](http://www.cabanillaslaw.com/testimonials), and don’t hesitate to contact us if you have any questions.