# Getting Back on Track After Foreclosure

## Picking Up the Financial Pieces After You've Lost Your Home

Freddie Mac

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Many homeowners have had to face the unfortunate reality of foreclosure. The important thing to remember is that you can regain control of your finances, and, with some effort and planning, you could put yourself in an even stronger financial position.

## Find a New Place to Live

First and foremost, you will need to find an affordable place for you and your family to live. Ask your lender if they offer a program that would allow you to rent back the home you lost to foreclosure.

If the lender needs you to leave the house, ask about programs to help you gain access to assistance to help with relocation expenses. Some lenders may offer cash to help you vacate the home quickly, and to encourage you leave the home in good condition.

As you look for rental housing in your area, keep in mind you will need to provide a security deposit. If you have a low credit score, you may need to pay more, so be prepared.

If you are interested in one day being a homeowner again, you might consider a lease with an option to buy. In this arrangement, part of your rent is applied to the future purchase of the home. This could take years, but it could prove to be a great way to rebuild your credit as you work to re-enter homeownership.

If you've exhausted all resources, and staying with family or friends is not an option, reach out for assistance. The U.S. Department of Housing and Urban Development (HUD), along with other federal agencies, funds programs to help. These programs provide a range of services, including shelter, food, counseling and even job skills programs. Visit [https://www.hud.gov/topics/homelessness/localassist](https://www.hud.gov/topics/homelessness/localassist) homeless for more information.

## Reevaluate Your Spending and Saving

Once you have found a place to live, take a close look at your current financial situation. Think about what you and your family need to live and how much debt you need to repay.

Now, more than ever, it's important to re-evaluate your spending and saving. Here are some tips to help you create a spending and saving plan:

- Determine your monthly net income, which is the income remaining after taxes and payroll deductions.
- List the fixed expenses you pay each month, including rent, utilities and your car payment.
- List the variable expenses that could fluctuate a bit each month (e.g., groceries, gas).
- Look for ways to increase your income and decrease your spending.
- Set aside money for basic expenses you know you will have in the future, like child care, transportation, school supplies or clothing.
- Plan ahead for major expenses. If you know that you will need to make a large purchase in the future, account for that purchase in your monthly expenses. That way, when you find exactly what you need, you will have enough money to pay it in full.
- Build an emergency fund. Work toward saving at least three months of expenses as your safety net.
- Establish short- and long-term financial goals.

## Get Help to Plan Your Approach

As soon as it's practical, find a reputable nonprofit housing and credit counseling agency to help you plan an approach to improving your financial situation. Reputable agencies are good resources for you, and many offer services at no or low cost. To find a HUD-approved counseling agency near you, visit https://myhome.freddiemac.com/bhc.

## Rebuild Your Credit

Probably the most important work you will face post-foreclosure is rebuilding your credit. While foreclosure has a serious negative impact on your credit score, you should keep in mind that it is only one item in your history. Every time you use credit, make a payment, or miss a payment, you add additional entries to your credit history. As a direct result, and over time, you raise or lower your credit score, and the impact of the foreclosure on your credit score decreases.

No credit score lasts forever. Because it changes over time, you can improve it. In fact, according to Fair Isaac Corporation, creator of the FICO score, if you take care to pay all other debt responsibly, "there's a good chance that your FICO score could begin to rebound after a foreclosure in just two years." That means that perhaps now more than ever, you must be vigilant about making your car payments, paying down your credit cards, and paying all other debt on time and with at least the agreed upon amount.

Here are some tips to help you improve your credit score:

- Always pay your bills on time.
- Keep balances low on credit cards and other revolving accounts.
- Pay off debt instead of moving it around.
- Don't apply for credit you really don't need.
- Do your rate shopping for a given loan within a short period of time.
- Request a copy of your credit report at least once a year to help identify the areas that you need to improve.
- Check for errors on your credit report, and work with the credit reporting agency to fix them.
- Beware of "credit repair" companies. There is no magic way to improve your credit, so be suspicious of credit agencies that say they can "fix" your credit for a fee.

## Can You Ever Consider Homeownership Again?

Your last homeownership experience ended in foreclosure, but you shouldn't assume that you'll never own again. Homeownership still has all the benefits you found attractive initially, and next time around, you can be a better prepared borrower.

If you do decide to pursue homeownership again, your next mortgage lender will be paying close attention to your credit, looking carefully to determine how likely you are to make your payments successfully. The better your credit score, the better your chances. As with most worthwhile things in life, preparation leads to good results. If you'd like to own a home again someday, start your preparation today. Stay positive and stay focused, and in time you'll reach your goal.

## Take Control of Your Financial Future

Foreclosure can have a devastating effect on your finances and on you personally, but you can recover. Establish short- and long-term goals, and stay focused on working toward them. Get some help putting together a plan for the future. In time, you'll be back on track.

### For More Information

- Contact a lender, real estate professional or housing counselor to learn more about the mortgage and homebuying process.
- CreditSmart® is a free suite of educational resources to support financial capability and homeownership education. The curriculum covers important topics such as credit, money management and responsible homeownership. To learn more, visit https://creditsmart.freddiemac.com
- CreditSmart® Homebuyer U is a free, online consumer education course offered within the CreditSmart suite that presents key learning principles for homebuyer preparedness and education. To learn more, visit https://creditsmart.freddiemac.com/paths/homebuyer-u/
- Visit My Home by Freddie Mac® for information on buying a home and the mortgage process, as well as a suite of tools to help you make informed decisions. https://myhome.freddiemac.com/
- To find a HUD-approved housing counseling agency near you, visit https://myhome.freddiemac.com/bhc or call 877-300-4179.

**Source:** Content adapted from Freddie Mac's award-winning CreditSmart, a multilingual financial education curriculum designed to help consumers build and maintain better credit, make sound financial decisions, and understand the steps to sustainable homeownership.

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