

Contract and Legal Issues

Can I give my house back to the lender?

On One Hand: Proceed With Caution

Yes, you can give your house back to the lender in what is called a voluntary foreclosure, according to the Consumer Credit Counseling Services of Southwest Virginia. But you're still not out of the woods. The lender will sell your home and likely sue you for any deficiency balance. Any foreclosure also harms your credit for seven years, causing you potential problems when seeking credit cards or loans.

On the Other: It May Be Worth It

Some states, such as California, bar lenders from suing people who "walk away" from their house, according to the Silicon Valley personal finance website The Digerati Life. The stress of being deeply in debt and owing more than a home is worth could be alleviated with voluntary foreclosure. In some cases, the former homeowner can rebuild his credit rating in less than seven years if all his other bills are paid on time.

Bottom Line

Whether you give your house back to the mortgage lender voluntarily or it is taken by force, there are several significant financial risks. Foreclosure is a serious matter that not only reflects on your credit reports for seven years, but also can lead to you being sued for any revenue loss on the part of the lender.

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