

Failure To Pay Results In Mortgage Repossession

Possibly one of the worst things a homeowner can go through is having their principal residence repossessed by the holder of the mortgage for failure to maintain adequate monthly payments. When a home mortgage is issued, a signed contract is made between the borrower and the lender, stipulating monthly payment amounts as well as when the lender may take steps for mortgage repossession for failure to make the payments.

In all cases, before a lender can take control of a property, a court must approve of the repossession action. Typically, a lender must show the court that the borrower is in arrears on making payments and has no reason to believe the borrower will have the ability to bring the mortgage payments up to date as well as continue to make payments due in the future. If the court agrees, an order for repossession is issued and the residents are given a set number of days to vacate the premises.

Occasionally, the resident can make application to suspend an order for mortgage repossession to have more time to bring the payments up to date. Certain circumstances must exist before a court will consider granting a suspension, or stay of execution of the repossession order, and failure by the borrower to meet the promises made when the suspension was applied for will usually result in a second order for mortgage repossession, of which no appeal will generally be granted.

When an initial order of repossession has been granted, if the borrower is able to make payment of all past due payments, bringing the mortgage up to date, typically the order will be lifted and the owner retains possession of the residence. If however, the borrower continues to default on payments the lender will usually have the option to proceed to take ownership of the property. If a borrower does not try to contact the bank ahead of time, it is unlikely any arrangements will be accepted or negotiated. Thus, it is important for borrowers to stay in close contact with their lender.

Most lenders would rather work with borrowers to avoid repossession as securing and selling a repossessed home is a time-consuming and costly process. Banks and other lending institutions do not want to be in the real estate business and by working with borrowers can usually resolve the current problem without throwing someone out of their home.

There are times, however when mortgage repossession may be the only option for the lender to recoup the money loaned. Once the property has been repossessed, the new owner can sell it and hope to get a price large enough to cover what is owed on the house. If not, the person who defaulted on the loan is liable for any remaining balance as well as all costs associated with the repossession process and sale of the house.

These costs can be added to the balance owed and then additional steps by the lender can be taken through the courts to recover this amount, as well as any amount incurred in this recovery.

About the Author

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