

# Getting a Fresh Start After Foreclosure





# Getting A Fresh Start After Foreclosure



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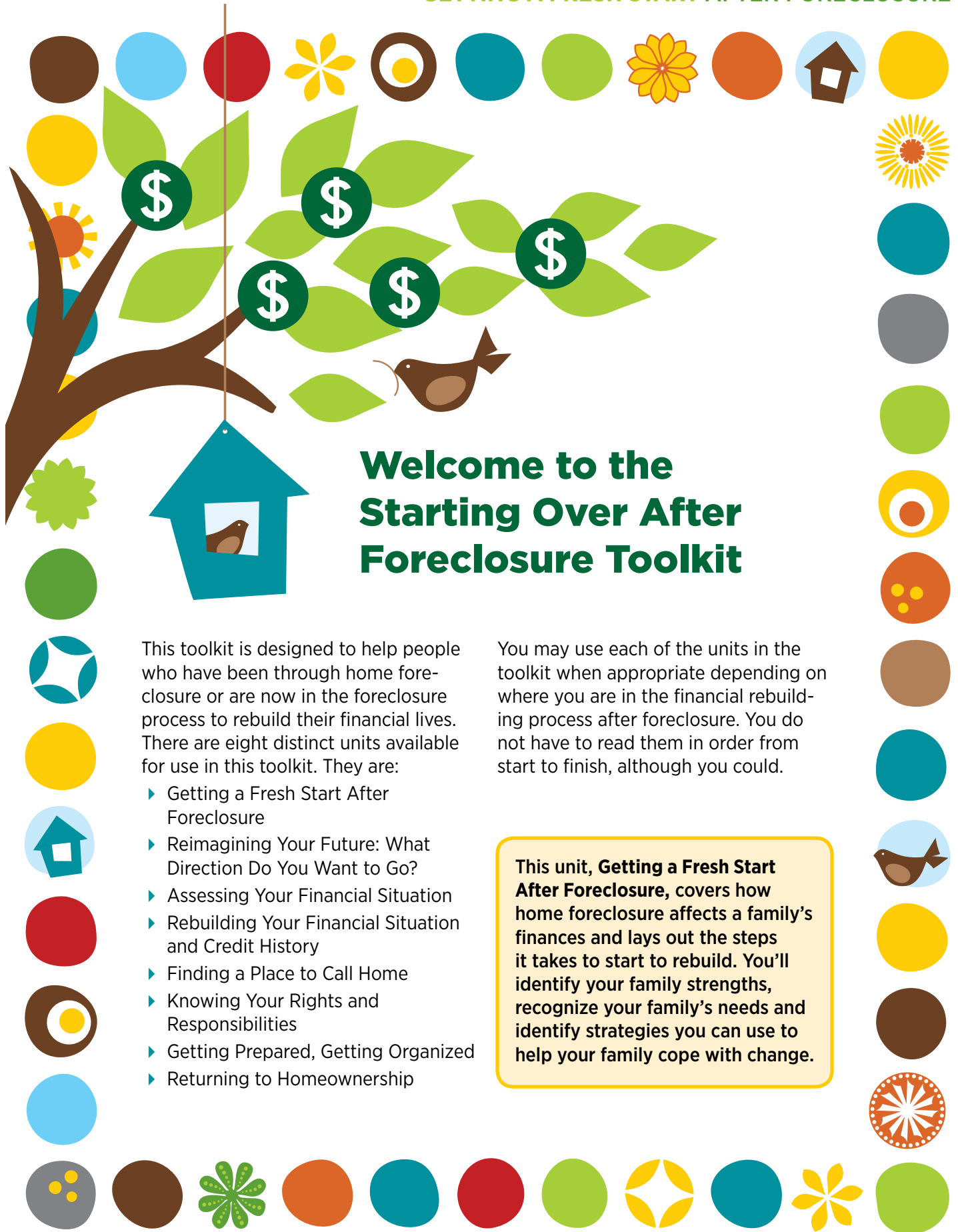
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## Welcome to the Starting Over After Foreclosure Toolkit

This toolkit is designed to help people who have been through home foreclosure or are now in the foreclosure process to rebuild their financial lives. There are eight distinct units available for use in this toolkit. They are:

- ▶ Getting a Fresh Start After Foreclosure
- ▶ Reimagining Your Future: What Direction Do You Want to Go?
- ▶ Assessing Your Financial Situation
- ▶ Rebuilding Your Financial Situation and Credit History
- ▶ Finding a Place to Call Home
- ▶ Knowing Your Rights and Responsibilities
- ▶ Getting Prepared, Getting Organized
- ▶ Returning to Homeownership

You may use each of the units in the toolkit when appropriate depending on where you are in the financial rebuilding process after foreclosure. You do not have to read them in order from start to finish, although you could.

**This unit, *Getting a Fresh Start After Foreclosure*, covers how home foreclosure affects a family's finances and lays out the steps it takes to start to rebuild. You'll identify your family strengths, recognize your family's needs and identify strategies you can use to help your family cope with change.**



## How Home Foreclosure Affects Households

According to a January 2014 CoreLogic National Foreclosure report (CoreLogic, 2014) approximately 4.9 million families have lost their homes through foreclosure since September 2008. Hundreds of thousands more families are at risk of losing their homes in the future. Although much has been written recently about the influence of foreclosures on our economy, relatively little is known about its effects on households. NeighborWorks America (2011) identified four common effects of foreclosure: displacement and housing instability, financial insecurity and economic hardship, personal and family stress-disrupted relationships, and health problems. These effects are described briefly in the following section.

### Four Effects of Foreclosure

#### 1. Displacement and housing instability

Most people who have homes in foreclosure are forced to move out. This leads to a period of unstable housing for some families. Their loss of savings and credit can make it hard for them to afford new housing. Being forced to make housing choices quickly can also limit their housing options.



#### 2. Financial insecurity and economic hardship

When they're trying to save their homes from foreclosure, many families exhaust their savings, retirement accounts and other resources. They may skip meals, lack health insurance and put off seeking health care they need. Foreclosure can significantly limit a family's ability to accomplish goals they may have been working toward for years.

#### 3. Personal and family stress-disrupted relationships

The trauma and stress of the foreclosure process can damage marriages and harm other family relationships. Rates of physical and emotional abuse tend to increase. Children may experience academic and social problems. Foreclosure can be especially devastating for older people who may be forced from their lifelong homes.



#### 4. Health problems

Stress related to foreclosure can cause serious physical and mental health issues. Depression, for example, is common in many households coping with foreclosure.

#### Bottom line:

**The foreclosure process is stressful, and everyone reacts differently to the process and the stress. Seeking help from agencies and organizations in your community can help you and your family.**



# Moving On

After a home foreclosure, families need to take deliberate steps to recover from the experience. One of the first steps can be to reevaluate your family strengths, needs, wants and values. This will help you identify the skills you already have and the skills you need to improve to return your family to self-sufficiency and financial stability.

## Identifying Family Strengths

Family strengths are a “set of relationships and processes that support and protect families and family members, especially during times of adversity and change” (Anderson Moore, Chalk, Scarpa, & Vandivere, 2002, p.1). This is especially critical when attempting to survive crises such as foreclosure.

Every family, and every family member, has some strengths. It’s important for you and your family to identify – and in some cases, rediscover – those strengths as you work together to recover from foreclosure.

### What constitutes a strong family?

Researchers at the University of Nebraska-Lincoln (DeFrain, Swanson, Friesen, & Brand, 2008) have identified six major characteristics of strong families. Although it’s not essential to possess every characteristic, they say that strong families:





**TRY IT!**

Complete the “Family Assets Inventory” to identify your important family assets. Talk to the other members of your household about ways these assets can help you now, and in the future.

**Acknowledging Family Qualities as an Asset**

Everyone has a range of attitudes, strengths, skills, experiences and education that can be assets to families in different situations. Some assets can be “hard skills” that can potentially translate into future employment for the family. Other assets are “soft skills.” These skills are qualities that can strengthen the overall family. Strong families understand each family member’s unique qualities and the roles that each can play.

**Table 1. Family Assets Inventory\***

Resources (Hard Skills) (examples)	Resources family members can contribute	Which family member?
Skills (sewing, baking, woodcarving)		
Abilities and interests (planning, gardening, sports)		
Job training and certifications (Web design, car repair certificate, child care certificate)		
Resources (Soft Skills) (examples)	Resources family members can contribute	Which family member?
Attitudes (willingness to accept change, flexibility, optimism)		
Self-confidence (willingness to take risks and try new things)		
Time (can fit in a second job or watch children so another household member can work)		

\* Adapted with permission from “Family Resources Worksheet” in *Getting Through Tough Financial Times* by D. Bartman, S. Camp, and K. Chan, 2009, Urbana-Champaign, University of Illinois Extension. Retrieved from: <http://web.extension.illinois.edu/toughtimes/>



### How Can Your Family Positively Adjust to Change?

Change is stressful, whether it's positive change or negative change. Managing stress during times of change is vitally important. Employment loss and foreclosure are among the most stressful occurrences people experience.

Stress can trigger negative physical and emotional reactions. These feelings are normal and can elicit reactions such as:

- ▶ Tense or angry feelings
- ▶ Extreme mood swings
- ▶ Feelings of frustration, often leading to arguments
- ▶ Depression or feelings of discouragement

Learn to express your feelings. Positive family communication is one way to do this effectively. Crises can force you to make rapid changes in your life. This can be difficult but it also can lead to new opportunities.

Change is stressful.



Learn to express your feelings.

### What Are Your Household's Financial Needs?

Assessing household financial needs is important when trying to redefine a household's personal financial situation. By following these steps, you can identify your financial needs for the future.



#### Step One: Prioritize Your Financial Liabilities & Bills

Assessing the needs of the household is one of the first priorities after financial crisis. By answering the following questions, you can understand each family member's strengths for each area in your financial life.

**TRY IT!**

Answer the "Financial Well-Being Self-Assessment Questions" on page 8 individually and as a family to help to position yourself financially for the future.



Answer the following questions individually and as a family to help to position yourself financially for the future.

### Financial Well-Being Self-Assessment Questions\*

1. What are my goals in life, and am I on the right track for achieving them?
2. Am I maximizing my income potential?
3. Am I saving enough money for my retirement years?
4. If I die tomorrow, will my family have enough to take care of their needs?
5. If I am disabled tomorrow, will I have enough to support both myself and my dependents?
6. Is my family financially and physically prepared to handle a natural disaster or one of human origin?
7. If I lose my job tomorrow, do I have enough liquid assets to support my family for several months?
8. Do I have enough medical insurance coverage to handle a catastrophic health problem for a member of my family?
9. Are my investments sufficiently diversified?
10. Am I getting a sufficiently high return on my investments, compared to the level of risk I am accepting?
11. Am I spending too much of my income? How do my pre- and postforeclosure income and expenses compare?
12. Is there a way for me to reduce my spending?
13. Can I handle my current level of debt? How are foreclosure-related expenses affecting my budget?
14. Do I need to be carrying any debt?
15. Is there a way for me to reduce the level of interest I am paying on my debt?
16. How do I rate my financial well-being and the way I manage my finances?

\*Adapted with permission from *Transitioning Consumers: Counseling Clients to Take the Next Step* by NeighborWorks America, 2011.





## Step Two: Identify Potential Sources of Help

After a crisis such as foreclosure, you'll need to identify sources of help in your community. This may be the first time you have needed to tap into your community's resources and doing so may be hard at first. Remember, though, that these resources were set up to help community members who need it.



### TRY IT!

Seek out community resources locally. What might be a resource that you can use?

## Step Three: Identifying the Household's Needs Versus Wants

Understanding the needs and wants that exist for each individual and the family as a whole is important. When needs are identified and communicated, families can navigate the change process in a more efficient manner.

Sometimes an item is a need; other times, it is a want. Determining your family's needs and wants are important to get on track with your finances. However, differentiating between a need and a want can be challenging. Review the following steps to aid your family through this decision-making process:

- 1. Understand your current financial situation.** This includes identifying your current income, expenses and additional debts you may have. Also, clarify the specific issue that led to your financial instability. For instance, have you or a family member recently lost your job or experienced a wage reduction? Has a medical issue caused you financial stress? Understanding the underlying reason why you are in crisis is critical to your decision-making process.

### What's the Difference?

- ▶ **Needs** are the basics that keep us alive and safe, such as food, air, water, shelter (housing and basic utilities), clothing and transportation. Our basic needs tend to stay the same, though the form they take may change over time and as we grow older.
- ▶ **Wants** are the extras that make our lives more fun and exciting. They're what we would like to have, but don't need to survive. Wants vary from person to person, but a few typical wants for U.S. consumers are bicycles, movie and music players, designer clothes and shoes, smartphones, concert tickets, kitchen gadgets and sports cars.





### Step Three: Identifying the Households' Needs Versus Wants, continued

#### 2. **Decide who should be involved in the decision-making process.**

Depending on the household and the age of the children, someone will need to determine who should be involved. Having children be part of the process can help them understand, learn and contribute toward building solutions for the family. When all members of the family are involved in the decision-making process, all may be more likely to help to solve the problem. Determining if children should be a part of the process can vary based on their age or level of maturity to handle the situation.

#### 3. **Identify the problem.** Allow all members of the household to state what they see as the problem. This gives everyone an opportunity to state concerns and feel heard.

#### 4. **Brainstorm solutions.** Give everyone in the household an opportunity to share ideas for possible solutions. Even if far-fetched, one idea may spark a workable solution for the family. Write down the ideas shared by each family member.

#### 5. **Find Solutions.** Working as a group, use all the ideas created in the brainstorming session to start eliminating ideas that will not work. Collect ideas that are possible solutions to create a plan.

#### 6. **Create a plan of action.** Write the group's ideas down into a plan for all to remember. Set up a timeline to check in as a household to see how the plan is working.



### TRY IT!

Develop a list of your family's needs and wants using the problem-solving technique listed in Step Three. Review the plan of action on a quarterly basis to ensure the plan is working for you and your family.

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# Starting Over

## After Foreclosure Toolkit

### Evaluation

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