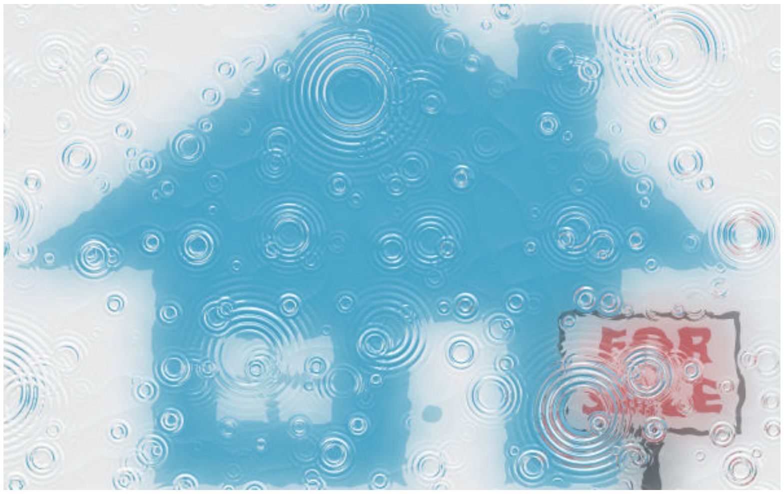
Underwater homes: How to keep your feet dry.

Only a few short years ago, people thought of their family home as an investment that would pay valuable dividends in the future. How times have changed!



If your home is worth less than you owe in mortgage debt, it is "underwater."

When the real estate market was booming a few years ago, people often bought homes with no down payment and routinely obtained second mortgages or equity lines to help pay off credit cards or pay for home improvements or college educations.

Real estate values plummeted a few years ago and, all too often any equity that existed in many homes disappeared overnight. The second mortgages and equity lines dropped the value below sea level. While the housing market is struggling to recover, there are still many homeowners who are still underwater.

What should an underwater homeowner do?

If your home is "underwater" now, it may be years before you begin to build any equity at all – even if you make all of your mortgage payments on time.

Many people do not realize that an experienced, knowledgeable bankruptcy lawyer can help homeowners eliminate the "underwater" second mortgages, equity lines and other types of subordinate liens. Many people owe more on their first mortgage alone than their entire house is worth, making their second mortgage, equity line, or other subordinate lien 100% "underwater."

In Chapter 13 bankruptcy (personal reorganization), that underwater lien is treated as an unsecured debt – no different from a credit card bill – through a process often referred to as "lien stripping." (Note, however, that lien stripping is not allowed in Chapter 7 liquidation or "straight bankruptcy").

Homeowners who "strip" second liens through Chapter 13 experience two tremendous benefits.

First, they no longer have to pay their second mortgage each month. That money will be immediately available to pay for groceries, power bills and putting gas in the family car.

Second, stripping that second lien off means your home may be back to "sea level." When you pay your first mortgage each month, you will actually be building equity again!

You may also wish to talk to a Virginia housing counselor or HUD-approved counselor about a loan modification.

- www.virginiahousingcounselors.org/
- www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm

If you are one of the 25% of Virginia homeowners whose home is "underwater," talk to an experienced bankruptcy lawyer about your legal options. Chapter 13 may be what you need in order to turn your home back into an asset, rather than just another liability, for you and your family.

We will help you.

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