



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

*Knowing the difference can
make all the difference.*

NFCC PRESS RELEASE

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When Doing What's Right Intersects with Doing What's Financially Expedient

NFCC Suggests Considering All Options Before Making Mortgage Decision

Silver Spring, MD – Many homeowners are desperate to get out from under a mortgage payment that's rising on a house value that's declining. They're frustrated with the situation, one in which they never thought they'd find themselves.

Even if homeowners can make their mortgage payments, the scenario simply isn't playing out as they'd hoped. After all, the property was supposed to increase in value, providing them with the opportunity to sell for a profit, or at least build equity which they could tap and spend as they pleased.

To make matters worse, they have to look at an almost identical house down the street that's on the market with an asking price of 25 percent less than what they paid for their house.

Many of today's homeowners are doing what was once considered unthinkable, and to add insult to injury, some lenders are going along with the plan. Here's how it works: The homeowners who still have good credit are able to buy the house down the street. They'll be living in an almost identical house with a much smaller mortgage. Once the ink is dry on the new loan, they let their current house go into foreclosure. They don't bother trying to sell it, because even if they did find a buyer, the price wouldn't be for enough to satisfy the mortgage.

Since a foreclosure will stay on a credit report for seven years, they know their credit is going to be wrecked, but they don't care. All that matters is getting out from under the current mortgage which they see as a liability.

The new lender goes along with the plan. After all, they get to loan the money and it's a pretty safe bet that the homeowner won't try the same thing again. Since their credit is now tarnished by the foreclosure, they're likely to stay put in the new house and make their payments.

“Consumers need to think long and hard before they make this kind of decision,” said Gail Cunningham, spokesperson for the National Foundation for Credit Counseling (NFCC). “With credit standards being tightened, the future lender will likely frown on a situation where a homeowner allowed a voluntary foreclosure on the property. None of us knows what the future holds, so it is definitely not smart to needlessly compromise our borrowing power,” Cunningham continued.

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NFCC Member Agencies represent the largest number of certified housing counselors in the nation. They are trained specialists who can look at your situation and evaluate the best possible solution. “The consumer may only see one way out, a way that looks appealing at the moment, but the counselor can help them to think long-term, and that’s what’s important,” said Cunningham.

To find the NFCC Member Agency housing counselor closest to you, dial toll-free (866) 845-2227, or go online to www.DebtAdvice.org. For the agency closest to you with a Spanish-speaking counselor, call (800) 682-9832.

- 30 -

The National Foundation for Credit Counseling (NFCC), founded in 1951, is the nation’s largest and longest serving national nonprofit credit counseling organization. The NFCC’s mission is to promote the national agenda for financially responsible behavior and build capacity for its members to deliver the highest quality financial education and counseling services. NFCC members annually help more than two million consumers through close to 900 community-based offices nationwide. For free and affordable confidential advice through a reputable NFCC member, call 1-800-388-2227, (en Español 1-800-682-9832) or visit www.nfcc.org.