

Unemployment, Foreclosure & Bankruptcy

New Jersey had a 9.6 percent unemployment rate during August, 2010, according to the U.S. Dept. of Labor. The worst state was Nevada, with a 14.4 percent unemployment rate. Not surprisingly, Nevada also had the highest foreclosure rate in the country, with one of every 84 properties in Nevada getting a foreclosure notice. In August, 2010, one of every 381 households in the U.S. received a foreclosure notice. Although some states were hit harder than others, foreclosures are ubiquitous throughout our country, including New Jersey.

You can blame the economic recession on greed of banks and financial firms; the homeowners' misplaced faith that prices would continue to rise and that their employment was safe; our lawmakers' negligence for not preventing it all. But, ultimately, if you get a foreclosure notice, you have to deal with it before that sheriff's sale if you want to keep your home. Loan modifications are not mandated by law so don't count on them. And they take a lot of time, while the interest, penalties and attorneys' fees mount on top of the delinquent mortgage loan, if you're not approved.

Similarly, you cannot force a

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short-sale (sale for an amount less than the liens/mortgages) or deed-in-lieu of foreclosure (transfer of deed in settlement of lien), either of which would get you off the hook for the balance of the loan amount. So what do you do if you can't get a loan modification, short sale, or deed-in-lieu of foreclosure?

How about bankruptcy? Bankruptcy is growing in popularity because, during this economic crisis, many people don't have any other option to save their home or get out of debt that they can no longer manage, especially if they or their spouse lost their job. Individuals may file bankruptcy under either Chapter 7 or Chapter 13, depending upon eligibility. Chapter 7 is sometimes preferable because it provides a complete discharge of all debt whereas Chapter 13 discharges at least some debt but requires at least a 36-month payment plan on the rest of the debt.

In order to be eligible for Chapter 7, you must pass the "means test" income limits test. In order to be eligible for Chapter 13, however, you cannot have too much debt. Prior to filing the bankruptcy petition under either



Chapter 7 or 13, the debtor must take a credit counseling course, which can be done online and is easy and relatively inexpensive to complete. Chapter 7 cannot save your home but Chapter 13 can, as long as you continue to pay or resume paying your mortgage and pay the mortgage arrears as part of the payment plan.

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***Foreclosures are ubiquitous throughout our country, including New Jersey.
But filing for bankruptcy — possibly — can save your home.***
