

## **Should I Stay or Should I Go?** Sound advice from Jeff York.

For many homeowners here in California, the challenge of staying in their home or losing it to foreclosure is real, and daunting. If you are at this point, you know how distressing the current state of your home mortgage can be.

Home values in most parts of the Central Coast have plummeted in 2008. For some, by as much as 35 percent in the past nine months. Yes, there are small pockets that haven't been as affected, but for most, the plunge in housing values definitely hits home. Many homeowners now find themselves "under water," meaning that they owe more than their homes are worth in today's market.

If you truly want to stay in your home, I have some advice for you.

First and foremost, walking away from your home and from your mortgage should be your last option, a route taken only after you have thoroughly researched all other solutions. You have a contract with your lender, and that alone should inspire most homeowners to do whatever it takes to continue making payments.

Additionally, the impact on your personal credit rating is devastating if you lose your home to foreclosure. It will greatly inhibit your ability to access credit and will make it much more expensive for you to borrow money for a new car or make any other purchase where you would need financial assistance. The impact from a foreclosure on your credit rating typically lasts up to seven years, which is a long, frustrating time to be non-credit worthy.

Is filing for bankruptcy an option? Without going into much detail, as bankruptcy options are plentiful and complicated, all of your creditors are impacted, which certainly multiplies your issues.

If you are feeling the effects of decreasing discretionary income, it is critical for you to clearly define your monthly financial obligations. You need to take a hard look at not only your fixed payments, but also your spending patterns. This is where decisions are tough, but will play a role in helping you keep your home, and your credit rating intact..

I'm reminded of a story of a family who recently borrowed \$45,000 against the equity in their home to remodel their kitchen. Later, after the remodel, they went to their financial institution for guidance to help them stay current with their loan payments. They admitted that they were spending more than \$500 a month dining out, and when asked why, the couple stated that they didn't want to get their new kitchen dirty. Now that was a good time to take another look at spending.

Looking to the future, there is some news that the federal government is currently considering different lending programs that would allow homeowners facing foreclosure to keep their homes. And, though it is hard to see any light at the end of this long, dark tunnel, the housing market will get better. We will find the bottom, and buyers will resurface, which in turn will stimulate the values of our homes.

But don't expect an immediate turnaround. In the early 1990's, the last time we were faced with a mortgage meltdown similar to this, the recovery period took about three years to cycle back to where values were pre-meltdown.

Losing your home inevitably affects everyone in your community and would be extremely disruptive to you and your family. Financial institutions do not want to foreclose. We make loans and will do everything we can to keep you performing on your loan.

We are proactive and creative when it comes to financial counseling. Talk to us. Or contact Consumer Credit Counselor Services, available to you at (866) 447-3328 or [www.gotdebt.org](http://www.gotdebt.org).

*Jeff York is President and CEO of CoastHills Federal Credit Union, home to 13 branches in San Luis Obispo and Santa Barbara counties. He has 25 years experience in the financial services industry, 23 with credit unions, He has worked at CoastHills for four years. Before that, he was vice president of strategic planning and marketing for the Walt Disney company credit union in Burbank and Florida, as well as institutions in the Bay Area.*