

This is one tough housing market. According to foreclosure.com, foreclosure rates are significantly higher now than they were a year ago. One of the major reasons is the perceived housing “bubble.” A large percentage of foreclosures occur because buyers aren’t ready to take on whatever mortgages they might have taken out.

One being used by people trying to invest in the housing market is an adjustable rate mortgage. An adjustable rate mortgage would seem to be the perfect fit for someone only temporarily taking out a mortgage, and then reselling the property. Every mortgage is different, but for the most part, buyers select mortgages that start out with a small interest rate and end up with a higher interest rate. For people intending to resell a home, this is an appealing deal.

However, if it isn’t possible for people to resell the property, they tend to end up owing large amounts on a mortgage that they can never repay. It usually takes between five to nine months between the default on a mortgage and the time that the house has been sold. This means that for up to five months, interest will continue to accumulate, and the buyers can end up bankrupt, without any home.

Foreclosure rates are very concerning, and Sonoma County isn’t the only place that they’re occurring. In the rest of the country, rates are similar to Sonoma County’s, and they are both increasing at roughly the same rate. It should, however, be noted that every different housing market is different, and the health of the market is an important measure of how many houses have been foreclosed on.

When there are large amounts of foreclosures, it becomes difficult for honest buyers to get loans. It also makes it difficult for those who don’t have much money to be able to get a loan, because it is so hard for mortgage companies to trust them. Probably the largest problem, however, is that it puts unnecessary stress on lenders.

Economists predict that the foreclosure situation will be improving in the next 3-6 months. This is mainly because of more consumer education, as well as the current changes in the housing market. However, this problem will not go away on its own. The best way to solve the foreclosure problem is for consumers to avoid purchasing real estate unless they can afford two mortgages.

Foreclosure isn’t a situation that anyone wants to be in. It creates an initial hassle, and whatever you do with your credit today will follow you for the rest of your life. There are multiple things that consumers can do to avoid being foreclosed on.

- Know your loan and read the documentation. Be careful of adjustable rate mortgages (ARMS ). If the interest rate is initially low, that means that the interest rate is probably going to significantly increase after the initial rate term. Try to avoid mortgages from sources that you don’t trust, and if you have questions, be sure to contact the proper authorities.
- Know the housing market. Before you decide to buy real estate as an investment, be sure you know the market. No one can 100% accurately predict where the market is going to go, but if you research beforehand, you can have a general idea about what will sell and what won’t.
- Call your lending company. Over 60% of people who defaulted in their mortgages last year didn’t try to contact their lending company. Contacting your lending company before you default on a payment will help you out in the long run. They will be able to extend the payment times, and it also allows you to pursue options that wouldn’t be otherwise

available. They don't want you to default on your loan any more than you want to default on your loan.

- Make sure you can afford it. Buying any house is a big decision. Buying a second one is an even bigger decision. If you can't afford the interest rates, or you think there is a good chance you will have to default on your loan, don't get into the situation to begin with. There are many other opportunities out there.