

How Does A Foreclosure Affect A Co-Signer?

With foreclosure rates soaring in America, you may find yourself in the position of wondering how foreclosure affects co-signers.

Jan. 27, 2010 - [PRLog](#) -- The truth is foreclosure affects co-signers just as much as it affects the borrower. Even late payments made by the borrower will count against the co-signer of a loan and count against their credit.

Hector Milla Editor of the "Best Loan Modification Companies" website -- <http://www.BestLoanModificationCompanies.com> -- pointed out;

“...When you co-sign on a loan you are agreeing to take full responsibility for the loan should the borrower stop making payments. Being a co-signer on a loan makes you equally responsible for the full amount of the mortgage. If you agree to co-sign on a loan it's important to be sure you can make the monthly payments assuming the worst and the borrower fails to make them. Also be aware that this will count towards you as a personal loan and may stop you from getting a loan for yourself in the future...”

If the worst happens and the borrower allows the home to go into foreclosure, as a co-signer you are considered just as responsible and the foreclosure will also appear on your credit history. The bank that owns the loan may even try to seize assets from you. If foreclosure happens, it's important for you to talk to the borrower and try to work out an arrangement. Try to sell the house together if possible. If it's not, consider getting the borrower to allow you to take control of the property and payments.

There are ways for the borrower to protect the co-signer if they know that foreclosure is pending. Declaring a Chapter Seven bankruptcy will not stop creditors from coming after the co-signer and their assets but a Chapter Thirteen bankruptcy will if certain conditions are met. If the debt is consumer debt, is not incurred during the ordinary course of business, the cosigner will not benefit from the debt proceeds, and the borrower is making payments under the Chapter Thirteen arrangements, the creditors can't come after the cosigner for payment.

“...In summary, it's important to consider carefully whether you want to cosign on a mortgage loan because you will be fully responsible for the payments if the borrower fails to make them. If it's too late and foreclosure is already imminent, make arrangements with the borrower to sell the house, give it to you while you make payments, or have them declare Chapter Thirteen bankruptcy to protect you...” H. Milla added.

Further information about how to get professional assistance with a mortgage loan modification by <http://www.BestLoanModificationCompanies.com>

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