

# Reasons for the Occurrence of Foreclosures

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/EINPresswire.com/ -- Foreclosure is a process by which lenders have the legal right to recover the loan from the borrower by repossessing the property for which the loan was taken and reselling it to recover their losses thereby allowing the lender to take back the ownership of a property from the borrower. It can happen to any homeowner who is facing difficulty in paying the installment for the mortgage. It not only takes away your home but also impacts your credit score negatively. The reasons can be Want to know about the reasons [why foreclosures occur?](#)

Read the article to know about the various reasons why Foreclosure occur...

## 1. Divorce

Divorce is a life-changing issue and a reality of our society. Divorce may lead to split in the household. The impaired communication may cause neglect and default of monthly payment. The stress and the legal cost of divorce can itself lead to loss of the house, being unable to keep up with the mortgage payments.

## 2. Loss of job

As the economy strengthens or weakens, it affects the employment rate. If the unemployment rate goes up, it can lead to increased foreclosure numbers. If a person is fired, laid off and becomes unemployed, he will not be able to pay the monthly mortgage payment thereby leading to foreclosure.

## 3. Illness

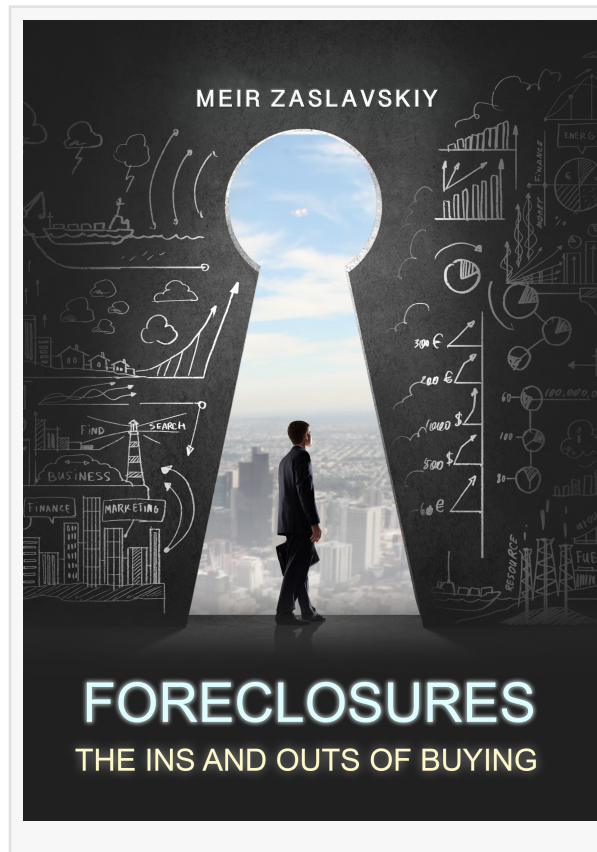
Unexpected illness or chronic diseases can invite substantial medical bills. Not having health insurance coverage and suddenly receiving thousands of dollars of medical bills can make it difficult to keep up with the mortgage payment.

## 4. Death

Death is in itself a significant loss for a family. If a person who was the sole provider of the mortgage payment dies, it can even lead to loss of the house too due to the inability to pay the fee after his death. A qualified housing counselor who is a specialist in foreclosure can [help to avoid foreclosure](#) in such cases but subject to certain conditions.

## 5. Unexpected maintenance expenses

Maintenance and repair of the house are of course homeowner's responsibility. Some unexpected maintenance expenses may arise which have to be taken care of making it difficult for the homeowner to pay the mortgage payment on time thereby leading to foreclosures.



## 6. Relocation

It may happen that a homeowner had to relocate due to some reason. His economic condition may not allow him to afford to finance two residences at the same time and he may opt for a foreclosure to reduce his financial burden.

## 7. Financial irresponsibility

Shortage of money may not always be the reason for foreclosure, negligence can also be a reason which is nothing but being financially irresponsible.

## 8. Adjustable rate loan

It is important to read the clauses of a mortgage loan properly avoidance of which might lead to risky and difficult situations. The payments may increase faster than expected and leave the homeowner with no option other than going for foreclosure.

## 9. Negative equity

Negative equity is when the homeowner owes more loan amount than the value of the house. This situation can lead to a foreclosure if the owner feels he should go for it. If the worth of the house falls much below the mortgage value, the owner may decide to cut his losses and stop making the mortgage payments.

## 10. 5 D's

The following are the 5 D's which are a reason for foreclosure:

- Death
- Divorce
- Drugs
- Disease
- Denial

## 11. Other Personal reasons

Certain addiction or habits which a homeowner develops may prevent him from paying the mortgage money and instead spend the money to satisfy his habits of say gambling, drinking, etc.

## 12. Fraud

Fraud by the lender or borrower can also lead to foreclosure.

Irrespective of whether you are an owner or an investor, it is crucial for all to understand the [reasons which can lead a person or family to foreclosure](#). These reasons are real and are a part of the society. Be aware of them!

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