

BANKING FEATURE



## Foreclosures: A Debt Collection Business Opportunity

[By Shaileja Mammen]

The rise in interest rates has hit borrowers hard, especially sub-prime borrowers. Lack of demand and a fall in housing prices accelerated the meltdown of the sub-prime mortgage market. This has forced a surge in mortgage foreclosures, and many families are losing their homes.

The borrowers' misfortunes, however, mean opportunity for investors as the growing number of foreclosures offers excellent investment potential. Investors can purchase foreclosed properties and hold onto them for a short time before selling. Alternatively, buyers may either rent out their properties for short periods before selling them, or rent them out indefinitely. Institutions and other players in the housing sector stand to gain in such a depressed market.

There is also a business opportunity in this environment of increasing defaults and foreclosures. Foreclosure prevention programs and debt collection are emerging business opportunities in this scenario.

Foreclosure prevention programs give those homeowners facing foreclosure an opportunity to save their greatest investment-their homes. Naturally, most homeowners facing foreclosure genuinely want to pay their mortgages and continue to stay in their homes. Lenders taking the stance that they are in the lending business and not in debt collection can accommodate such homeowners by accepting delayed payments with late fees, legal fees, and other charges. Offering foreclosure prevention programs is a good business opportunity as it creates a win-win situation

for all the stakeholders-borrowers, lenders, foreclosure prevention agencies, and debt collection agencies.

- **Borrowers** save their homes from foreclosure and the personal credit ratings of borrowers are spared from having a foreclosure on record.
- **Lenders** save on the costs of filing lawsuits to collect on delinquencies. Lenders are in the lending business, not the real estate business. Lenders would like to collect the money they lend, not the property. Additionally, foreclosure prevention agencies allow lenders to avoid the costs associated with taking possession of a property.
- **Foreclosure prevention agencies** earn a fee while helping homeowners to save their biggest investments.
- **Debt collection agencies and Mortgage servicing firms** get more business and generate jobs for mortgage lenders and brokers. With the rising cost of collecting debt, the lenders outsource this activity to low-cost collectors.

Not all foreclosures can be prevented because prospective clients need to qualify. Homeowners experiencing temporary hardships who nonetheless have sufficient income to support their original mortgage payment and their monthly expenses will qualify for foreclosure prevention.

Debt collection agencies and mortgage servicing firms will do brisk business with losses in the sub-prime mortgage market. This will generate jobs for mortgage brokers and lenders who were laid off in the recent sub-prime mortgage meltdown.

### ON THE NET

Subprime Woes Change Face of Collections  
[www.insidearm.com/go/arm-news/subprime-woes-change-face-of-collections?tag=collection%20news](http://www.insidearm.com/go/arm-news/subprime-woes-change-face-of-collections?tag=collection%20news)

PreScreen Distressed Home Owners  
[austin.craigslist.org/sls/413289899.html](http://austin.craigslist.org/sls/413289899.html)

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