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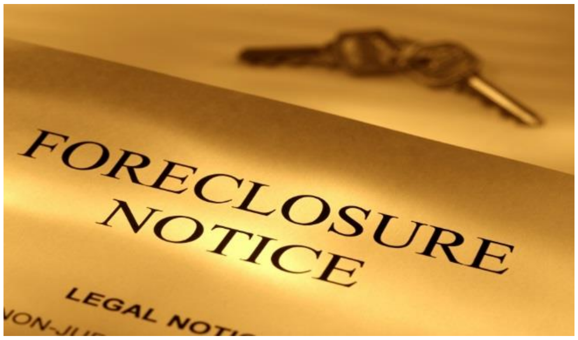

To FORECLOSE or SHORTSALE

When it seems like you have your back to the wall, you tend to not think about your options when you are in default on your mortgage. It is a very stressful time. Your head is spinning.

Here are some options for you to consider when in default:

1. **Reinstatement of Loan (Cure):** This option is paying the lender everything that is owed in one lump sum to include missed payments, any late fees associated with these payments, foreclosure fees, legal fees and the principal owed during the delinquency.

2. **Repayment Plan:** This is a written agreement between the lender and you, the seller. These plans require higher payments than the regular monthly mortgage amount for a period of time until the loan is brought up-to-date.

3. **Loan Modification:** A loan modification involves changing one or more terms of a mortgage. Modifications can be considered to reduce the interest rate of the mortgage, change the mortgage product (from an adjustable rate to a fixed rate, for example), extend the term of the mortgage or capitalize delinquent payments (add delinquent payments to the mortgage balance-only available in extreme hardship situations). Modifications are NOT easily granted and there must be strong, justifiable reasons for the request.

4. **Forbearance Agreement:** The lender will allow you a period of time (3-6 months typically) of either low payments or no payments at all. Unless the loan term is extended (which happens rarely), the later payments generally will have to be higher than the original monthly mortgage payments until the loan is up-to-date.

5. **Special Forbearance (FHA Loans only):** Allows eligible borrowers to postpone monthly mortgage payments for a minimum of four months. While there is no limit on the maximum number of months, at no time may the agreement allow the delinquency to exceed the equivalent of 12 monthly PITI installments.

6. **Deed-in-Lieu:** A Deed in Lieu is an option in which you, the borrower, voluntarily deeds collateral property in exchange for a release from all obligations under the mortgage. A DIL may not be accepted from borrowers who can financially make their payments. If a borrower qualifies for a DIL program they may be eligible for cash back from the lender as in the "Cash for Keys" program.

7. **Cash Sale:** You, the borrower, sell the property, pay off your loan, and, depending on the equity, may net some cash out of the deal. The challenge, of course, is being able to sell it quickly enough, which most often requires a substantial drop in the price.

8. **Short Sale:** You, the borrower make an agreement with an investor to sell it for less than is actually owed, subject to approval of the lien holders. This generally results in no cash to the homeowner, but will be better for his credit than a completed foreclosure.

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9. **Refinance:** You, the borrower may be able to refinance and get a new loan, but generally this is difficult because the borrower has little equity and poor credit. The new loan likely will have higher payments than the old loan.

10. Do Nothing: **<u>The worst choice for you, the seller, whose credit will be ruined</u>**, but you can stay in the house for several months for nothing, save up some cash, and move when the lender or the high bidder from the auction eventually evicts you.

Once you have exhausted the many options listed you will more than likely be face with tow of the most common scenarios 1) go through the foreclosure process OR 2) do a short sale.

If you want to save your credit, doing short sale is your option. You might not walk away with any cash but at least you can have a fresh start without destroying your credit. Going through a foreclosure with put a black on your credit for years. It won’t hurt your credit if you allow the property to go through a short sale.

A short sale is still time consuming and your lender must approve the short sale. Before it is too late, ask your lender if they would allow a short sale. This could be your best way out.

JP REAL ESTATE GROUP LLC – A company that provides solutions to your real estate needs.
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