

TheColumbusTeam

AVOIDING FORECLOSURE



(614)888-6100



TheColumbusTeam
We Know Columbus.
614.888.6100

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Selling a Challenged Home in Today's Market- How to Get Out and Get On With Life

You've run out of options, and losing your home is on the horizon. You either:

Have a payment that has become so high you can't afford it

Lost your job and can't make the payments

You've tried to sell your home, but the value is less than you owe

The **Home Affordable** plan announced March 4, 2009 by the US Department of the Treasury now offers a few more options than in the past. New federal guidelines are meant to shorten the process and agreements between lenders, real estate agents, buyers and sellers.

The **Home Affordable Refinance** program was created for homeowners with a Fannie Mae or Freddie Mac mortgage who have kept up with their payments, but cannot refinance because their homes have lost value, resulting in a loan-to-value ratio that is above 80%. These homeowners are now eligible to **refinance** to a lower mortgage rate, or **convert** their adjustable rate mortgage into a fixed rate loan. ***This program will end June 2010.***

The **Home Affordable Modification** program helps homeowners **avoid foreclosure** by reducing monthly mortgage payments. Loan providers are looking for the following eligibility requirements:

Loan was originated on or before 1/1/09

A primary mortgage for owner-occupied homes with a maximum balance of \$729,750

Borrowers to fully document income and sign an affidavit of financial hardship

Loans can be modified only **once** under program up to 12/31/12

The **Home Affordable Foreclosure Alternatives** program was announced May 2009 to help homeowners that are unable to keep their home under the Home Affordable Modification program. The same eligibility requirements above apply, plus the homeowner's total monthly payment must exceed 31% of gross income. Lenders will offer the homeowner a **short sale agreement** that will pre-approve the short sale terms before listing the home. The lender is prohibited in requiring a reduction in the agreed upon listing commission for the realtors. Borrowers are to be fully forgiven of any future liability for the first mortgage debt. There are also financial incentives- \$1500 for borrower relocation assistance, and \$1000 for lenders for processing costs.

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The lender must either discuss a short sale or a Deed in Lieu of foreclosure (see below), or notify the homeowner in writing of these options. The process is as follows:

The homeowner has 14 days to respond. If the homeowner does *not* respond, the lender is no longer responsible to offer this program. Once the short sale agreement is signed by all parties, the homeowner has 120 days to sell the home. This selling period can be extended up to 12 months.

Once an offer is received, the lender must approve or deny the offer within 10 business days.

Deed in Lieu of Foreclosure is the alternative to a foreclosure. This is a settlement, which is voluntarily made, and in good faith in which the borrower surrenders their house to the lender and moves on with nothing owed.

The main advantage for the borrower is that it immediately releases them from the debt associated with the defaulted loan. The borrower also avoids a painful and time consuming foreclosure.

The main advantage for the lender is a reduction in the time and cost of repossessing the property. In most cases a lender will only accept a deed in lieu **if there are no other liens** attached to the property (like a second or equity mortgage), or these liens can be significantly reduced. The reason is because they do not want to be responsible for the other liens that are attached to the property; this is why most lenders will push for a foreclosure instead because it removes all junior liens.

There can be other ramifications for the owners when it comes to a deed in lieu of foreclosure. It is advisable to contact an attorney or another third party prior to making this decision.

In all cases, homeowners will only hurt themselves further if they do not communicate with their lender. Ignoring your lender will accelerate the foreclosure process. **Talk** to your lender, an FHA certified home counselor, a realtor and other professionals early in your situation- and often. You can get the information you need without paying fees. Foreclosure and home loan modification scams are out there- **don't become a victim.**

TheColumbusTeam can help you determine if a short sale will be an effective solution for your situation. Call (614) 888-6100 or email Homes@TheColumbusTeam.com for your confidential assessment today!