

**SHORT SALE
SPECIALIST
NETWORK**

*"Preventing Foreclosures
One Home at a Time"*

Mark Karten

License #: 60671

The Karten Group

2015 E. Windmill Lane

Las Vegas, Nevada, 89123

Primary Phone: 702-301-4878



Finding The Right Solution

The housing crisis has caused a great deal of stress to homeowners in hardship, and has pushed more than one out of every seven of them into the path of foreclosure. Options have been made available to homeowners trying to avoid foreclosure; options like repayment, mortgage modification, deed in lieu of foreclosure, Bankruptcy, and short sale. In this article we will take a look at these different options available to home owners who are in financial hardship

Foreclosure

While foreclosure should not be an option for most borrowers in hardship, it is the inevitable outcome if action is not taken. A foreclosure simply destroys a home owners credit and will make it impossible for a borrower to qualify for most loans in at least five years or more. In addition and perhaps most importantly, after a foreclosure, a borrower is still liable for the original amount they owe their lender in many cases. This means that in most states, lenders can come after a defaulted borrowers vehicles and other assets years after a foreclosure is completed. While foreclosure can seem like the easy and simple solution, it can also be the most costly to all parties.

Repayment Plan / Forbearance

An option like a repayment plan, also called a forbearance, is designed to allow the homeowner to pay back delinquent mortgage payments over a certain amount of time. Forbearance are best successful in a situation when a borrowers hardship was only temporary, and they are already on the road to complete financial recovery. If the hardship is still not completely resolved at the time the borrower enters into the forbearance, it is typically only a temporary fix to a financial problem.

Loan Modifications

Another option for the homeowner who wants to avoid a foreclosure might be a mortgage modification. A mortgage modification can do one of the following; change the principal balance of the loan, the length of the loan, or the interest rate. When opting to try a mortgage modification, it is good to know that the homeowner can be in default, in foreclosure, in bankruptcy, late, or current at the time the application for a mortgage modification is made. Actual principle reductions in the mortgage balance are extremely rare and occur in less than 1% all loan modifications, with the vast majority of loan modifications still leaving borrowers still in a negative equity position. Most successful loan modifications will usually bring the homeowners mortgage payments down but prolonging the loan term. Historically, loan modifications are offered as a temporary solution to borrowers, similar to putting a band-aid on a hemorrhage. In most cases they only prolong the inevitable downward path that financial hardship brings. In recent years, many loan modifications have become good permanent solutions to borrowers whose hardship is temporary and who can

easily afford a slightly lower payment.

Deed In Lieu of Foreclosure A deed in lieu of foreclosure is an option that can be available to a homeowner in default that is already in foreclosure proceedings. This this option can allow the homeowner to deed back title to their home to their lender prior rather than continue with the foreclosure process. Lenders will benefit from a deed in lieu because they will not have to invest more time and capital resources in the foreclosure process and dealing with potentially vandalized property should the home sit for a long time after the foreclosure process. While this may seem like a good option to many home owners in hardship in order to **wash their hands** of the situation, there can still be severe penalties. In most cases, the borrower is still completely liable for the deficiency (loan balance less proceeds from final property sale), and their lender can and will pursue collections years up the road. In addition, the impact to a borrowers credit and ability to purchase a property again in the future is nearly identical to a foreclosure.

Bankruptcy

Bankruptcy has been a considered option for homeowners who want to stop foreclosure, however; only in some states and situations can a bankruptcy be a foreclosure solution. Bankruptcy will not stop the foreclosure process but simply delay it if a homeowner cannot afford to continue with their mortgage payments. Filing for bankruptcy during a foreclosure can result in a damaged credit score, can be expensive and can only be filed once every seven years. A bankruptcy can not only effect a borrowers current and future employment in many fields, but will also scar a borrowers credit for many years to come. While a bankruptcy may seem like an easy way out, it should only be used as a last resort.

Short Sale

A more common method to avoid foreclosure has been to do a short sale. A short sale is for the homeowner who has encountered a financial hardship that has caused them to be late on mortgage payments or for the homeowner who foresees their hardship taking a toll on their ability to pay their mortgage in the future. In a short sale the lender will take a lesser pay off than what they are owed once the home is sold. This is not done as a favor to the borrower, but only for the lender to also avoid expensive foreclosure expenses and minimize future loss. A short sale will allow the homeowner to stop foreclosure and save the huge impact a foreclosure would have on their credit. A short sale will typically recover from a homeowners credit in a short period of time and leave them eligible to purchase a home again in only to years. In addition, in most cases the lenders will completely forgive the borrower of any deficiency or short fall in the money that they were originally owed. Lenders are so motivated to cut their losses with a short sale, there are also many cash back incentives offered to borrowers to complete a short sale.

It is important for homeowners to understand that they do have options available to avoid foreclosure and should immediately seek the guidance of a local short sale specialist or housing counselor as soon as they start to realize their financial situation could take a toll on their place of living. Contact us for no cost assistance and guidance during your time of greatest need.