



CERTIFIED DISTRESSED  
PROPERTY EXPERT®

# Homeowner Presentation

*Solving the Foreclosure Crisis  
One Homeowner at a Time™*

*Real estate professional is not an attorney or tax professional and is not providing legal, financial or tax related advice.*

# You Are NOT Alone!

Millions of homeowners are struggling economically and are not able to make their monthly mortgage payments!

**Knowledge is Key!**

**Know your options.**

# Foreclosure Explained

# Foreclosure Explained

- Foreclosure is a **PROCESS**, not a single event.
- States are either Judicial, Non-Judicial or both.
- Foreclosure can also be initiated if delinquent on **HOA/CONDO PAYMENTS** or **PROPERTY TAXES**.

# Foreclosure Timeline

**Default:** Occurs upon their first missed mortgage payment. Federal Law requires that the lender wait until the borrower is at least **120 days** delinquent on their mortgage.

**Legal Notice:** The lender or foreclosing party must notify the owner that they are entering into the foreclosure process. This can be done through either personal service of a document or, if the owner cannot be located, through publication in a legal journal. In Florida, this is called a “Notice of Lis Pendens (or notice of a lawsuit.)” In California, it is called a “Notice of Default” or “NOD”. In different states, it can also be referred to as a “Complaint,” “Notice of Sale” or a “Petition”.

**Bank Sale or Auction Date:** The homeowner is informed that he or she has a bank sale or auction date, at which point the foreclosing mortgage company will gain control of the property.

**Redemption Period:** Not all states have a redemption period. This is a period of time in which the homeowner may present payment to the bank and regain possession of the property.

# FORECLOSURE CONSEQUENCES

## Future Purchase & Credit Impact

- You will be ineligible for a government insured loan for **5-7** years (only 3 years in a short sale).
- You always have to **DISCLOSE** on any mortgage application and many job applications.
- Credit scores can be significantly **LOWERED**.



## Potential Employment Issues

- Many jobs and professions require a security clearance not limited to Government jobs, Military, Law Enforcement, etc.
- A foreclosure on their record could cost them their current job or prevent them from getting hired.

## Security Clearances

- Many jobs and professions require a security clearance.
- Foreclosure can jeopardize their security clearance and risk loss of employment.

## Potential Deficiency Judgment

- Check if your State allows the lender(s) to pursue a deficiency judgement against the borrower(s).
- If so, the lender(s) to sue the borrower to recover losses.
- Applies to both Short Sales & Foreclosures.
- In a properly executed Short Sales, the lender(s) **WAIVES THE RIGHT** to pursue a deficiency judgment.

# Tax Liability Due To Cancellation of Debt

- Forgiven debt is considered to be taxable income.
- Mortgage Forgiveness Debt Relief Act of 2007 provided relief to homeowners that qualified.
- Program expired on December 31, 2012.
- Homeowner should speak with a Tax Professional.

FORECLOSURE IS **NOT**  
THE ONLY OPTION!

Foreclosure  
Alternatives:  
Keeping The Home

## REINSTATING THE LOAN

- A viable option if the hardship was temporary and has been resolved.
- Can be done up to the Bank Sale Date.
- All past due payments and late fees must be paid in full prior to the sale or auction date.

# FORBEARANCE OR REPAYMENT PLAN

- A viable option if the hardship was temporary and has been resolved.
- Borrower contacts lender for approval.
- Borrower may be allowed to make their back payments over time.
- Normally does not fully reinstate mortgage until plan is completed

# REFINANCE

Not a viable option if you don't have sufficient equity, a qualifying credit score or they are behind on their mortgage payments.



# LOAN MODIFICATION

- May reduce payments by lowering interest rate and/or extending the repayment period.
- Requires that you qualify for the loan, based on actual income.
- Many times, results in higher mortgage payments.
- Typically, does not reduce the principal balance.

Foreclosure  
Alternatives:  
Leaving The Property

## SELL THE PROPERTY

- If you have equity, you can sell your property, pay off the mortgage(s) and cure the foreclosure.
- You may have more time than you think, after receiving the foreclosure notice, to list your property for sale.

# RENT THE PROPERTY

- This option should only be considered if the property is no longer in foreclosure.
- You should NOT be collecting rent from a tenant and not be current on your mortgage payment.
- Many time the rent does not cover the total cost of the keeping the property.
- Don't forget to factor in property taxes, insurance, and any HOA payments and maintenance, in addition to your mortgage payment(s).

## DEED IN LIEU OF FORECLOSURE

- “Friendly Foreclosure”. Title of property is transferred to the lender instead of undergoing the foreclosure process.
- Can appear on their credit report as a foreclosure.
- Usually only works only in cases with one mortgage.
- Forgiveness of debt taxes and/or deficiency judgement may apply.

# BANKRUPTCY

- Delays a foreclosure, court issues a “**STAY**” of foreclosure
- More complicated to sell the property once initiated, as it requires **TRUSTEE** approval
- Will only delay a foreclosure does not equate to a free house or no mortgage

# What if your property is “under water”, has no equity?

(You owe more than the property can be sold for to cover all outstanding liens, closing costs and commissions)

**A Short Sale is a viable option.**

# SHORT SALE EXPLAINED



# SHORT SALE

- Property **MUST** be underwater. More is owed, including closing costs and commissions, than the property can be sold for.
- A Short Sale takes place when a contract is submitted to the bank(s), for **LESS** than the amount owed.
- Bank accepts offer and releases **TITLE**, allowing the sale to take place.
- Not intended to be a “get me out of my mortgage free” card.
- Supposedly only for those who meet all **Qualifications**.
- **Dignified** Exit.

**SHORT SALE**

**VS**

**FORECLOSURE**

# Foreclosure VS Short Sale

## SHORT SALE VS. FORECLOSURE



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ISSUE	FORECLOSURE	SUCCESSFUL SHORT SALE
Future Fannie Mae Loan (Primary Residence) <sup>1</sup>	A homeowner who loses a home to foreclosure is ineligible for a Fannie Mae-backed mortgage for a period up to 7 years with some exceptions based on extenuating circumstances. See: efanniemae.com	A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae-backed mortgage within 2 years.
Future Loan with any Mortgage Company	On any future 1003 application, a prospective borrower will have to answer YES to question C in Section VIII of the standard 1003 that asks "Have you had property foreclosed upon or given title or deed-in-lieu thereof in the last 7 years?" This will affect future rates.	FHA – If current at the close of short sale, a homeowner may apply for an FHA loan immediately. If homeowner is late before close of short sale closing, will be eligible for FHA loan after 3 years. <sup>2</sup>
Credit Score	Score may be lowered anywhere from 250 to over 300 points. Typically will affect score for up to 7 years.	Only late payments on mortgage will show, and after sale, mortgage is normally reported as "paid as agreed," "paid as negotiated," or "settled." This can lower the score as little as 50 points if all other payments are being made. A short sale's effect can be as brief as 12 to 18 months.
Credit History	Foreclosure will remain as a public record on a person's credit history for 7 years or more.	A short sale is not reported on a person's credit history. There is no specific reporting item for "short sale." In most cases a loan is typically reported "paid in full, settled" or "paid as negotiated."
Security Clearances	Foreclosure is the most challenging issue against a security clearance outside of a conviction of a serious misdemeanor or felony. If a client has a foreclosure and is a police or security officer, in the military, in the CIA, or any other position that requires a security clearance, in almost all cases clearance will be revoked and position will be terminated.	On its own, a short sale does not challenge most security clearances. <sup>4</sup>
Current Employment	Employers have the right and are actively checking the credit regularly of all employees who are in sensitive positions. A foreclosure in many cases is ground for immediate reassignment or termination.	A short sale is not reported on a credit report and is therefore not a challenge to employment. <sup>5</sup>
Future Employment	Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit items an applicant can have and in most cases will challenge employment.	A short sale is not reported on a credit report and is therefore not a challenge to employment. <sup>6</sup>
Deficiency Judgment	In 100% of foreclosures (except in those states where there is no deficiency), the bank has the right to pursue a deficiency judgment.	In some successful short sales it is possible to convince the lender to give up the right to pursue a deficiency judgment against the homeowner.
Deficiency Judgment (amount)	In a foreclosure the home will have to go through an REO process if it does not sell at auction. In most cases this will result in a lower sales price and longer time to sale in a declining market. This will result in a higher possible deficiency judgment.	In a properly managed short sale the home is sold at a price that should be close to market value and in almost all cases will be better than an REO sale, resulting in a lower deficiency.

If you or someone you know is in danger of losing their home to foreclosure, **Contact Me Today!**



Why Hire A CDPE?

# WHY HIRE A CDPE?

- Through comprehensive training and experience, CDPEs have an understanding of the complex issues confronting distressed properties.
- We are able to survive and thrive in current market conditions while providing solutions for homeowners facing hardships.
- CDPEs don't merely assist in buying and selling properties, we serve and help save our clients in need.