



HOMEOWNERS

Short Sale Clinic

A free community service
provided by
Your Local Real Estate Agent
Specializing in short sale properties

Welcome To Our Clinic

Thank you for taking this important step to watch this presentation. While each situation is unique, thousands of people are suffering and experiencing the same kind of difficulties you are. The good news is that you'll discover that you do have options and you are not alone!

About Us

Your Short Sale Negotiators

We are highly committed to each client and provide uncompromising service. Our staff of experienced negotiators provides the persistence and professionalism required for effective negotiation with lenders. We recognize these are difficult times and negotiate the best possible Short Sale terms for our clients.

What Can You Expect From This Clinic?

- ◆ Understand how a Short Sale works and it's context
- ◆ Understand what options are available to you
- ◆ Know what a lenders requires & what exactly is a “hardship”
- ◆ Common Short Sale issues
- ◆ Common scams to be aware of
- ◆ How we can help you make an informed decision

What is Loss Mitigation?

An effort by the lender to help a borrower who has been unable to make loan payments and is in danger of defaulting on his or her loan; a process to avoid foreclosure.

- ◆ Established by federal government and mortgage industry to stop foreclosures
- ◆ Each lender has their respective policies

How does a **Short Sale** work?

In a Short Sale a homeowner is permitted to sell their home for less than what is owed. This negotiation process becomes necessary when a selling homeowner owes more than it is worth. A Short Sale is also referred to as a pre-foreclosure sale.

A Short Sale is generally available to those who suffer financial or personal hardship. This negotiation process is not simply an escape from a bad investment or an ill-suited loan, a true hardship must exist. As part of the Short Sale negotiation a lender can release the borrower from any future liability on the mortgage.

A Typical Short Sale Situation

Victor R., Costa Mesa

2006 – Bought house for \$701,000

100% financing

\$570,000 1st loan

\$131,000 2nd loan

2009 – House is valued at \$570,000

Short Sale – negotiated with 1st lender to accept \$433,000 and give \$3,000 to the 2nd lender.

1st lender also paid 5% commissions, termite repairs & closing costs.

2nd lender agreed to \$3000 settlement and released their lien.

Victor was able to sell his house minimizing the impact on his credit & avoided foreclosure!

The Foreclosure Timeline

(The following are general timeframes)

- 1 day late:** The borrower's credit can be affected.
- After a few days:** The Lender begins contacting borrower & start the collection process.
- After 1 +/- months:** The Lender may begin the foreclosure process by sending a **Letter of Intent to Foreclose**. This is a warning to borrower to take immediate action or the Lender can file proceed to foreclosure by filing a **Notice of Default**.
- 30 +/- days later:** The **Notice of Default** can be filed and recorded.
- 3 months later:** If no action is taken the Lender can file a **Notice of Sale**.
- About 21 days later:** The property can then be sold on the steps of the courthouse and the borrower will lose their home.

If no action is taken by the borrower they will most likely lose their home & the borrower's credit can be seriously damaged by foreclosure!

A Short Sale can be accomplished any time prior to a foreclosure sale.

Remedies

Two Main Categories:

If You Want To Keep Your Home

- ◆ Repayment Plan
- ◆ Forbearance/Payment Deferment Plan
- ◆ Loan Modification
- ◆ Partial Claims (for borrowers who hold Private Mortgage Insurance)
- ◆ Refinance

If You Don't Want or Cannot Keep Your Home

- ◆ **Short Sale (most common)**
- ◆ Deed in Lieu of Foreclosure (voluntary repossession)
- ◆ Loan Assumption (very rare)

Lender Required Documentation

- ◆ A Handwritten Hardship Letter
- ◆ A complete Household Financial Statement
- ◆ Current Mortgage Statement for each loan
- ◆ Last 2 Tax Returns
- ◆ Last 4 Most Recent Pay Stubs
- ◆ 3 Most Recent Bank Statements
- ◆ Any other documentation that supports your hardship explanation.

Note: This information MUST be packaged and identified in the proper “stacking order”.



Let's Examine **Qualified Hardships**

- ◆ **Job Loss or significant reduction in pay**
- ◆ **Increase in Household Expenses** (Mortgage Rates Adjusting)
- ◆ **Divorce, Legal Separation**
- ◆ **Illness/Disability**
- ◆ **Relocation**
- ◆ **Military**

Impact of hardships:

- ◆ **Begin being late on their mortgage payments**
- ◆ **Depleting their savings**
- ◆ **Jeopardizing their future and their family's future**
- ◆ **Ruin their credit and their ability to borrow**

Credit Rating Impact & Taxes

- ◆ **Every 30 day late payment negatively impacts your credit. Act as soon as possible!**
- ◆ Some strategies, such as forbearance or any debt forgiveness may also negatively impact your credit.
- ◆ Depending on the type of loan, forgiveness of debt can be treated as income. **The lender can issue a 1099 form for the forgiven debt.** To determine if you **may** be exempt from claiming the 1099 income on your federal income tax return you should seek the advice of your accountant or CPA.

For additional information visit:

www.irs.gov/newsroom/article/0,,id=174034,00.html

Common Scams

- ◆ Phony counseling or phantom help
- ◆ Bait & Switch scams (People think they are signing certain documents when in fact they are signing over the deed of their home)
- ◆ Rent to Buy schemes
- ◆ Bankruptcy to avoid foreclosure

If you suspect a scam, you should report it immediately to the local authorities.

Potential Scam **Red Flags**

- ◆ Guarantees to stop foreclosure process regardless of your circumstances
- ◆ Collects a fee before providing you with any services
- ◆ Encourages you to lease your home so you can buy it back over time
- ◆ Tells you to make your mortgage payments directly to them, instead of lender
- ◆ Advises you not to make your mortgage payments
- ◆ Recommends you to transfer your property deed or title to them
- ◆ Offers to buy your house for cash at a fixed price that is not set by the housing market at the time of sale
- ◆ Offers to fill out the paperwork for you
- ◆ Pressures you to sign paperwork you haven't had a chance to read or that you don't understand

If you suspect a scam, you should report it immediately to the local authorities.

Most Common Mistakes Made When Trying to Work With Your Lender



- ◆ Talking to the wrong department trying to negotiate a workout solution. *i.e.: Talking to the Customer Service or Collection Dept.*
- ◆ Giving too much information or saying too much
- ◆ Not providing all required documentation at one time
- ◆ Not knowing what information the lender needs
- ◆ Not understanding their mortgage types & guidelines
- ◆ Not understanding the banks process
- ◆ Not properly completing an effective hardship letter and financial statement that the lender will approve
- ◆ **Lack of consistent follow-up**

Strategies for a distressed homeowner

- ◆ **Doing nothing is NOT a good choice!**
- ◆ Negotiate with your lender yourself.
- ◆ Use experienced loss mitigation professionals to negotiate on your behalf.

The Following Is Key:

- ◆ Early communication - DO NOT ignore your lender.
- ◆ List your house for sale if you don't qualify for other options.
- ◆ Do not fall victim to scams!

How can we help you?



We provides the following services:

- ◆ A confidential consultation to review your circumstances and determine if a Short Sale will work for you.
- ◆ Proper preparation of your Short Sale file for lender review in a format they understand.
- ◆ Guidance in writing for an effective and accurate hardship letter for a strong Short Sale package.
- ◆ Negotiate with your lender(s) on your behalf.
- ◆ Provide consistent follow-up with the decision makers for your lender.
- ◆ Request lender(s) to report in such a manner to have minimal impact on your credit score.
- ◆ Request lender(s) to forgive outstanding balances on loans as part of Short Sale agreement.
- ◆ Provide documents necessary to stop collection calls.
- ◆ Help you avoid scams.

What To Do Next?

1. If you are starting to experience financial difficulties, **BE PROACTIVE!**

Call us **NOW** before you become late.

2. If you are already late and/or if you received a Notice of Default from your lender, **NOW IS THE TIME TO ACT!**

OUR FEE STRUCTURE

NO UPFRONT FEES

WE ONLY GET PAID ONCE THE SALE CLOSES

Take action today!

We can help you regain peace of mind.

Your Local Real Estate Agent
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Call us: 866-990-1437

Disclaimer: The information presented here is general information and should not be confused with legal advice. If you require legal advice for your individual circumstances, please consult with your attorney. All information provided is deemed reliable, but not guaranteed. **YOU MUST SEEK ADVICE FROM A KNOWLEDGEABLE ATTORNEY OR EXPERIENCED TAX SPECIALIST REGARDING YOUR LEGAL RIGHTS AND TAX IMPLICATIONS OF A SHORT SALE.**