

## Top 12 Reasons To Avoid Foreclosure!

1.) The homeowner will always have to disclose that they have had a foreclosure on any mortgage application and (many job applications) that you submit in the future and this can have an adverse affect on your future mortgage rates.

**\*This is the only credit item that is asked specifically and does not rely on what is on an individual's credit report. There is no 7 year time limit on this item.**

2.) Credit scores will be lowered by 300+ points (per loan) and a foreclosure is the most devastating credit issue you can have in relation to future credit availability.

3.) The homeowner will be ineligible for a government insured loan for 5 to 7 years (only 2 years in a short sale)

**\*A Foreclosure is the one credit report item that is almost impossible to have repaired.**

4.) Your lender can seek a deficiency judgment against you and collect for any amount they do not recuperate at bank sale.

5.) Many employers run credit checks on prospective employees and foreclosure is one of the top items that will put a potential new hire in jeopardy.

6.) Many current employers run credit checks and a foreclosure can put a current position in jeopardy.

7.) Security clearances and government positions including but not limited to military and law enforcement can be jeopardized by a foreclosure.

**\*Revocation of security clearance can result in job reassignment or loss.**

8.) The tax liability in a foreclosure may be much higher than in a property negotiated short sale since in most cases cancelled debt will be higher.

9.) As your Certified Distressed Property Expert (CDPE) we will explore every option with you and work towards a resolution.

10.) While it may not seem like it now there will come a time where your current financial troubles will pass. You will feel much better knowing that you did everything you could to avoid this devastating financial consequence so many people face today?

11.) Protect and Preserve Homeownership.

12.) Protect and preserve Homeowner Equity.

## What is a Short Sale?

A short sale is a negotiation in which the homeowner qualifies and the mortgage company or companies accept less than the full balance of the loan at closing. A relatively new solution to a financial crisis, the short sale has been used successfully in Maryland and in Baltimore as one of the last options before foreclosure. With plummeting property values, this can save many people from foreclosure and even bankruptcy. More and more lenders are willing to consider short sales because they are much less costly than foreclosures.

### Top 16 Seller Benefits of a Short Sale:

- No additional funds required at closing
- Lender pays real estate commissions
- Avoid foreclosure and many times a judgment
- Preserve credit
- Commission and fees paid by lender. No cost to seller.
- Does not go against your credit
- Negotiated settlement
- No attorney fees
- Seller's peace of mind
- Buy again in 2-3 years
- Liens Negotiated
- Stay in the property longer
- Smoother transition
- Avoid foreclosure on your credit
- May avoid bankruptcy
- Less worry

A short sale requires a **Certified Distressed Property Expert** who understands the complexity of this process and the extensive documentation required. The success of a short sale depends on the knowledge and ability to work closely with lenders, banks, accountants, attorneys and REALTORS®. The short sale is one of the most important aspects of real estate in today's market.

Act now to prevent possible foreclosure!

Call Roxanne Simons at (410) 808-2974 or Liz Etzel-Todorov at (410) 599-4161 WE CAN HELP!!!!

## What is a Distressed Property?

- Property that is in poor physical condition.
- Property that is or will soon be in some stage of the foreclosure process.
- Property owned by a person or persons who are experiencing a period of financial instability.
- Property on which the mortgages total an amount higher than the current value and owner must sell.

In any given market there is always a certain percentage of homes or homeowners who are distressed.

## Who is a Distressed Property Expert?

A licensed Maryland REALTOR® and foreclosure prevention expert who has been certified through a national program called the Distressed Property Institute.

Roxanne Simons and Liz Etzel-Todorov completed extensive training in foreclosure avoidance and short sales, and have earned the prestigious **Certified Distressed Property Expert (CDPE®)** designation. They offer invaluable expertise at a time when the area is ravaged by "distressed" homes in the foreclosure process. Roxanne and Liz are advocates for the distressed property owner. They understand your options, the urgency, the opportunities and most importantly, the process. They are knowledgeable professionals who have been helping homeowners to find the best solutions to their financial crisis.

Roxanne and Liz are:

- Informed on issues and options
- Knowledgeable of detailed processes and procedures
- Your lifeline in a real estate crisis

## “Time Is of the Essence”

Homeowners who are experiencing or expecting financial problems associated with a distressed property should obtain the services of a Certified Distressed Property Expert as early as possible. There may be options for those who act quickly.

**Not All Real Estate Agents Are Qualified Short Sale Experts!**

## Top 10 questions to ask your real estate agent before you sign on the dotted line

1. Can my real estate agent explain the short sale process to me?
2. How do I know if my property will qualify for a short sale?
3. Does my real estate agent know what information I will need to provide to the lending institution?
4. Does my real estate agent know what hardship categories qualify me as a short sale candidate with the lending institution?
5. Does my real estate agent know how to create an effective short sale strategy?
6. Does my real estate agent have prior experience and specialize in working with homeowners and lending institutions to create a short sale transaction.
7. Does my real estate agent know how to market my home since efficient timing is essential?
8. Does your real estate agent know how to price your home?
9. Does your real estate agent have a pricing/marketing campaign for 14/30/45days?
10. How do you know if you are really comfortable with the real estate agent you are selecting?

## Navigating Short Sales

### What to Do When the Sale Price Leaves You Short?

If you're thinking of selling your home, and you expect that the total amount you owe on your mortgage will be greater than the selling price of your home, you may be facing a short sale. A short sale is one where the net proceeds from the sale won't cover your total mortgage obligation and closing costs, and you don't have other sources of money to cover the deficiency. A short sale is different from a foreclosure, which is when your lender takes title of your home through a lengthy legal process and then sells it.

1. Consider loan modification first. If you are thinking of selling your home because of financial difficulties and you anticipate a short sale, first contact your lender to see if it has any programs to help you stay in your home. Your lender may agree to a modification such as:
  - Refinancing your loan at a lower interest rate
  - Providing a different payment plan to help you get caught up
  - Providing a forbearance period if your situation is temporary

When a loan modification still isn't enough to relieve your financial problems, a short sale could be your best option if:

- Your property is worth less than the total mortgage you owe on it.
- You have a financial hardship, such as a job loss or major medical bills.
- You have contacted your lender and it is willing to entertain a short sale.

2. Hire a qualified team. The first step to a short sale is to hire a qualified real estate professional and a real estate attorney who specialize in short sales. Interview at least three candidates for each and look for prior short-sale experience. Short sales have proliferated only in the last few years, so it may be hard to find practitioners who have closed a lot of short sales. You want to work with those who demonstrate a thorough working knowledge of the short-sale process and who won't try to take advantage of your situation or pressure you to do something that isn't in your best interest.

A qualified real estate professional can:

- Provide you with a comparative market analysis (CMA) or broker price opinion (BPO).
- Help you set an appropriate listing price for your home, market the home, and get it sold.
- Put special language in the MLS that indicates your home is a short sale and that lender approval is needed (all MLS' permit, and some now require, that the short-sale status be disclosed to potential buyers).
- Ease the process of working with your lender or lenders.
- Negotiate the contract with the buyers.
- Help you put together the short-sale package to send to your lender (or lenders, if you have more than one mortgage) for approval. You can't sell your home without your lender and any other lien holders agreeing to the sale and releasing the lien so that the buyers can get clear title.

3. Begin gathering documentation before any offers come in. Your lender will give you a list of documents it requires to consider a short sale. The short-sale package that accompanies any offer typically must include:

- a hardship letter detailing your financial situation and why you need the short sale
- a copy of the purchase contract and listing agreement
- proof of your income and assets
- copies of your federal income tax returns for the past two years

4. Prepare buyers for a lengthy waiting period. Even if you're well organized and have all the documents in place, be prepared for a long process. Waiting for your lender's review of the short-sale package can take several weeks to months.

**Some experts say:**

- If you have only one mortgage, the review can take about two months.
- With a first and second mortgage with the same lender, the review can take about three months.
- With two or more mortgages with different lenders, it can take four months or longer.

When the bank does respond, it can approve the short sale, make a counteroffer, or deny the short sale. The last two actions can lengthen the process or put you back at square one. (Your real estate attorney and real estate professional, with your authorization, can work your lender's loss mitigation department on your behalf to prepare the proper documentation and speed the process along).

5. Don't expect a short sale to solve your financial problems. Even if your lender does approve the short sale, it may not be the end of all your financial woes.

**Here are some things to keep in mind:**

- You may be asked by your lender to sign a promissory note agreeing to pay back the amount of your loan not paid off by the short sale.
- If your financial hardship is permanent and you can't pay back the balance, talk with your real estate attorney about your options.

**\*Any amount of your mortgage that is forgiven by your lender is typically considered income, and you may have to pay taxes on that amount. Under a temporary measure passed in 2007, the Mortgage Forgiveness Debt Relief Act and Debt Cancellation Act, homeowners can exclude debt forgiveness on their federal tax returns from income for loans discharged in calendar years 2007 through 2012. Be sure to consult your real estate attorney and your accountant to see whether you qualify.**

- Having a portion of your debt forgiven may have an adverse effect on your credit score. However, a short sale will impact your credit score less than foreclosure and bankruptcy.

Note: This article provides general information only. Information is not provided as advice for a specific matter. Laws vary from state to state. For advice on a specific matter, consult your attorney or CPA.

## Are you facing a financial hardship?

### 4 Temporary Loan Relief Alternatives:

1. Forbearance is an agreement to temporarily let you pay less than the full amount of your mortgage payment, or pay nothing at all, during the forbearance period. Mortgage companies may consider forbearance when you can show that funds from a bonus, tax refund, or other source will let you bring the mortgage current at a specific time in the future.
2. A reinstatement occurs when you pay your mortgage company the total amount you are behind, in a lump sum, by a specific date. This is often combined with forbearance.
3. A repayment plan is an agreement that gives you a fixed amount of time to repay the amount you are behind by combining a portion of what is past due with your regular monthly payment. At the end of the repayment period you have gradually paid back the amount of your mortgage that was delinquent.
4. A loan modification is a written agreement between you and your mortgage company that permanently changes one or more of the original terms of your note to make the payments more affordable. Common loan modifications include

### Adding missed payments to the existing loan balance

- Making an adjustable-rate mortgage into a fixed-rate mortgage
- Extending the number of years you have to repay

#### 4 Permanent Loan Relief Alternatives:

1. Assumption permits a buyer who qualifies with the existing lender to take over your mortgage debt and pay the mortgage payments, even if the mortgage is non-assumable. As a result, you may be able to sell your property and avoid foreclosure.
2. Short Sale if you can sell your house but the sale proceeds are less than the total amount you owe on your mortgage, your mortgage company may agree to a short payoff and then write off the portion of your mortgage that exceeds the net proceeds from the sale.
3. Deed-In-Lieu of Foreclosure your mortgage company may agree to a deed-in-lieu of foreclosure if you agree to voluntarily transfer title of your property to your mortgage company in exchange for cancelation of your mortgage debt. In most cases, you must attempt to sell your home for its fair market value for at least 90 days before a mortgage company will consider this option. This option may be unavailable if there are other liens on your home, such as judgments from other creditors, second mortgages, or tax liens.
4. Foreclosure a legal process in which a lender takes the title or forces the sale of a property as a result of the borrower's failure to comply with the terms and conditions of the mortgage.

- We believe that a Short Sale is the last option that a homeowner has before foreclosure.
- Preserving and protecting homeownership and homeowner equity is always the first priority.

## Legal & Tax Advice

Sellers are advised to obtain legal advice regarding the advisability and terms of any short sale agreement with creditor(s) and professional tax advice regarding the tax implications of any such sale.

This process will result in the loss of your home.

1. Can my real estate agent explain the short sale process to me?
  - Answer: We can clearly and logically help evaluate your situation, explain in detail the short-sale process, and create a strategy

1. How do I know if my property will qualify for a Short Sale?
  - Answer: Our Team knows the specific guidelines and understands the short sale process so that your property can be accurately evaluated to address your specific situation.
  
2. Does my real estate agent know what information I will need to provide to the lending institution?
  - Answer: Our Team will be able to ask the right questions and provide you with the appropriate paperwork to begin the process of creating a short sale package for the lending institution to review your current financial situation.
  
3. Does my real estate agent know what hardship categories would qualify me as a short-sale candidate with the lending institution?
  - Answer: There are very specific categories that lenders consider as qualified hardships. We will be able to review your situation and inform you of the different types of hardships that most lenders consider acceptable
  
4. Does my real estate agent know how to create an effective short-sale strategy?
  - Answer: A short sale will only be accepted by the lending institution if both your property and you meet the lending institution guidelines. With the knowledge and expertise of our team, every effort will be made to ensure that you have all of the necessary elements documented to qualify for and complete a short sale.
  
5. Does my real estate agent have prior experience and specialize in working with home owners and lending institutions to create a short-sale transaction?
  - Answer: This type of transaction has become a real estate niche. We have specialized knowledge and understanding of the systems required to be successful. As REO Specialists we deal with banks, loan servicers and asset managers on a daily basis. You can be sure that you have selected a firm with previous experience and expertise.

6. Does my real estate agent know how to market my home, since timing is essential?
  - Answer: We have specialized tools for selling your home, including the MLS (Multiple Listing Service), customized websites, bus tours and caravans, open houses, market flyers and brochures. Again, because timing is so crucial, we know about advanced technological services and know how to apply them to the sale of your home. Our specialty advertising includes: toll-free hotlines, fax-on-demand marketing, and 24-hour access to information on your home.
  
7. Does my real estate agent know how to price my home?
  - Answer: We understand the current market conditions and how the market is affecting home sale prices. We will be able to back up our assertions with solid proof by obtaining a comparative market analysis to include three items: the listing and selling prices of homes in your area, a description of comparable homes, and the length of time the homes have been on the market. This gathered information will give you confidence that your home's proposed market value is set at an accurate pricing range.
  
8. Does your real estate agent have a pricing/marketing campaign for 14, 30, and 45 days?
  - Answer: If your home isn't seeing much interest by prospective buyers after 14 days, the Open Minded Team will promptly be able to provide you with a list of things being done on a regular basis to generate activity. We will provide you with a "Weekly Status Gram" communication vs. you having to continually request updates and make suggestions as to how to sell your home. The Open Minded Team has the professionalism and expertise in the short sale market.
  
9. How do I know if I am really comfortable with the real estate agent I am selecting?
  - Answer: This is a great question to ask yourself. We have all had times where we went along with a decision because of pressure but knew it wasn't the right choice. Ask yourself if you trust The Open Minded Team and more importantly, if you feel confident in the way we conduct business. We are happy to provide references so that you can be educated with our skill level and expertise in selling your home as a short sale. You are dealing with a very emotional issue selling your home. Make sure you are making good business decisions during this trying time. If you decide what we have to offer is not for you, then we'll walk away with no pressure. Fair enough?

## What is a Short Sale

- A short sale occurs when the net proceeds from the sale of a home are not enough to cover the sellers' mortgage obligations and closing costs, such as property taxes, transfer taxes, and the real estate agent's commission. A short sale is an alternative to foreclosure which may benefit both lender and borrower alike. The lender is getting paid back much of the money which it lent to the borrower as well as getting rid of the property. The borrower is getting out of their mortgage without having to go through foreclosure proceedings or expend any more money towards the home. Typically, the lender pays practically all sales costs, including repairs, escrow and title fees and realtor commissions.

### How Do I Know If A Short Sale On My Property Is Right For Me?

Because of the current market conditions, mortgage lenders are more willing to work with borrowers faced with a financial hardship by agreeing to the short sale process. If you are faced with a hardship and are unable to meet your financial obligation on your mortgage, your lender would prefer to settle the matter with you as opposed to taking the property through the foreclosure process.

### If I Do A Short Sale, What Do I Have To Pay To Sell My Home?

In most cases, you will pay literally no sales costs if your lender approves the Short Sale. The agent commissions, title and escrow fees, and even most repair expenses are paid by the lender as part of the Short Sale approval. In most cases, the amount the lender reduces the seller's payoff is considered to be forgiveness of debt. This amount is normally taxable. Only a tax professional can make this determination, but expect to receive a 1099 on the amount forgiven by the lender as income for you to be taxed on for the year in which you closed the property.

### How Do I Get Started On the Short Sale Process

There are very specific categories that lenders consider qualified hardships. A short sale can only take place if both your property and you qualify. You will need to make sure you are working with an

experienced short-sale transaction management team so that you will increase the odds of having your lender accept the proposed short sale with your first request. **Not all lenders will accept a short sale.** Experienced negotiation is the key.

### What Hardship is Acceptable for a Lender?

Below you will find a list of hardships that are frequently accepted by mortgage lenders:

- Job relocation
- Unemployment
- Significant income loss
- Divorce
- Separation
- Excessive medical bills
- Death of spouse
- Death of a family member
- Business failure
- Damage to property
- Incarceration
- Military service
- Adjustment in mortgage payment or unforeseen increase in living expenses

Most mortgage companies or lenders require the hardship letter pursuant to a short sale. In the hardship letter, it is important to present the facts clearly, and above all else, be honest. The hardship letter must be able to prove the situation that caused you to fall behind on your payments and the excuse for falling behind must be legitimate and provable. A hardship is defined real and the mortgage company believes the loan is likely to become delinquent.

### Do My Mortgage Payments Need To Delinquent?

- Most lenders will turn down your request for a short sale if the seller is currently making the payments. The only time they will consider it a short sale, is when the seller's payments are delinquent. This presents a particularly difficult dilemma for the seller. Sellers who keep their payments current are protecting their credit rating, but the lenders require delinquency to do a short sale transaction.

### I Have Two Loans; Can I Still Do A Short Sale Transaction?

- Yes. We will have to work with both lenders to put together a Short Sale transaction packet. Most sellers in this situation are usually successful at getting the two lenders to cooperate because neither lender wants to own another home through foreclosure.

### I Am Concerned About My Credit-How Will A Short Sale Effect My Credit?

- Late payments leading up to a Short Sale will negatively impact your credit. Much depends on how the lender reports the Short Sale to credit rating agencies such as Experian. However, if your bank accepts a Short Sale and does not negatively report, the short sale will not in itself negatively impact your credit score. For sellers, the key advantage to selling in a short sale is avoiding foreclosure. A short sale does less damage to a person's credit report than a foreclosure. It's also less detrimental than a deed-in-lieu (of foreclosure), in which a borrower gives the lender the keys to the house and stops paying the loan.

## Seller Homework

### List of Required Documentation for a Short Sale

In order to complete a Short Sale request, your lender will typically ask you to complete a Hardship Package that will need the following included in it:

- a Hardship Letter explaining cause of current financial situation.
- Financial information (Monthly Financial Statement).
- Last 2 years federal tax returns.
- W-2's
- Last two months pay stubs.
- Last two months bank statements.
- If there is more than one mortgage or line of credit connected to this house, they will need information on all the mortgages.
- If you are in Chapter 7 or Chapter 13 Bankruptcy Proceedings, a letter from the Federal Bankruptcy Trustee allowing the sale of the property is Mandatory.
- If you are discharged under Chapter 7 liquidation proceedings, a copy of the Discharge letter is mandatory.