



# Short Sale Vs. Deed-In-Lieu

*Know The Facts...  
Get The Help You Need!*



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## **Introduction**

### **Short Sale vs. Deed-In-Lieu**

#### **Know Your Options**

Many homeowners are confused when it comes to understanding the difference between a Short Sale and a Deed-In-Lieu.

- In this e-book we will offer a simple clarification of each so you can make an informed decision.

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# **Chapter 1**

## **Short Sales Explained**

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## Chapter 1

### Short Sales Explained

#### Why Consider A Short Sale?

A short sale offers the opportunity to sell your home and to eliminate, or reduce, your existing mortgage obligation.

#### What Is A Short Sale?

It is the sale of a home for less than the amount outstanding, currently remaining, on your mortgage. A short sale is also called a pre-foreclosure sale. Your mortgage company must agree to a short sale. If it does you can sell your home and pay off all, or a portion, of your outstanding balance with the proceeds from the sale.

#### Is A Short Sale An Option for You?

Yes it very well may be if...

1. You are unable to refinance or qualify for a loan modification.
2. You are behind on your mortgage payments.
3. You are facing a financial hardship.
4. You owe more than your home is worth.
5. You cannot sell your home at a price greater than your mortgage debt.

#### What Are The Benefits of A Short Sale?

You will enjoy the following...

1. You can eliminate, or reduce, outstanding mortgage debt.
2. You will repair your credit sooner as compared to a foreclosure.
3. You may qualify for relocation assistance.
4. You may be able to qualify for another mortgage sooner, around 2 years, as compared to 7 if you went through the foreclosure process.

## **How Does The Short Sale Process Flow?**

The sale is similar to a traditional home sale. You will hire a real estate agent. The agent will provide an up-to-date opinion of value. Based upon this value you will put your home up for sale.

### **Please Note**

You will require approval from your lender before you can sell your home as a short sale. For this reason your lender will work with your agent to:

- Determine current market value.
- Set the asking price based upon current market value.
- Collect additional mortgage information with other lien holders on your home.
- Review all offers and make a determination of offer acceptance.
- If offer is accepted, to work with all lien holders to finalize sale.

## **How Do You Apply For Short Sale?**

You will...

1. Submit an application with your existing mortgage company.
2. They will review your situation and recommend the best mortgage option for your current financial needs.

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## **Chapter 2**

# **Deed-In-Lieu Explained**

## Chapter 2

### What Is A Deed-In-Lieu?

#### Definition

The lender takes over ownership of the home. The lender then sells the home to recover all, or part, of the mortgage owned to the lender by the homeowner. This option may not be permitted by your primary lender if additional creditors have liens on the property. (Lender usually demands homeowner to try to sell the home for 90 days at current market value before a deed-in-lieu is approved.)

	<b>Benefits</b>
1. Debt	Your mortgage debt is either reduced or eliminated.
2. Impact	You may avoid the negative impact of a foreclosure.
3. Assistance	You may be eligible for relocation assistance.
4. Credit	Your credit is rebuilt quicker as compared to foreclosure. This may allow you to receive another mortgage in as little as 2 years as compared to 7.
5. Deficiency Obligation & Amount	Bank has right to seek deficiency amount.  However you may be able to negotiate such obligation lower or to eliminate it completely.



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# **Chapter 3**

## **Impact On You**

## Chapter 3

### Impact On You

#### Know The Loan Consequences

Foreclosure does impact your ability to receive another home loan. The following chart provides a quick summary outlining the amount of time you can expect to wait before being able to get another home loan.

	<b>Conventional Loan</b>	<b>FHA</b>
Foreclosure	5 years	3 years
Short Sale	2 Years	3 years
Deed-In-Lieu	4 years	3 years

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# **Chapter 4**

## **Tax Consequences**

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## Chapter 4

### Possible Tax Consequences of a Foreclosure

#### **Please Consult An Expert**

Your real estate agent is NOT an expert when it comes to the tax consequences of a short sale. For this reason you must consult an accountant or seek legal advice to fully understand all tax considerations.

#### **The Mortgage Forgiveness Debt Relief Act of 2007**

The US government has updated tax laws with respect to foreclosures. Here is a brief summary of the December 11, 2007 update.

- The Mortgage Forgiveness Debt Relief Act of 2007 generally allows taxpayers to exclude income from the discharge of debt on their principal residence. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, qualify for this relief.
- This provision applies to debt forgiven in calendar years 2007 through 2012. Up to \$2 million of forgiven debt is eligible for this exclusion (\$1 million if married filing separately). The exclusion doesn't apply if the discharge is due to services performed for the lender or any other reason not directly related to a decline in the home's value or the taxpayer's financial condition.

#### **Recommendation**

We urge you to consult with a legal advisor and/or accountant with respect to the tax implications of a short sale and foreclosure.

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## **Chapter 5**

### **Summary & Recommendations**

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## Chapter 5

### Summary & Recommendations

#### Seek Additional Help

##### 1. About Your Finances

- Have you given thought to credit counseling?
- Have you sought advice from your bank?
- Have you a contacted your accountant?

##### 2. About Your Legal Options

- Have you contacted an attorney?
- If so, did you discuss other legal ways to maintain your home?

##### 3. About Your Home

- Have you contacted a real estate professional?
- If so, have they provided you with an opinion of value for your home?

#### Consider Contacting An Agent

The real estate professional providing this informative E-book can assist you during this difficult process.

At the very least you ought to request a CMA to discover the value of your home in today's market.

Such service is free and without obligation.