

SHOULD I SHORT SALE MY HOME?

**Homeowners Guide How To Survive
The Worst Real Estate Market In History**

TONI PATILLO

&

TIM AND JULIE HARRIS

Founders, Harris Real Estate University

SHOULD I SHORT SALE MY HOME?

HOMEOWNER'S GUIDE :

HOW TO SURVIVE THE WORST
REAL ESTATE MARKET IN HISTORY

By

Toni Patillo

and

Tim And Julie Harris

**Readers of this book are advised to seek additional information from their accountant and or attorney. This book and its content is not intended to give legal or accounting advice. The authors and co-authors are not accountants or attorneys.*

LACityShortSales.com

A Division of TONI PATILLO & ASSOCIATES ■ ■ ■ ■

About Us

LACityShortSales.com is dedicated to assisting distressed homeowners nationwide by identifying and implementing the best available loss mitigation option to prevent foreclosure. Following a thorough analysis of each situation by our specialists, we work with homeowners and their lenders to come up with the appropriate loss mitigation solution, whether it is reinstating the mortgage, a forbearance agreement, a loan modification, a repayment plan, a deed in lieu of foreclosure, or a short sale agreement.

LACityShortSales.com diligently works on behalf of the homeowner to market the sale, negotiate and secure a fair agreement with their lender.

Contact Us

310.482.2035

info@lacityshortsales.com

www.lacityshortsales.com

www.calltoni.com

Table Of Contents

// Chapter One //

A National Epidemic Is Looming. Are You Ready?

// Chapter Two //

How Bad Is It?

// Chapter Three //

Ok, I Get It. A Short Sale May Be My Best Option. Tell Me More.

// Chapter Four //

What Is A Mortgage Foreclosure?

// Chapter Five //

You Have Been Warned: Foreclosure Scams.

// Chapter Six //

What Are The Options For Homeowners In Foreclosure?

// Chapter Seven //

You Now Want To Short Sale Your Home:

Top 10 Short Sale Questions, Answered.

// Chapter Eight //

I Thought Rates Were Falling. Won't That Help?

// Chapter Nine //

Life After Short Sale..When You Want To Buy A Home Again...

FHA To The Rescue.

// Chapter Ten //

Something You Should Know: The Death Of The Home Equity Loan - Millions Of Homeowners Shut Out.

// Chapter One //

**A National Epidemic Is Looming.
Are You Ready?**

Chapter One

A National Epidemic Is Looming. Are You Ready?

Are you stressed out about mortgage payments? Do you think your only option is a foreclosure? Is a short sale right for you? Millions and millions of homeowners are asking themselves the same questions. It is projected that over 20,000,000 homeowners will have negative equity in their homes in the very near future. In other words, they will owe more on their homes than they are worth. Over 2.9 million homes have foreclosed in the last three years and the number is only expected to grow. Expect the effects of the estate recession to ripple for years to come.

What can you do now?

There is expected to be a massive tsunami of homeowners who are simply making the decision to sell their homes through a short sale vs. staying in a home, hoping that one day it may be worth what they paid.

No one is safe. News stories from across the country tell the tales of both celebrities and average Americans who are all considering selling their homes through a short sale.

Selling your home through a short sale doesn't need to be a shameful, life-ruining experience. Sometimes short selling your mortgage simply makes smart economic

sense, especially for homeowners who find themselves "upside down" — that is, they owe more on their mortgage than their house is worth.

Late last year, CNBC Financial Guru Jim Cramer was telling homeowners to 'Just Walk Away'. (Watch the video on YouTube.com.)

We are clearly in uncharted waters. The current housing crisis is different from all the previous housing recessions. It is well known that many financial institutions sold mortgages in a deceptive manner — for example, by approving people for loans they couldn't really afford — then why should homeowners feel obliged to honor their commitments?

From a homeowner's perspective, why should they stay in a home that is depreciating? Often times it's possible to rent the same style home in the same area for half (or less) than their current mortgage payment. Assuming it takes years for the market to recover, the homeowner who sells their home via a short sale now will be far ahead of the person who 'stuck it out'.

Here is an example:

Starting May of 2008:

* Homeowner paid \$500,000 at the market peak in late 2006. Homeowner put down 5% and did a 7 year interest

only mortgage. Monthly payment including principle, interest, taxes and insurance is \$4200 per month.

* Assuming the property has depreciated 30% and is now worth only \$350,000, the owner has negative equity or is 'upside down' by \$150,000.

* The market is continuing to depreciate and is projected to level off in mid to late 2009. In other words, months and months of more losses for the homeowner.

Option 1

Homeowner can 'stick it out' and keep the home. They will continue to make their monthly interest only payment/ house upkeep of \$4200 per month. They will pay \$50,400 per year to keep the home. They are deeply 'upside down' in the home with massive negative equity. By late 2009, the home's value has stopped depreciating. The market stays flat for at least a year thereafter. The inventory levels have to sell off. In late 2010 or early 2011 the market then starts to slowly appreciate again. Best case the home starts to appreciate at 5% per year. Based on this rough example it will take at least 7 years for that home to be worth what that owner paid in 2006. During that time the homeowner will have paid \$50,400 per year. Do the math. That's \$352,800 spent to stay in the home and 'stick it out'.

Option 2

Homeowner lists the home with an agent trained in doing short sales. The home sells and the bank agrees to accept the loss in equity as the short sale. Bank loses

\$150,000. Homeowner moves to a rental home in the same neighborhood and pays rent of \$2000 per month. Half of his previous house payment. Homeowner saves the difference between what he had been paying for the owned home and his new rent payment. \$26,400 per year. Yes, the homeowner does have significant negative credit ramifications as a result of their short sale. This negative credit will prevent them from buying a home for the next 18-24 months. With this option he can sit out the real estate recession and jump back in when the market has hit bottom. If he times it right he can buy at the markets bottom. This time he will have a more significant down payment and a better quality mortgage.

Let's be very clear about this next point...Yes, there is damage to your credit. According to national experts, after a short sale, a person's credit will go down by 300 + or - points and then prevent them from buying using a government backed mortgage for up to 24 months. With a foreclosure, the credit is damaged for up to 4 years preventing someone from obtaining a government-backed mortgage.

Many home owners who are now short selling their properties are going to want to buy houses again some day; and when they do, lenders are going to want to make money lending them money to do so.

// Chapter Two //

How Bad Is It?

Chapter Two

How Bad Is It?

One thing is certain: Foreclosures are on the rise. Cities in California, Ohio, Florida and Michigan just posted the highest foreclosure rates in the U.S., according to RealtyTrac, a private firm.

RealtyTrac is the go-to source for the best foreclosure information. This information is from a recent report that they released. If you want to obtain current, up to the minute information on foreclosures in your area go to their website. www.realtytrac.com

Foreclosure Activity Up 112 Percent From Q1 2007
California and Florida Cities Account for 13 of Top 20 Metro Areas -

“RealtyTrac, the leading online marketplace for foreclosure properties, released its Q1 2008 U.S. Foreclosure Market Report™, which shows foreclosure filings — default notices, auction sale notices and bank repossessions — were reported on 649,917 properties during the first quarter, a 23 percent increase from the previous quarter and a 112 percent increase from the first quarter of 2007. The report also shows that one in every 194 U.S. households received a foreclosure filing during the first quarter. Foreclosure activity in the first quarter increased

on a year-over-year basis in 46 out of the 50 states and in 90 of the nation's 100 largest metro areas, demonstrating that most regions of the country are seeing more foreclosures."

Nevada, California, Arizona have the highest state foreclosure rates. One in every 54 Nevada households received a foreclosure filing during the first quarter, the highest foreclosure rate among the states and 3.6 times the national average. Foreclosure filings were reported on 19,595 Nevada properties during the quarter, up 3 percent from the previous quarter and up 137 percent from the first quarter of 2007.

Foreclosure filings were reported on 169,831 California properties during the first quarter, the highest total among the states and a rate of one in every 78 households — the nation's second highest foreclosure rate. Foreclosure activity in California increased 32 percent from the previous quarter and was up nearly 213 percent from the first quarter of 2007.

Arizona documented the nation's third highest state foreclosure rate, with one in every 95 households receiving a foreclosure filing during the quarter. Foreclosure filings were reported on 27,404 Arizona properties during the quarter, up 45 percent from the previous quarter and up nearly 245 percent from the first quarter of 2007. Foreclosure filings were reported on 87,893 Florida properties during the first quarter, the second highest

state total and giving Florida the nation's fourth highest foreclosure rate — one in every 97 households received a foreclosure filing during the quarter. Foreclosure activity in the state was up 17 percent from the previous quarter and up 178 percent from the first quarter of 2007.

Colorado foreclosure activity increased 33 percent from the previous quarter and 78 percent from the first quarter of 2007, and the state's foreclosure rate ranked No. 5 among the states. Foreclosure filings were reported on 18,996 Colorado properties during the quarter, a rate of one in every 110 households.

Other states with foreclosure rates among the top 10 were Georgia, Michigan, Ohio, Massachusetts and Connecticut.

The Q1 2008 U.S. Foreclosure Market Report also ranks the nation's 100 largest metropolitan areas by foreclosure rate. California and Florida metro areas accounted for 13 of the top 20 metro foreclosure rates, with the California cities of Stockton and Riverside-San Bernardino taking the No. 1 and No. 2 spots.

One in every 30 Stockton households received a foreclosure filing during the quarter — 6.6 times the national average — and one in every 38 Riverside-San Bernardino households received a foreclosure filing during the quarter — more than five times the national average. Other California metro areas in the top 20 included

Thank You for previewing this eBook

You can read the full version of this eBook in different formats:

- HTML (Free /Available to everyone)
- PDF / TXT (Available to V.I.P. members. Free Standard members can access up to 5 PDF/TXT eBooks per month each month)
- Epub & Mobipocket (Exclusive to V.I.P. members)

To download this full book, simply select the format you desire below

