

Eight Most Common Options for Homeowners Needing to Move



Normal Sale

- Equity is positive... Sales price minus loans, liens, prepayment penalties, and selling expenses still leaves seller with a profit

Wait For Equity to Increase

- Equity is not sufficient for seller to sell for a profit due to current market conditions
- Seller stays in home, continues making payments, and waits until home values improve
- Seller can list and sell in the future once property appreciates and seller has sufficient equity for seller to receive a profit
- Seller Risks that interest rates and prices could also go up for the next property that seller intends to purchase

Negative Equity – Seller Brings Additional Cash to Cover Loss

- Equity is negative... Liens and selling expenses are greater than sales price, but seller is financially solvent to make up the difference
- Seller's bank(s) approval is not necessary, because there is no actual loss to the bank
- No damage to seller's credit

Short Sale – Seller Signs Personal Note

- Equity is negative... Liens and selling expenses are greater than sales price, but seller is financially solvent
- Seller negotiates and signs unsecured note for loss amount with bank(s), if bank(s) agree to this process
- Bank(s) might approve because of no actual loss to the bank(s)
- Property sells and closes escrow; seller makes payments to bank(s) until unsecured note is paid-in-full
- Seller gets no money at closing
- Seller's credit might be damaged, but likely not as bad as with a true short sale or foreclosure

Short Sale – No Seller Resources Available

- Equity is negative... Liens and selling expenses are greater than sales price; Seller is not financially able to make up the difference
- Seller accepts an offer from a buyer subject to seller's bank(s) agreeing to accept the less than full payoff
- Bank(s) might approve sale because seller can demonstrate hardship, and that foreclosure is inevitable, and seller is "wiped out"
- Seller gets no money at closing
- Seller's credit rating is damaged, but usually not as bad as with a foreclosure

Deed in Lieu of Foreclosure

- Generally only works when one bank is involved
- Seller negotiates with bank to accept seller giving property back to the bank without a foreclosure process
- Property generally must be free of other liens (taxes, HOA, etc.)
- Seller's credit rating is damaged, but process can be less stressful and more simplified to the seller

Bankruptcy

- Seller is not solvent; seller consults with a bankruptcy attorney to see if seller qualifies for bankruptcy
- Seller might be allowed to remain in property longer than they would with a foreclosure (consult attorney)
- Seller might be allowed by bankruptcy court to sell the property (consult attorney)
- Seller's credit rating is damaged (sometimes not as badly as with foreclosure) (consult attorney/CPA)

Foreclosure – "Walk Away"

- Regardless of equity position or reason, seller just stops making payments and walks away from the property
- Bank eventually forecloses (Notice of Default filed, then notice of sale posted; home sold by bank or taken over)
- Foreclosure process becomes a public record
- Very major credit rating damage for seller; usually remains on seller's credit report for seven to ten years