Seller Options when in Foreclosure

- Bankruptcy
  - Chapter 13 BK
    - BK Reform Act Oct 2005
    - Repayment plan over 5 years
    - Some debts are discounted
    - BK trustee sets up repayment plan
    - payments are made to trustee who pays creditors
  - Chapter 7 BK
    - Total Liquidation of all Assets.
    - Seller no Longer Responsible for debts
    - Creditors cannot pursue homeowner for repayment
    - House usually included
    - Lender still has to foreclose to repossess the house
    - house should be sold to eliminate foreclosure
    - Eliminates deficiency judgements
- Deed In Lieu
  - A Deed in Lieu of foreclosure (DIL) is a disposition option in which a mortgagor voluntarily deeds collateral property in exchange for a release from all obligations under the mortgage. A DIL of foreclosure may not be accepted from mortgagors who can financially make their mortgage payments.
  - "Foreclosure" most likely will be reported on their credit report
  - "CASH for KEYS"
  - A.K.A. "voluntary foreclosure"
- Pre-Foreclosure Sale (short sale)
  - The Pre-foreclosure Sale Program allows the mortgagor in default to sell his/her home and use the net sale proceeds to satisfy the mortgage debt even though these proceeds are less than the amount owed.
- Loan Assumption
  - Assumption of an FHA-insured mortgage is a servicing function where the responsibility or paying for a mortgage is taken over by another person through simple assumption or creditworthiness assumption.
  - Loans made after 1986 are almost never assumable
- Sale
  - If homeowner has equity in the property they can and should sell the property. The homeowner will receive a check at closing for equity over and above what is owed and closing costs paid.
  - most homeowners in foreclosure have little or no equity
  - Selling options
    - Realtor
    - FSBO
- Foreclosure
  - Foreclosure should only be considered as a last resort and should not be initiated until all relief options have been exhausted. When foreclosure cannot be avoided, it must be started quickly and prosecuted vigorously to minimize losses to both the mortgagee and HUD.
- Forebearance
  - A Special Forbearance is a written repayment agreement between a mortgagee and a mortgagor, which contains a plan to reinstate an asset that is minimum three mortgage payments due and unpaid.
- Loan Modification
  - A Loan Modification is a permanent change in one or more of the terms of a mortgagor's loan, allows the loan to be reinstated, and results in a payment the mortgagor can afford.
- Partial Cliam
  - Under the Partial Claim option, a mortgagee will advance funds on behalf of a mortgagor in an amount necessary to reinstate a delinquent loan (not to exceed the equivalent of 12 months PITI). The mortgagor will execute a promissory note and subordinate mortgage payable to HUD. Currently, these promissory or "Partial Claim" notes assess no interest and are not due and payable until the mortgagor either pays off the first mortgage or no longer owns the property.