

Seller Alternatives To Foreclosure

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When facing the confusing foreclosure process, you're probably wondering...Now what? Look at your situation without attaching your emotions. From a strictly business point of view, you can more successfully analyze which option might best suit your needs and desires and move toward resolving your financial difficulty. **One thing to remember: Time is of the essence, so take quick action in order to allow yourself enough time to complete the chosen process.**

Do Nothing — If a homeowner does nothing, they most likely will lose their home at foreclosure auction. This will damage your credit by 350 points or more. Credit reports will always disclose this information. Eighty-five percent do this because they are afraid to ask for help.

Payoff/Refinance — Completely paying off the entire loan amount plus any default amount and fees. Usually accomplished through refinance of the debt. New debt is at a normally higher interest rate and there may be a prepayment penalty because of the recent default. Most likely this type of loan is an ARM, done through "ALT A" or "Subprime". With this option, there should be equity in your home.

Reinstatement — Paying the entire default amount plus interest, attorney fees, late fees, taxes, missed payments and fees.

Loan Modification — Utilizing the existing mortgage company to refinance the debt or extend the terms of the loan. This may allow the homeowner to catch-up at a more affordable level if they qualify.

Forbearance — Lender may be able to arrange a repayment loan based on the homeowner's financial situation. The lender may even be able to provide a temporary payment reduction or suspension of payments. Information will be required from the lender to show that you are able to meet the new payment plan requirements.

Partial Claim — A loan from the lender for a second loan to include back payments, costs, and fees.

Deed in Lieu of Foreclosure — Give the property back to the bank instead of the bank foreclosing. Banks generally require the home to be well maintained and all mortgage payments and taxes must be current. Loan applications will ask if this has ever happened.

Bankruptcy — This option can liquidate debt and/or allow more time. I can refer you to a qualified bankruptcy attorney.

Chapter 7 (Liquidation) To completely settle personal debt.

Chapter 13 (Wage Earner Plan) Payments are made toward a plan to payoff debts in 3-5 years.

Chapter 11 (Business Reorganization) A business debt solution.

Sale — Homeowner may sell the home without lender approval for a conventional home sale. If the property has equity (money left over after all loans, monetary encumbrances, brokers fees, and closing costs are paid), the homeowner will get cash from the sale. At the other end of the spectrum, a short sale can be negotiated with your lender by a real estate professional such as The Pelikant Group, who specialize in Foreclosure Mitigation, when the amount owed is more than what the property is worth.