

Selling Your Home - Selling at a Loss

Can a home seller sell a home for less than its mortgage?

Yes, in some case you can sell your home for less than what you still owe on the mortgage, but this is complicated and depends on the lender. This situation is known as a "short sale." Sometimes a lender will be willing to split the difference between the sale price and loan amount, which still must be paid. A short sale may be more complicated if the loan has been sold to the secondary market because then the lender will have to get permission from Freddie Mac, the two major secondary-market players. If the loan was a low down payment mortgage with private mortgage insurance, then the lender also must involve the mortgage insurance company that insured the low-down loan.

When does foreclosure begin?

Lenders will initiate foreclosure proceedings when borrowers become delinquent in their mortgage obligations, usually after three payments are missed. The lender will then notify the borrower in writing that he or she is in default. The lender can request a trustee's sale or a judicial foreclosure, in which the property is sold at public auction. A borrower can cure the default by paying the overdue amount and the pending payment after the notice of default is recorded, usually no later than a few days before the property's sale. Some sales allow the successful bidder to take possession immediately. If the former owner refuses to vacate the premises, the court can issue an unlawful detainer that allows the sheriff to come out and evict them. Borrowers should do everything they can to avoid foreclosure, which is one of the most damaging events that can occur in an individual's credit history.