

Selling Your Home - Short Sales

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 of the property 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.

How long do bankruptcies and foreclosures stay on a credit report?

Bankruptcies and foreclosures can remain on a credit report for seven to ten years. Some lenders will consider a borrower earlier if they have reestablished good credit. The circumstances surrounding the bankruptcy can also influence a lender's decision. For example, if you went through a bankruptcy because your employer had financial difficulties, a lender may be more sympathetic. If, however, you went through a bankruptcy because you overextended personal credit lines and lived beyond your means, the lender probably will be less inclined to be flexible.

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 must still 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.

How does a home go into foreclosure?

Foreclosure proceedings usually begin after a borrower has skipped three mortgage payments. The lender will record a notice of default against the property. Unless the debt is satisfied, the lender will foreclose on the mortgage and proceed to set up a trustee sale.

How does someone sell a slow mover?

Even in a down market, real estate experts say that price and condition are the two most important factors in selling a home. If you are selling in a slow market, your first step would be to lower your price. Also, go through the house and see if there are cosmetic defects that you missed and can be repaired. Secondly, you need to make sure that the home is getting the exposure it deserves through open houses, broker open houses, advertising, good signage, and listings on the local multiple listing service (MLS) and on the Internet. Another option is to pull your house off the market and wait for the market to improve. Finally, if you who have no equity in the house, and are forced to sell because of a divorce or financial considerations, you could discuss a short sale or a deed-in-lieu-of-foreclosure with your lender. A short sale is when the seller finds a buyer for a price that is below the mortgage amount and negotiates the difference with the lender. In a deed-in-lieu-of-foreclosure situation, the lender agrees to take the house back without instituting foreclosure proceedings. The latter are radical options. Your simplest, and in many cases most effective, option is to lower the price.