



Melinda Capp, REALTOR®, Certified Distressed Property Expert
(707) 321-2552

Seller Alternatives To Foreclosure

Do Nothing- If a homeowner does nothing, they most likely will lose their home at foreclosure auction. Loan applications generally ask if the applicant has ever been foreclosed upon. Credit reports also disclose this damaging information.

Payoff/Refinance- Completely paying off the entire loan amount plus any default amount and fees. Usually accomplished through a 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. With this option, there should be equity in the 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 a more affordable level if they qualify.

Forbearance- Lender may be able to arrange a repayment plan 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 be well maintained, all mortgage payments and taxes must be current. Most loan applications 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 pay off 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 and monetary encumbrances are paid), the homeowner will get cash from the sale. At the other end of the spectrum, a short sale, also known as a pre-foreclosure sale, may be negotiated with your lender by your real estate professional if what is owed is more than the property's value. All terms of a short sale are subject to approval by all lenders with outstanding loans on the property.

I/We acknowledge receipt of this advisory and confirm that we have read and understand its contents.

Signed: _____

Signed: _____

Print Name: _____

Print Name: _____

Dated: _____

Dated: _____



CERTIFIED DISTRESSED
PROPERTY EXPERT

FORECLOSURE VS. SHORT SALE

Homeowner Consequences

Issue	Foreclosure	Successful Short Sale
Future Fannie Mae Loan – Primary Residence (effective May 21, 2008)	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years .	A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed mortgage after only 2 years .
Future Fannie Mae Loan – Non Primary (effective May 21, 2008)	An Investor who allows a property to go to Foreclosure is ineligible for a Fannie Mae backed investment mortgage for a period of 7 years .	An investor who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after only 2 years .
Future Loan with any Mortgage Company	On any future 1003 application, a prospective borrower will have to answer YES to question C in Section VIII of the standard 1003 that asks "Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?" this will affect future rates.	There is no similar declaration or question regarding a short sale.
Credit Score	Score may be lowered anywhere from 250 to over 300 points . Typically will affect score for over 3 years .	Only late payments on mortgage will show and after sale mortgage will be reported as paid or negotiated. This will lower the score as little as 50 points if all other payments are being made. A short sale's affect can be a brief as 12 to 18 months .
Credit History	Foreclosure will remain as a public record on a person's credit history for 10 years or more .	Short sale is not reported on a credit history . There is no specific reporting item for 'short sale'. The loan is typically reported 'paid in full, settled'.

Distressed Property Institute, LLC
800-482-0335 | www.cdpnow.com

Page 1 of 2



CERTIFIED DISTRESSED
PROPERTY EXPERT

FORECLOSURE VS. SHORT SALE

Homeowner Consequences

Foreclosure		Successful Short Sale
Issue		
Security Clearances	Foreclosure is the most challenging issue against a security clearance outside of a conviction of a serious misdemeanor or felony. If a client has a foreclosure and is a police officer, in the military, in the CIA, Security, or any other position that requires a security clearance in almost all cases clearance will be revoked and position will be terminated .	A Short Sale on its own does not challenge most security clearances .
Current Employment	Employers have the right and are actively checking the credit regularly of all employees who are in sensitive positions. A foreclosure in many cases is ground for immediate reassignment or termination .	A short sale is not reported on a credit report and is therefore not a challenge to employment .
Future Employment	Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit items an applicant can have and in most cases will challenge employment .	A short sale is not reported on a credit report and is therefore not a challenge to employment .
Deficiency Judgment	In 100% of foreclosures (except in those states where there is no deficiency) the bank has the right to pursue a deficiency judgment.	In some successful short sales it is possible to convince the lender to give up the right to pursue a deficiency judgment against the homeowner.
Deficiency Judgment (amount)	In a foreclosure the home will have to go through an REO process if it does not sell at auction. In most cases this will result in a lower sales price and longer time to sale in a declining market. This will result in a higher possible deficiency judgment .	In a properly managed short sale the home is sold at a price that should be close to market value and in almost all cases will be better than an REO sale resulting in a lower deficiency .

Distressed Property Institute, LLC
800-482-0335 | www.cdpenow.com

Page 2 of 2

Law Offices of

Timothy Jones

622 Jackson St., Fairfield, CA 94533

(707) 425-1963

Fax: (888) 294-7958

Tim@TJones-Law.com

SHORT SALE v. FORECLOSURE CREDIT IMPLICATIONS

This hypothetical person with a 780 FICO score has 10 credit accounts plus a long credit history. He or she has no missed payments.

FORECLOSURE

Starting Credit	780
Miss 1 Month	740
Miss 2 Month	710
Miss 3 Month	680
Miss 4 Month	650
Miss 5 Month	550
Miss 6 Month	490
Miss 7 Month	440
Miss 8 Month	400
Miss 9 Month	380
Miss 10 Month	370
Foreclosure	300

SHORT SALE

Starting Credit	780
Miss 1 Month	740
Miss 2 Month	710
Miss 3 Month	680
Miss 4 Month	650
Close of Escrow	500

- Please note that the above figures are estimates only. Actual figures greatly depend upon the entirety of a person's credit, both historical and current, and no one knows precisely how FICO calculates their figures.
- Loss on date of sale or foreclosure averages between 150-180 FICO points

Deficiency Judgment Chart

find the article at: "<http://www.car.org/legal/2008articles/deficiency-judgment-chart/>"

Member Legal Services
Tel 213.739.8282
Fax 213.480.7724
February 25, 2008 (revised)

Copyright© 2008, CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) Permission is granted to C.A.R. members only to reprint and use this material for non-commercial purposes provided credit is given to the C.A.R. Legal Department. Other reproduction or use is strictly prohibited without the express written permission of the C.A.R. Legal Department. All rights reserved.

This legal chart is intended to provide a quick and easy guide to determine when a borrower may be liable for a deficiency judgment. There are other factors and conditions which may change the result (such as fraud by the borrower and bad faith waste). For more details see the legal article, Deficiency Judgments and California Law.

Residential 1 - 4 units, Owner Intends to Occupy a Unit in the Secured Real Property			Non-owner Occupied or Other Real Property		
Lender Purchase Money Loan (non-recourse loan)	Seller Financed Purchase Money Loan (non-recourse loan)	Refinance (Non-Purchase Money Loan) (recourse loan)	Lender Purchase Money Loan (recourse loan)	Seller Financed Purchase Money Loan (non-recourse loan)	Refinance (Non-Purchase Money Loan) (recourse loan)
▼	▼	▼	▼	▼	▼
NO deficiency judgment if senior or junior lienholder*	NO deficiency judgment if senior or junior lienholder*	YES deficiency judgment if judicial foreclosure NO deficiency judgment if trustee's sale foreclosure	YES deficiency judgment if judicial foreclosure NO deficiency judgment if trustee's sale foreclosure	NO deficiency judgment if senior or junior lienholder*	YES deficiency judgment if judicial foreclosure NO deficiency judgment if trustee's sale foreclosure
Cal. Code Civ. Proc. § 580b	Cal. Code Civ. Proc. § 580b	Cal. Code Civ. Proc. § 580d	Cal. Code Civ. Proc. § 580d	Cal. Code Civ. Proc. § 580b	Cal. Code Civ. Proc. § 580d

* If a senior lienholder forecloses on the property, the "wiped out" junior lienholder who no longer has a secured note may not sue on this promissory note for those categories indicated in the chart.



CDPE HOMEOWNER'S DOCUMENT CHECKLIST

Date: _____ Owner: _____
Address: _____
Prepared by: _____
Phone: _____ Fax: _____

In order to have the opportunity to negotiate with your lender we will need to have the following documentation. Please note, when we get a contract we may need updates on each item so please make certain you set aside statements and paycheck stubs as you get them.

- ☐ Two months most recent mortgage statements (all mortgages)
- ☐ Two months checking account statements (all borrowers if separate)
- ☐ Two months saving account statements (all borrowers if separate)
- ☐ Two months other account statements (all borrowers if separate)
- ☐ Last two paycheck stubs (all borrowers)
- ☐ Two years tax returns
- ☐ Hardship Letter (see samples)
- ☐ Financial Worksheet (provided)
- ☐ Other: _____
- ☐ Other: _____
- ☐ Other: _____

FAX THE ABOVE ITEMS TO _____
ATTENTION _____



SHORT SALE DISCLOSURE

BROKERAGE _____ **LISTING AGENT** _____

Property Address: _____

Seller: _____ Buyer: _____

This disclosure will serve as a independent agreement and relates to contact executed by the buyer and seller named above. It is expressly understood by all parties that the seller owes more than the amount of the contract and is unable to bring cash to closing therefore the sale will require the approval of the lender.

Please note that the property will continue to be on the market until the lender accepts an offer.

Following are some potential issues that can affect a short sale:

1. After the lender receives the short sale packet, the lender may require at least 30-45 business days to approve the short sale. After approval, the sale must close within lender approved time frame, typically 30 calendar days.
2. The seller will receive no cash from this transaction. Any funds usually due to the seller will be paid to the lender.
3. The seller has no additional cash and will be unable to pay for any closing costs, such as the buyer's appraisal or home warranty. Should the buyer desire a home warranty they are free to purchase one at closing.
4. The seller may be unable to pay for maintaining the property. The property will remain in the current condition through closing; the seller will not be able to make any repairs to the property.
5. The seller's broker will split the commission 50/50 with the buyer's broker on any commission paid by the lender that is under what has been advertised in the MLS. Please note that since the lender is taking less than what is owed to them in a short sale, the lender in some cases may negotiate a lower commission percentage.
6. The seller's forgiven or cancelled debt may be taxable income. The seller should discuss this matter with a tax professional. This has no bearing whatsoever on the buyer.
7. In some cases the lender may pursue a deficiency judgment against the seller for any funds not collected at closing. This has no bearing whatsoever on the buyer.

By signing this disclosure, you acknowledge that you have read and understand these situations. Any changes to the commission rate will be provided by the lender at the time of the lender's final approval of this short sale.

Seller's Signature

Date

Buyer's Signature

Date

Seller's Signature

Date

Buyer's Signature

Date

Listing Broker's Signature

Date

Selling Broker's Signature

Date

Listing Brokerage/Company

Selling Brokerage/Company

Listing Agent

Date

Selling Agent

Date

Form P



AUTHORIZATION TO RELEASE INFORMATION

I hereby authorize Melinda Capp and Escrow Officer of RE/MAX and Fidelity Title (whose phone number is 707-321-2552 and fax number is 707-864-4112) and/or any designated agent, assistant, Title Company or its agents to verify any and all information pertaining to the mortgage or property detailed below and any additional financial information pertaining to this property including home owner's association, taxes, liens and any other encumbrances.

I/We, _____ hereby release _____ (lender/lenders), its affiliates, employees, agents, and directors from any claims that might arise in connection with this authorization. This authorization shall remain in effect until revoked in writing

It is understood a photocopy or fax of this form will also serve as authorization.

PROPERTY _____

<u>Property Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
-------------------------	-------------	--------------	------------

1st MORTGAGE _____

<u>Mortgage Company</u>	<u>Account Number</u>
<u>Phone Number</u>	<u>Fax Number</u>
<u>Address</u>	<u>City</u> <u>State</u> <u>Zip</u>
<u>Loss Mitigation Contact</u>	<u>Direct Phone if Available</u>

2nd MORTGAGE _____

<u>Second Mortgage Company</u>	<u>Account Number</u>
<u>Phone Number</u>	<u>Fax Number</u>
<u>Address</u>	<u>City</u> <u>State</u> <u>Zip</u>
<u>Loss Mitigation Contact</u>	<u>Direct Phone if Available</u>

ASSOCIATION (IF ANY) _____

<u>Account Number</u>	<u>Management Company</u>
<u>Phone Number</u>	<u>Fax Number</u>

AUTHORIZED BY _____

<u>Borrower Signature</u>	<u>Social Security Number</u>	<u>Date of Birth</u>
<u>Printed Name</u>		<u>Today's Date</u>
<u>Co-Borrower Signature</u>	<u>Social Security Number</u>	<u>Date of Birth</u>
<u>Printed Name</u>		<u>Today's Date</u>

Form A General



HOLD HARMLESS AGREEMENT

RE/MAX Gold
BROKERAGE

Melinda Capp
LISTING AGENT

The undersigned parties (sellers) agree to seek independent Counsel pertaining to sale of their home, land, real property in the matters of state and federal taxes and legal implications. The undersigned sellers shall contact the appropriate real estate attorney and or certified public accountant to obtain qualified counsel relating to implications of selling the below mentioned real property:

Property Address

City State Zip

The undersigned further agree that there have been no guarantees or promises of sale made to them by the listing agent or brokerage above. It has been explained to them, and they agree to as much below, that in a changing real estate market Brokers and agents can make no warranties implied or otherwise as to time to sale, sale price, and probability of sale of any property. Any information that the listing agent has presented to the seller is to assist the seller in making an educated decision in the sale of their home but in no way should preclude the seller from seeking professional legal as well as tax advice. It is expressly suggested that the seller do both.

IN SIGNING THIS RELEASE, I (we) ACKNOWLEDGE AND REPRESENT THAT I (we) have read the forgoing Waiver of Liability and Hold Harmless Agreement, understand it and sign if voluntarily as my (our) own free act and deed; no oral representations, statements or inducements, apart from the foregoing written agreement, have been made; I (we) am at least eighteen (18) years of age, and fully competent; and I (we) execute the Release for full, adequate and complete consideration fully intending to be bound by same.

Seller's Signature

Date

Seller's Signature

Date

Print Seller's Name

Print Seller's Name

Form D



CDPE HOMEOWNER FINANCIAL WORKSHEET

Borrower Name

Co-Borrower Name

1st Loan Number

2nd Loan Number

INCOME - TAKE HOME PAY

	DEBTOR	CO-DEBTOR	TOTAL
Primary Job			
Misc. Income Overtime			
Part Time Job (net)			
Retirement-Military			
Retirement-Civil Serv.			
Support/Alimony			
Social Security			
Room & Board/Rent			
TOTAL NET INCOME:	\$	\$	

How often is Borrower paid? ☐ Every Week ☐ Every 2 Weeks ☐ Twice A Month ☐ Once A Month
How often is Co-Borrower paid? ☐ Every Week ☐ Every 2 Weeks ☐ Twice A Month ☐ Once A Month

EXPENSES

	MONTHLY PAYMENT	BALANCE	NAME OF CREDITOR
Home Mortgage			
2nd Mortgage			
Auto loan			
Auto loan			
Creditor			
Creditor			
Creditor			
Creditor			
Creditor			
Creditor			
Student loan			
Alimony/Support			
Child Care			
IRS			
CH 13			
Electricity			
Heating fuel			Oil or Natural Gas
Water& Sewer			
Telephone			
Cable TV			
Auto Insurance			
Health Insurance			Paid directly (not by employer)
Life Insurance			Paid directly (not by employer)
Medical/Dental Exp.			



CDPE HOMEOWNER FINANCIAL WORKSHEET

Homeowners Insurance			Only list here if not in Mortgage Payment
Real Estate Tax			Only list here if not in Mortgage Payment
Personal Property Tax			Applies only in some States
Groceries			
School Lunches			
Transportation, Parking, Tolls			
Clothing			
Dry cleaning/Laundry			
Cell Phone			
Internet service			
Homeowners Assn. Dues			
Recreation/Spending Money			
Charitable donations			
Other Expenses			
TOTAL MONTHLY EXPENSES:	\$	\$	

A. Total Monthly Income: \$ _____ \$ _____
B. Total Monthly Expenses: \$ _____ \$ _____
C. Residual Income: \$ _____ \$ _____

Balance in 401K: _____ Cash Value of Stocks: _____
Balance in IRA: _____ Other Valuables to be sold: _____
Cash on Hand: _____ Other Misc. Assets: _____

I/We have described my/our financial condition in the enclosed Financial Status Report and certify that all information, as well as all Attachments, is true, accurate and correct to the best of my/our knowledge. I/we understand that submission of this information in no way obligates my lender, servicer, Veterans Affairs, FHA/HUD, the investor, the Mortgage Insurers, (AGENT) or (BROKERAGE) to provide assistance to me or stop the foreclosure process.

I/We hereby authorize my/our lender, servicer, Veterans Affairs, FHA/HUD, the investor or the Mortgage Insurers to:

1. Order a credit report from any credit reporting agency.
2. Order a title search from any title agency.
3. Verify the accuracy of the information contained in this Financial Status Report, including without limitation, any current or previous employment information.

I/We agree that I/we will notify the AGENT and BROKERAGE mentioned above, my lender, Veterans Affairs, FHA/HUD, the investor, or the Mortgage Insurers immediately of any material change in the financial information that I/We have provided herein. If I/we fail to do so, or if it is determined that the financial information provided herein has been misrepresented by me, and lender, servicer, Veterans Affairs, FHA/HUD, the investor or the mortgage insurers makes decisions which would not have been made had the true facts been known, then (1) I shall be liable for all costs (fees) incurred or damages suffered by lender, servicer, Veterans Affairs, FHA/HUD, the investor, the mortgage insurers or AGENT and BROKERAGE above and (2) lender, Servicer, Veterans Affairs, FHA/HUD, the investor, the mortgage insurers and/or AGENT shall have the right, in its sole discretion, to terminate any arrangement or agreement that has been extended to me based, in whole or in part, on the inaccurate or incomplete information that I/We have provided.

Borrower Signature

Printed Name

Date

Co-Borrower Signature

Printed Name

Date



SAMPLE HARDSHIP LETTER

Date: _____

Lender: _____

Attn: Loss Mitigation

**RE: Hardship Letter - (Property Address)
Account Number**

To Whom It May Concern:

I purchased my home in 2004 and we had the income at the time to support the mortgage.

In early 2006, my mother was diagnosed with Alzheimer's Disease and needed to be put in a nursing home which was very expensive. She later passed away in November 2006 and my husband lost his job and has since taken a significance cut in pay. We love our home and do not want to lose it but we have come to terms with the fact that we cannot afford to keep it.

This left me with the financial burden of paying the mortgage. I make \$35,000 annually and I have exhausted all of my savings, IRAs and my children's college funds in which I used to keep the mortgage payments current until May 2007.

In May 2007, I was no longer able to make payments and inquired about partial payments, payment plans, and refinance; I was denied on all accounts. In July 2007, I put the house up for sale with (*Your Agent's Name and Brokerage Firm*) who specializes in pre-foreclosure properties and short sales.

My financial situation cannot sustain a home mortgage of nearly \$2800 per month. I want to sell the home, avoid foreclosure and salvage my credit. I know that a foreclosure on my record will affect me for years to come, I would ask that you please assist me in avoiding this.

Since the house has been on the market this is the only offer that we have received. Please accept this offer as payment in full. My realtor will continue to market the house and if we receive any other offer they will be forwarded to you immediately.

I deeply appreciate your help and understanding in this matter. If you have any questions, or need anything further from me, please contact my agent or me personally.

Sincerely,

Jane Seller

FORM N