



OPTIONS IN FORECLOSURE *SELL YOUR HOME*

MSUE HOUSING DEPARTMENT (586) 469-6430

I. PRE-FORECLOSURE SALE OR STRAIGHT SALE

Put the house on the market with a real estate agent and with the right price.

- A. Ask the bank or mortgage company to delay the foreclosure sale and for permission to complete a pre-sale. Get it in writing.
- B. In a bad real estate market, do not assume that the house will sell quickly.
- C. A pre-sale works if the sale price is high enough to pay off the mortgage, any home equity loans, back taxes, selling expenses and foreclosure fees.

II. SHORT SALE

The bank or mortgage company allows you to complete a sale even though the price is less than what you owe them.

- A. Ask the bank or mortgage company to delay the foreclosure sale and for permission to complete a short sale. Get it in writing.
- B. Ask the lender to “cancel any deficiency,” so that the lender will not demand repayment of the rest of what you owe and does not report the deficiency to the credit bureaus. Get commitments in writing.
- C. President Bush signed legislation written by U.S. Senator Debbie Stabenow that prevents the IRS from taxing the cancelled debt in a short sale or foreclosure. This change is a major victory.

III. MORTGAGE ASSUMPTION

A third party takes over your mortgage, brings it current and continues paying it.

- A. Some mortgages are assumable; most are not. Look at your original mortgage documents or ask your bank / mortgage company.
- B. See a lawyer before you do this because when someone else assumes the mortgage, they become the new owners of the home. Make sure you understand what is being proposed before you sign anything.
- C. Sometimes, adult children assume their parents’ mortgage or vice versa in order to keep the equity (the amount of the house that you own) from being lost to foreclosure and to keep the equity within the family. Consider this if

you have an assumable mortgage, have a lot of equity in your home and have a relative who has the money, credit and willingness to assume the mortgage.

- D. DO NOT DO THIS with strangers or real estate companies who convince you that it is a way to save your house. It isn't. You will become a renter and they will have "stripped" or taken your equity.

IV. DEED IN LIEU OF FORECLOSURE

You voluntarily turn over your house to the bank or mortgage company.

- A. Almost always a bad idea for you and a good idea for the bank or mortgage company. DO NOT DO THIS unless you get something in return and in writing.
- B. Ask the bank or mortgage company to:
1. Cancel any deficiencies and fees.
 2. Eliminate negative credit references.
 3. Allow you to have extra time in the house.
 4. Pay your moving expenses. (Between \$2,000 - \$3,000 is often possible)

V. GENERAL FORECLOSURE SELLING TIPS

- Record information on calls.
- Open and keep letters.
- Get agreements in writing.
- *Never* sign a release giving up all legal claims until the actual workout agreement with the bank or mortgage company is finalized.
- Stay organized. Stay focused.

Sources: Michigan State Housing Development Authority, *Housing Counselors Training Manual*
National Consumer Law Center, *Guide to Surviving Debt*

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