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About Short Sales
Can you sell your house for less than your mortgage?

Yes, in some cases you can sell your home for less than the amount you still owe on the mortgage. This situation is known as a Short Sale, more and more lenders are seeing the wisdom of accepting a short sell rather than foreclosing.

A short sale becomes complicated if the loan has been sold to the secondary market because the lender will have to get permission from Freddie Mac or Fannie Mae, the two major secondary-market players. And, if the loan was a low down payment mortgage with private mortgage insurance, the lender must also involve the mortgage insurance company that insured the low-down loan. It may even involve a secondary mortgage lender. However, new guidelines now in place set rules to help ensure that these hurdles that made short sales so difficult and more often than not, unsuccessful in the past, can be cleared.

Your lender could also recommend that you seek a loan modification before accepting a short-sale arrangement. If your loan is held by Fannie Mae or Freddie Mac, a Home Affordable Refinance or Modification will help borrowers refinance into a more affordable loan or modify the existing loan depending on your circumstances.

About the Home Affordable Modification Program
In March of 2009, President Obama, initiated The Home Affordable Modification Program as part of the Stimulus Bill of 2009. The program is designed to provide relief to homeowners in danger of foreclosure due to unaffordable or rising monthly payments by giving lenders incentive to refinance homes that may be currently valued to more than 20% less than the original home valuation.

A lender's participation in the program is optional, but those who do choose to participate are required to reduce mortgage payments so that the borrowers Front End DTI is no more than 38% of the homeowners gross monthly income. The government will then intervene to further reduce the DTI burden to 31%.

To take advantage of the Modification Program:

i. the existing mortgage must be owned by Fannie Mae or Freddie Mac for the primary residence of the borrower of record (investment properties are prohibited)
ii. the home may not be classified as 'condemned‘

iii. only loans executed prior to January 1, 2009 will qualify
iv. borrower must be current, having never missed a payment, but determined to be in immanent danger of defaulting
v. unless extended by congress, the program ends midnight December 31, 2012
vi. The LTV (loan to value ratio) must be within 125%. This means that the amount you owe on your first lien mortgage does not exceed 125 percent of the current market value of your property;
vii. a certified appraisal to determine market value must be completed no more than 60 days before application is made
viii. the principal on a single family home's first mortgage must be $729,750 or less (limits for multi-family 2-4 units are higher)
ix. borrowers in - or entering into - bankruptcy may also qualify for loan modification if certain conditions are met
x. an individual loan will qualify for modification one time only

A Patrick Parker Realty expert can help you determine whether a Short Sales is an appropriate option for you.

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