

REPORT: Provided by Judy & Nelson Horn

CA SHORT SALE (PRE-FORCLOSURE?)

In some areas of the country, and from time to time, real estate values decline. In such situations it sometimes happens that owners need to move but the value of the mortgage is greater than the value of the property. The owner is said to be financially "upside-down."

If the property is sold at a loss, the owner is still responsible for repaying the entire mortgage nationally (a purchase money mortgage in California may be an exception -- see an attorney for details). But, sometimes owners do not have enough cash to re-pay the loan and so they try to work out a deal with the lender to pay less than is owed— A short sale.

The lender, of course, wants back every dime loaned to the borrower. That was the deal. And lenders point out, properly, that if the value of the property rose the borrower would not turn around and be required to offer some of that profit to the mortgage company.

Lenders will sometimes allow a short sale if it is a better alternative than a foreclosure sale in a down market. However, before making such a decision, a lender will want to see how such a deal can be structured. Perhaps the borrower has other assets, or perhaps the short-fall can be made up with a note to the lender.

In the event that a borrower faces a short-sale situation, the best approach is to have an attorney contact the lender on your behalf. It may be possible to work out a different monthly payment, an interest rate lowered to current levels, a long

extension, etc. Or, alternatively, rent the property.

If the property is rented on a fair market basis it may then be possible to write off any losses. In contrast, with residential property, it is not possible to write off losses at this time.

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We believe this information to be accurate, however, consult an attorney before you even consider any foreclosure action.

For prompt, courteous, professional service, call Judy and Nelson Horn:

Judy Direct: 760-285-5077

Nelson Direct: 760-285-5097

Visit our web sites at: www.JudyandNelson.com

**Have questions, need advice you can count on or just want to discuss this further?
Don't waste any more time; pick up the phone and call us now! We are here to help!**

We appreciate you as a client and a friend, your business, your loyalty, trust and your referrals. It is our goal to provide the very best counsel, advice and service possible for your real estate needs. If we may ever be of assistance to you, a relative, friend or co-worker please don't hesitate to call us. We look forward to the opportunity to serve you.TM