

## Short Sales or Foreclosures?

If you're looking for rock-bottom price on a piece of property, you'll often hear the terms "short sale" and "foreclosure" as recommended options.

The two terms can be mixed up, as both happen after a previous mortgage goes into default. Foreclosures can follow a failed short sale, too. They are interrelated but not the same. Knowing the difference is critical if you're in the market for a bargain or are worried about what will happen after a rough financial patch.

Here's a deeper look at these two options, so you can decide which is right for you.

### FORECLOSURES

Overburdened homeowners who can no longer make the mortgage payments on their property risk foreclosure. Borrowers reach this crossroads for a variety of reasons, including issues related to employment or their health. It's the end of a difficult period that begins with an inability to stay current on your mortgage, and may take a detour into a short-sale option.

Homes also go into foreclo-



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### REAL ESTATE 101

#### Short Sales: Buying and Selling

Bargain-hunting home shoppers and other cash-strapped home buyers turn to short sales in hopes of finding a home priced below market value. If you're considering buying a short sale home or short-selling your own home, check out this guide from the experts at Rocket Mortgage at [bit.ly/3p0elbt](https://bit.ly/3p0elbt).

sure when there are no takers on a short sale. When all else fails, a notice of default is issued to the property owner. There's a grace period to catch up but if missed payments are not be made, the property is then seized by the bank or lender.

At that point, the homeowner loses possession, and the bank begins the search for

a buyer — often after steeply reducing the price in order to facilitate a quick sale.

#### SHORT SALES

Short sales are an option for those who want to keep property from being seized by their lender. Distressed borrowers who can't keep up with housepayments, or are stuck with a property after relocat-

ing, may choose to sell the home for less than they owe in order to get out from under their mounting debts. Quickly finding an owner keeps them from being issued a notice of default.

This is the last stop before a home is auctioned in foreclosure. The homeowner is freed from the mortgage, but may not recoup any of their equity.

In fact, they may lose money in a short sale. The benefit of this kind of sale is that the borrower's credit isn't negatively impacted, as it would be in foreclosure. You're free to walk away. These are intricate transactions, however, and should be handled by a qualified real-estate agent who specializes in short sales. A home can fall into default after only a few missed mortgage payments, so time is of the essence.

#### IS THERE HELP?

Don't panic if you're having trouble meeting your mortgage obligations. There are options to save your property from foreclosure, even if you have fallen behind.

Many finance companies work with borrowers to circumvent these proceedings. That's because lenders would rather avoid processing costs, including insurance and taxes, and the need to find a new owner.

You may also be able to negotiate to stay in your home.

As you go that process, you'll be asked to seriously evaluate your finances, set a reasonable budget and sign updated contracts in order to go forward with a new payment program. They may also ask that you do a short sale, or seek bankruptcy advice from an attorney.



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Homes also go into foreclosure when there are no takers on a short sale. When all else

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### HOMEWISSE GLOSSARY

**Lease purchase:** A contract between a tenant and an owner by which part of the monthly rent payments may go toward down payment on the property. When pre-determined sufficient funds are received by the seller, the buyer may seek a first mortgage through a typical lender or in some cases with the seller. **SOURCE:** MLS.com

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