

New Law Waives Income Tax On Forgiven Debt

Until recently, mortgage debt forgiven by a lender was considered to be part of the borrower's taxable income, meaning the taxpayer would have to pay income taxes on the forgiven amount. That rule has changed: On December 20, 2007 the Mortgage Forgiveness Debt Relief Act of 2007 was signed into law, excluding forgiven mortgage debt from taxation.

The exclusion only applies to a taxpayer's principal residence and to indebtedness forgiven between January 1, 2007 and December 31, 2012. The excludable amount of debt is limited to \$2 million. Other restrictions apply; consult a knowledgeable tax professional for all the details.

launched government program — the Home Affordable Foreclosure Alternatives Program (HAFA). HAFA is designed to facilitate short sales by, among other things:

- Offering cash incentives for successful short sales to qualified sellers, loan servicers, lenders/investors and other lien holders.
- Allowing sellers to get pre-approved short-sale terms before listing their properties for sale.
- Implementing a standard process with mandated timeframes and deadlines.
- Prohibiting loan servicers/lenders from requiring real estate brokers to lower their commissions on short-sale listings.



Once we find out whether you're a candidate for a short sale under HAFA — or whether you'll need to conduct a short sale without that support — we can help. We'll work with all parties involved to help you negotiate the process and, just as important, quickly find a buyer whose offer is likely to satisfy your lender's requirements.

Remember, the goal of a short sale is to sell your home and walk away without owing your lender or other lien holders any further repayment. It's not always possible for every homeowner facing foreclosure, but if it's possible for you, we can help you accomplish that goal.

Professional Help Is Key To Short-Sale Success

Conducting a short sale is not a simple process, as it requires negotiations with the lender (often more than one lender may be involved) as well as the buyer, who may not understand the unique intricacies of the process. That's where our expertise becomes essential. We understand the complexities and critical timing of short-sale procedures and can guide you — whether you want to sell your property as a short sale or you're interested in purchasing a short sale. Please feel free to give us a call for more information!



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SHORT SALE

How To Avoid Foreclosure By Selling Fast For Less



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6 Critical Secrets To Short-Sale Success In Today's Market

As home prices have dropped in some areas of the country, a growing number of homeowners are finding their home is worth less than the mortgage amount still owed to their lender (known as being “upside down” or “under water” in the mortgage). Owners may find themselves in this situation because they purchased their home at the peak of the local market, just before prices began to drop. Or, using an interest-only or payment-option loan, their monthly payments did not reduce the principal owed — and the home’s value dropped. Some tapped too much home equity through second loans or lines of credit, even as much as 125% of the home’s value.

Those “upside down” mortgage holders who can still make their monthly mortgage payments are safe if they don’t need to move. They can wait out the market — perhaps even benefiting from lower property taxes from a lowered tax assessment — until the correction is complete and home prices again begin to appreciate.

Others, however, find themselves caught by escalating mortgage payments and other household expenses they can no longer afford. Although some borrowers can

negotiate “workouts” and “loan modifications” with their lenders, others don’t have those options. The only choice left to avoid foreclosure is a “short sale” where the lender agrees to accept, as fulfillment of the borrower’s obligation, a sales price lower than the amount still owed on the mortgage.

If you find yourself in this situation, or you know someone else who is, here are the critical factors every short-sale seller must know.

Short Sale Beats Foreclosure On Credit Report

A “foreclosure” is a court settlement process involving legal action and possible attorney fees. A “short sale,” on the other hand, is a negotiated settlement with the lender — no attorneys required. Both show up on the borrower’s credit profile, but the difference between a foreclosure and a short sale is the difference between broken credit

and badly dented credit. The short-sale consumer has better options much sooner in terms of buying another home, qualifying for loans or credit cards, securing reasonable interest rates, finding rental housing, even applying for insurance.

Lenders Often Prefer Short Sale Over Foreclosure

Foreclosing is an expensive, time-consuming process for lenders (costing an average \$50,000 per property, according to a recent report by the Joint Economic Committee of Congress). In a foreclosure, the lender sells the property at auction — which may also result in lower net than the outstanding mortgage — or repossesses and sells the property as “lender owned” real estate, which is a “non-performing asset” that negatively impacts the lender’s ability to make loans. In short, lenders want your money not your home.

Getting Started

If you can’t find a way to keep your home — such as by refinancing through the government’s Home Affordable Modification Program (HAMP) — then it’s time to contact us, or your lender or loan servicer about conducting a short sale. Your lender can tell you whether you might qualify for another recently

Successful Short Sale Requires Aggressive Pricing, Marketing

Be realistic about price, keeping in mind that the lender must agree to the amount of the mortgage forgiven. Ask us to prepare a Comparative Market Analysis (CMA) for you. We’ll look at the sales prices from comparable, recently sold homes in the neighborhood or area and price your home competitively to sell it quickly.

