

# Dealing with mortgage woes

About one-third of homes sold in the 2000s are underwater on the mortgage loan. Though it's a distressing situation, the real estate market can rapidly change for the better.

However, waiting for an upward swing might not suit every borrower, and homeowners may wish to take immediate action to get some breathing room.

There is light at the end of the tunnel, and here is a look at some viable steps you may take to lower your mortgage or walk away from the cumbersome property.

## REFINANCING

Borrowers who took advantage of low monthly mortgage payments with an interest-only loan may wish to stretch the payments over a 30-year fixed loan at a lower interest rate.

When lending rates are down, as they are now, it can be a good time to jump in and refinance if you have the equity to do so.

The general rule to secure the best interest rate is to keep your credit score in tip top shape. However, many borrowers have fallen prey to the financial pinch and been late on reported payments.

You may bring up your low credit score to above-par status in a matter of a just a few months.



© FOTOLIA

Homeowners who find themselves owing more than their home is worth can find help through certain financial maneuvers, or may be eligible for government assistance.

## CREDIT SCORE IMPROVEMENT

If your credit score is less than perfect, don't feel bad and think that you are alone. Take a number and join the club of distressed home loan borrowers whose credit scores need a little bolstering.

To bring up your credit score, simply sign up for a secured credit card and use it for regular monthly purchases. You must pay the monthly bill on time and never exceed what you can afford. Within six months of regular usage,

on-time payments can raise your credit score so you'll be ready to refinance.

## SHORT SALES

A short sale is an emergency selling technique to get the best possible price and relieve the distressed borrower from further liability.

Consumers know there is a deal to be had when purchasing a property marketed as a short sale, so the price should be set below the home's current market value. However, the final price of the property

will be subject to bank approval, and the closing process can be tricky.

Seller beware that the short sale is an emergency procedure and will not yield a profit on the sale of the home. It is, rather, a way to cut your losses, take what you can get for the property and walk away.

## CHOOSING A SHORT SALE AGENT

Not all real estate agents are created equal when it comes to special skills and circumstances. Some agents specialize in selling senior properties, foreclosures and most importantly, the short sale.

If you find yourself in need of listing your home as a short sale, be sure to shop Realtors for an experienced short-sale agent. This person must have a solid rapport with the banks and lenders and have razor-sharp negotiation skills.

Time is of the essence to successfully transfer the sale of the property before the mortgage goes into default, so be sure to check the credentials of short-sale specialists in your area and choose one with plenty of experience.

## BANKRUPTCY

Chapter 13 bankruptcy may be a way to save your home and eliminate most of your debts. However, in most cases, the homeowner will need to

## REAL ESTATE 101

### Help is available

The U.S. Department of Housing and Urban Development offers the following programs to help homeowners who are underwater on their mortgage.

#### ■ Home Affordable

**Refinance Program:** Designed to help homeowners who are current on mortgage payments refinance into a new affordable, more stable mortgage.

#### ■ Principal Reduction

**Alternative:** Designed to help homeowners whose homes are worth significantly less than they owe by encouraging servicers and investors to reduce mortgage balances.

#### ■ Treasury/FHA Second Lien

**Program:** May allow second mortgage on a home to be reduced or eliminated.

repay some of the mortgage debt on a monthly plan set forth by the courts.

Bankruptcy can be an emergency escape before your property is subject to a notice of default, so be sure to hire a qualified attorney who specializes in bankruptcy.

When your home is subject to deadlines and filing dates, only a seasoned bankruptcy lawyer can be trusted to get the paperwork submitted on time.

*Alex Mason is a former real estate agent and mortgage broker living in Los Angeles.*





Homeowners who find themselves owing more than their home is worth can find help through certain financial maneuvers, or may be eligible for government assistance.

# Dealing with mortgage woes

By ALEX MASON | Green Shoot Media

About one-third of homes sold in the 2000s are underwater on the mortgage loan. Though it’s a distressing situation, the real estate market can rapidly change for the better.

However, waiting for an upward swing might not suit every borrower, and homeowners may wish to take immediate action to get some breathing room.

There is light at the end of the tunnel, and here is a look at some viable steps you may take to lower your mortgage or walk away from the cumbersome property.

### REFINANCING

Borrowers who took advantage of low monthly mortgage payments with an interest-only loan may wish to stretch the payments over a 30-year fixed loan at a lower interest rate.

When lending rates are down, as they are now, it can be a good time to jump in and refinance if you have the equity to do so.

The general rule to secure

the best interest rate is to keep your credit score in tip top shape. However, many borrowers have fallen prey to the financial pinch and been late on reported payments.

You may bring up your low credit score to above-par status in a matter of a just a few months.

### CREDIT SCORE IMPROVEMENT

If your credit score is less than perfect, don't feel bad and think that you are alone. Take a number and join the club of distressed home loan borrowers whose credit scores need a little bolstering.

To bring up your credit score, simply sign up for a secured credit card and use it for regular monthly purchases. You must pay the monthly bill on time and never exceed what you can afford. Within

six months of regular usage, on-time payments can raise your credit score so you'll be ready to refinance.

### SHORT SALES

A short sale is an emergency selling technique to get the best possible price and relieve the distressed borrower from further liability.

Consumers know there is a deal to be had when purchasing a property marketed as a short sale, so the price should be set below the home's current market value. However, the final price of the property will be subject to bank approval, and the closing process can be tricky.

Seller beware that the short sale is an emergency procedure and will not yield a profit on the sale of the home. It is, rather, a way to cut your losses, take what you can get for the

property and walk away.

### CHOOSING A SHORT SALE AGENT

Not all real estate agents are created equal when it comes to special skills and circumstances. Some agents specialize in selling senior properties, foreclosures and most importantly, the short sale.

If you find yourself in need of listing your home as a short sale, be sure to shop Realtors for an experienced short-sale agent. This person must have a solid rapport with the banks and lenders and have razor-sharp negotiation skills.

Time is of the essence to successfully transfer the sale of the property before the mortgage goes into default, so be sure to check the credentials of short-sale specialists

in your area and choose one with plenty of experience.

### BANKRUPTCY

Chapter 13 bankruptcy may be a way to save your home and eliminate most of your debts. However, in most cases, the homeowner will need to repay some of the mortgage debt on a monthly plan set forth by the courts.

Bankruptcy can be an emergency escape before your property is subject to a notice of default, so be sure to hire a qualified attorney who specializes in bankruptcy.

When your home is subject to deadlines and filing dates, only a seasoned bankruptcy lawyer can be trusted to get the paperwork submitted on time.

*Alex Mason is a former real estate agent and mortgage broker living in Los Angeles.*

## REAL ESTATE 101



### Help is available

The U.S. Department of Housing and Urban Development offers the following programs to help homeowners who are underwater on their mortgage.

- **Home Affordable Refinance Program:** Designed to help homeowners who are current on mortgage payments refinance into a new affordable, more stable mortgage.
- **Principal Reduction Alternative:** Designed to help homeowners whose homes are worth significantly less than they owe by encouraging servicers and investors to reduce mortgage balances.
- **Treasury/FHA Second Lien Program:** May allow second mortgage on a home to be reduced or eliminated.

## HOMESWISE GLOSSARY

**Equity:** the difference between the value of the mortgaged premises and the total dollar amount of all mortgages and other liens secured by the mortgaged premises.

**SOURCE:** Freddie Mac

AD SPACE