

## Foreclosures or Short Sales?

Those looking for great deals on a property will often come across foreclosures and short sales, but they are different in very important ways.

In both cases, they follow a mortgage that is now in default. After that, however, foreclosures and short sales differ. Understanding these differences with these often-interrelated terms is critical to successfully navigating the process – or navigating through a rough patch financially.

### FORECLOSURES

Anyone who can no longer make their regular mortgage payment risks foreclosure. They may be struggling through a variety of issues, including health problems or unemployment. But if mortgage payments don't stay current, homeowners are faced with foreclosure. A notice of default is issued, with a grace period to catch up on payments. If payments are still not made, the property is seized by the lender or banking institution. The former homeowner loses possession



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### REAL ESTATE 101

#### The Different Kinds of Mortgages

Fixed-rate mortgages boast interest rates that stay the same. Adjustable or variable rate mortgages fluctuate over time. Federal Housing Administration loans are limited but help buyers qualify who may not be under other programs. Veterans Administration loans are designed to help eligible veterans, surviving spouses and active-duty personal buy a home. **Source:** USA.gov

of the property, and the bank then moves to recoup its investment by selling to someone else. The sales are usually at a steep discount.

### SHORT SALES

Property owners who are facing seizure for non-payment may choose to enter

into a short sale in order to free themselves from mounting debt.

They may have simply fallen behind on their mortgage

or been unable to sell the home after relocating. In any case, quickly selling will keep the property from going into default and being auctioned off in foreclosure.

They often lose money in a short sale, failing to recoup equity, but manage to salvage their credit rating.

That wouldn't happen in foreclosure. Anyone who is behind on payments should schedule a meeting with a qualified real estate agent to discuss short-sale opportunities as soon as possible, since loans can go into default quickly after only a few missed payments.

### HELP IS AVAILABLE

Having trouble meeting your regular mortgage obligations? Foreclosure is not a foregone conclusion. In fact, there are a number of options that can protect you from losing your property, even if you're already behind on monthly payments.

Lenders will typically work with borrowers since everyone loses money in default situations.

In helping homeowners get back on their feet, banks and finance companies will typically require an updated contract with different or longer terms. Seek bankruptcy advice from an attorney, if needed.



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### HOMESWISE GLOSSARY

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**Joint Tenancy:** A legal way for parties to co-own real property with equal rights to the real estate. Should any of the joint tenancy owners die, no interest in the property can be transferred by will as the remaining joint tenant(s) acquires all ownership. **Source:** MLS.com

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