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## Questions About Today's Real Estate?

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### Ask Phyllis!

#### Options for homeowners who owe more than their home's value

Dear Phyllis,

We purchased our home in 2005. At the time, we made a 10% down payment. My husband's hours at work have been cut and two months ago I lost my part time job. We owe the bank about \$100,000 more than what we could sell for. Because of our lower income, we really can't afford the payments. We want to get rid of this house – what are our options?

Want Out

Dear Want,

1) You should first contact your lender to discuss a loan modification. A loan modification is a change in the original terms of the loan, perhaps a lower interest rate or an extension of the loan term. A change which will result in lower monthly payments. If you have previously unsuccessfully tried a loan modification, servicers are now more motivated, try again. And keep trying.

2) Meet with a Realtor; is renting your home an option? If not, discuss a possible short sale. A short sale occurs when your lender agrees to allow your home to be sold for less than the mortgage balance. Your lender absorbs the difference (the loss). You will avoid having a foreclosure reported against your credit rating.

3) Contact your lender and find out if they will accept a deed in lieu of foreclosure. This

is a document in which the borrower conveys all interest in a real property to the lender in order to avoid foreclosure. The lender avoids the lengthy foreclosure process and you should not have a foreclosure reported against your credit.

4) You could allow your home to be foreclosed; the process takes four or more months. After the lender takes the home back in foreclosure, you will be contacted and asked to move, if you don't move, the lender will start eviction proceedings.

I am sorry that these are your options and I wish you luck. Before you decide on any course of action, you should also seek advice from your tax professional and/or an attorney.

*Phyllis Harb is a Realtor with Dickson Podley Realtors. She may be contacted at (818) 790-7325 or by email AskPhyllis@Realtorharb.com.*