

SHOULD I SHORT SALE MY HOME?

Homeowners Guide How To Survive
The Worst Real Estate Market In History.

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HOMEOWNER'S GUIDE :

HOW TO SURVIVE THE WORST REAL ESTATE MARKET IN HISTORY

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Chapter One

A National Epidemic Is Looming. Are You Ready?

Are you stressed out about mortgage payments? Do you think your only option is a foreclosure? Is a short sale right for you? Millions and millions of homeowners are asking themselves the same questions. It is projected that over 20,000,000 homeowners will have negative equity in their homes in the very near future. In other words, they will owe more on their homes than they are worth. Over 2.9 million homes have foreclosed in the last three years and the number is only expected to grow. Expect the effects of the estate recession to ripple for years to come.

What can you do now?

There is expected to be massive tsunami of homeowners who are simply making the decision to sell their homes through a short sale vs. staying in a home, hoping that one day it may be worth what they paid.

No one is safe. News stories from across the country tell the tales of both celebrities and average Americans who are all considering selling their homes through a short sale.

Selling your home through a short sale doesn't need to be a shameful, life-ruining experience. Sometimes short selling your mortgage simply makes smart economic sense, especially for homeowners who find themselves "upside down" — that is, they owe more on their mortgage than their house is worth.

Late last year, CNBC Financial Guru Jim Cramer was telling homeowners to 'Just Walk Away'. (Watch the video on YouTube.com.)

We are clearly in uncharted waters. The current housing crisis is different from all the previous housing recessions. It is well known that many financial institutions sold mortgages in a deceptive manner — for example, by approving people for loans they couldn't really afford — then why should homeowners feel obliged to honor their commitments?

From a homeowner's perspective, why should they stay in a home that is depreciating? Often times it's possible to rent the same style home in the same area for half (or less) than their current mortgage payment. Assuming it takes years for the market to recover, the homeowner who sells their home via a short sale now will be far ahead of the person who 'stuck it out'.

Here is an example:

Starting May of 2008:

* Homeowner paid \$500,000 at the market peak in late 2006. Homeowner put down 5% and did a 7 year interest only mortgage. Monthly payment including principle, interest, taxes and insurance is \$4200 per month.

* Assuming the property has depreciated 30% and is now worth only \$350,000, the owner has negative equity or is 'upside down' by \$150,000.

* The market is continuing to depreciate and is projected to level off in mid to late 2009. In other words, months and months of more losses for the homeowner.

Option 1

Homeowner can 'stick it out' and keep the home. They will continue to make their monthly interest only payment/ house upkeep of \$4200 per month. They will pay \$50,400 per year to keep the home. They are deeply 'upside down' in the home with massive negative equity. By late 2009, the home's value has stopped depreciating. The market stays flat for at least a year thereafter. The inventory levels have to sell off. In late 2010 or early 2011 the market then starts to slowly appreciate again. Best case the home starts to appreciate at 5% per year. Based on this rough example it will take at least 7 years for that home to be worth what that owner paid in 2006. During that time the homeowner will have paid \$50,400 per year. Do the math. That's \$352,800 spent to stay in the home and 'stick it out'.

Option 2

Homeowner lists the home with an agent trained in doing short sales. The home sells and the bank agrees to accept the loss in equity as the short sale. Bank loses \$150,000. Homeowner moves to a rental home in the same neighborhood and pays rent of \$2000 per month. Half of his previous house payment. Homeowner saves the difference between what he had been paying for the owned home and his new rent payment. \$26,400 per year. Yes, the homeowner does have significant negative credit ramifications as a result of their short sale. This negative credit will prevent them from buying a home for the next 18-24 months. With this option he can sit out the real estate recession and jump back in when the market has hit bottom. If he times it right he can buy at the markets bottom. This time

he will have a more significant down payment and a better quality mortgage.

Let's be very clear about this next point...Yes, there is damage to your credit. According to national experts, after a short sale, a person's credit will go down by 300 + or - points and then prevent them from buying using a government backed mortgage for up to 24 months. With a *foreclosure*, the credit is damaged for up to 4 years preventing someone from obtaining a government-backed mortgage.

Many home owners who are now short selling their properties are going to want to buy houses again some day; and when they do, lenders are going to want to make money lending them money to do so.