

My Home Is Over-Leveraged! What Are My Options?

Today over 25% of the homes in America have loan balances that exceed the home value. If you are one of them it's not your fault and you do have choices which are laid out here.

You didn't create the deepest recession in our lifetime and cause residential real estate values to drop 30%-60% across the country. You bought a home, the American dream. You worked hard to pay the mortgage and maintain the home and woke up one day underwater. And it all seemed to happen so fast.

Millions of good people are walking away from their mortgage and letting the bank foreclose which adds to the millions of bank owned houses and continues to lower values when they are sold off at distressed prices.

This is certainly one of your options but not the only one and may be your least favorite choice. However, until all your choices are on the table it's hard to decide which is the best one, so here they are.

1. **Remain in the Home:** Continue paying until the value increases and gives you enough equity to sell without being forced to write a big check to pay the difference.

Pros: Your credit will remain intact and as the years go by your debt is decreased.

Cons: Many people simply can't remain in the home for various reasons and must have another solution. Most sources say it will be at least a decade before the values of 2005 return and maybe much longer.

2. **Rent the Home:** Some people are becoming forced landlords and this is an option if you're prepared to deal with a tenant and your payments can be covered with rent.

Pros: Your credit will remain intact.

Cons: You must find and screen a tenant and then deal with tenant issues and repairs.

3. **Deed in Lieu:** You may ask the bank to take back the house to avoid foreclosure. If they do you cannot be pursued for a deficiency judgment. Make sure you get an attorney involved in this choice and let him/her approach the bank.

Pros: You are relieved of the home and the debt without foreclosure.

Cons: Your credit score will be reduced and many banks will not accept a deed in lieu of foreclosure.

4: Mortgage Modification: Millions of homeowners are approaching the lender and requesting the terms of the loan be altered. You can ask for principal reduction and rate and payment decrease. Get your attorney involved in this process and be sure to request a release of liability in your offer to the bank.

Pros: Your terms would be changed so you could more easily afford the payments and perhaps the lender would agree to a principal reduction so you could sell the home without covering a loss.

Cons: You may not be able to remain in the home after a modification, the bank may be totally uncooperative and refuse any modification, your credit score will be reduced.

5. **Short Sale:** If you or a Realtor can find a buyer for the home at a reduced price below your loan balance you may petition the bank for a short sale.

Pros: The loan is paid off and the house is sold.

Cons: The bank may or may not agree to the discount and it's a time consuming process for both the agent and you. There must be a cash buyer under contract before most banks will even consider a short sale. If the house is not listed the bank will likely require you to do so before even considering your request. The bank has the option of pursuing deficiency.

6. **Let the Bank Foreclose:** If all else fails this is an option and one many are taking.

Pros: The loan and the home will go away.

Cons: Your credit will be lost and the foreclosure will remain for 7 years, the bank may pursue a deficiency, you could suffer a tax burden if your debt is larger than your purchase price of the home.

7. **Bankruptcy:** This will stop the foreclosure but is not considered your best option if your real estate loan is the biggest reason for filing. One of the options above will relieve you of the home and the debt without the negative consequences of a bankruptcy. This choice should require a careful analysis with a bankruptcy attorney who has your best interest at heart, not his/her fees.

Pros: Your obligation to pay your debt is gone and you buy more time to stay in the home before the bank completes the foreclosure process.

Cons: Bankruptcy remains on your credit for 10 years and is an ugly, unpleasant process. Your credit will be lost.

It's true all of these choices have consequences and only you and your personal needs can dictate which one is the best for you.

However.....

One of the above options will apply to your home whether you make a choice or not...if you don't choose, the bank will choose for you!

Good News! There is Another Option!!

A new program has been developed to give homeowners a new choice, one many are happily accepting. This program is called...

The Assignment System

Here are the most frequently asked questions:

Q: What is the Assignment System?

A: We will lease option your home for the loan balance at the time it is purchased and pay you rent equal to your payment and accept responsibility for all repairs after the first 30 days. We will then find and screen a tenant buyer who will make a financial commitment to lease the home with the option to buy and assign our agreement to them after you approve them.

Q: What does this cost me?

A: Nothing! You'll have no expenses until the buyer is ready to get financing and then you may pay some reasonable closing costs. Sometimes the buyer pays all the costs.

Q: How long must I lease?

A: The minimum term if you're over leveraged is 10 years to give the market time to increase the value and for the debt to decrease to the point the home is no longer over leveraged. This allows the buyer to get a loan to cover the debt without you contributing cash to pay it down. If you owe at or about today's market value we may shorten the term.

Q: When do I start collecting rent?

A: One month after we find a tenant buyer you approve and they accept possession of the house. We expect it to take no longer than 30 days after you are ready for us to show the house but it may take longer or happen sooner depending on several circumstances that vary with each house.

Q: What if the tenant tears up my house?

A: Our tenants are of a buyer mindset and will have a financial stake in the agreement. Plus they will be responsible for repairs. In our experience it's rare for them to tear up a house and

lose their option and deposit but it could happen and that is a risk you must take if you elect this program. However if it were to happen you may call us and it's likely we can lease it again in it's as is condition.

Q: What paperwork is involved?

A: You will execute a lease purchase agreement when you're ready and when we find and you approve a tenant buyer. Then an attorney will prepare an assignment and ask you to sign a few disclosure documents at that time.

Q: What if the tenant buyer never closes?

A: Actually that may be the best thing that could happen for you. Every month a tenant pays you rent to cover your payment, it reduces your debt and eventually pays it off. If they don't buy you're building equity.

Q: Do I get any money if they do buy?

A: No! Not if you're over leveraged now. The only reason a buyer would agree to lease option an over leveraged house is because they get the benefit of the debt reduction and in time will build enough equity to get financing. If this opportunity is not available the home would be unmarketable. However, if you have equity now, it's likely you will get cash at the time of sale.

Q: Will I be paying for repairs?

A: Only during the first 30 days and if you can't fix anything that needs to be fixed before we offer the house we can disclose to the buyer and may get them to accept as is. Your lease will contain a provision for you to fix anything not disclosed but only for 30 days.

Q: So what's my responsibility?

A: Get the house ready to show, approve our tenant buyer, collect rent and make the payment (we can have an escrow company do this), show the house by appointment if you reside in it while we market.

Q: What if you don't find a buyer?

A: If we don't find a buyer you approve within 90 days you may cancel our agreement or allow us to continue looking.

Q: What if my house isn't overleveraged?

A: We can still lease option it from you at a fair price and will either assign our contract or may choose to remain in the middle until it's cashed out. We may also buy the house now and take over the debt or simply pay cash. Once we know the facts we can instantly tell you what we can do and let you make your best choice.

OK, What Do I Do Next?

Step 1

Simply call us at (412-339-0933) so we can discuss the facts by phone and tell you what we can and can't do and if we both agree to move forward we'll visit the home, answer questions and leave you with the agreement.

Step 2

Once the agreement is executed and you tell us when you're ready we'll begin showing to our current buyers list or find new ones if necessary.

Step 3

Review our buyer and if you approve we'll set up the closing for the tenant buyer to attend. You do not need to be present.

That's it!! That Simple!

Remember

**It Never Hurts To Explore The
Possibilities!!**