



CERTIFIED DISTRESSED  
PROPERTY EXPERT®



DONT  
WALK

**AWAY**  
**FROM YOUR**  
**MORTGAGE**

**“STRATEGIC DEFAULT”  
IS *NEVER* STRATEGIC**

Prepared Exclusively for: John Public

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## DONT WALK AWAY FROM YOUR MORTGAGE

A recent study<sup>1</sup> estimates that 36% of Americans think walking away is a viable option when they owe more on their home than what it is worth. But few are aware of the financial consequences of these actions, and even fewer know the options available to avoid these consequences. This report outlines foreclosure alternatives so you can make an educated decision on how to best ensure an improved financial future.

If you are at the crossroads of deciding whether or not to walk away or “strategically default,” you will find that there is nothing strategic about foreclosure, especially when there are solutions to avoid it. Congratulations on taking this first step to find that solution.

### Caution: There's no strategy in ruining your credit

Walking away from your mortgage can be incredibly dangerous when considering your financial future.

In a “strategic default,” homeowners simply choose to walk away from their mortgages—in other words, move out and stop paying. This is often done when a homeowner owes more on the home than it's worth or is “underwater.” Most of these homeowners do not understand that walking away will expose them to foreclosure, which carries credit issues, current and future employment challenges, issues with security clearance, and possible debt collections.

Due to current economic conditions, one in four American homeowners have found themselves underwater on their mortgages, and millions can no longer afford to make their payments.

Fortunately, you have options to avoid foreclosure and protect your financial future.

<sup>1</sup> Source: Chicago Booth/Kellogg School Financial Trust Index

## Solutions for Financial Stability

### Short Sale

Generally considered one of the most viable alternatives to foreclosure, short sales allow homeowners to minimize financial damage and move on from a burdensome, unaffordable mortgage. In many cases, short sales allow borrowers to qualify for a new mortgage in as little as two years, as opposed to five years or more after a foreclosure.

### Demystifying Short Sales

There are many myths about how short sales work, including the rumors that they have the same affect on your credit as foreclosure and are impossible to complete. I can show you how that's just not true, and how securing a loan for a home in the future is much quicker after a short sale rather than a foreclosure. New bank and government short sale programs have also made the short sale process a more streamlined, efficient process for all parties to the transaction.

### Benefits of Short Sales

- Avoid foreclosure at no cost to you
- Lesser impact on credit scores
- Security clearance protection
- No challenges to future employment
- Retain some control over the sale of your property (vs. public auction)
- The ability to negotiate away a deficiency judgment (collection of your mortgage debt)
- Shorter waiting periods to get another mortgage

## Other Alternatives to Foreclosure

### Reinstatement

A reinstatement is the simplest solution for a foreclosure, but often the most difficult to achieve. The homeowner simply pays the total amount past due (including late fees) to the lender.

### Mortgage Modification

A mortgage modification involves the reduction of one of the following: the interest rate on the loan, the principal balance of the loan, the term of the loan, or any combination of these.



### **Deed-in-Lieu**

Also known as a “friendly foreclosure,” a deed-in-lieu allows the homeowner to return the property to the lender rather than go through the foreclosure process.

### **Forbearance**

A forbearance or repayment plan involves the homeowner negotiating with the mortgage company to allow them to repay back-payments over a period of time.

### **Rent the Property**

This option does not require lender approval, but does require the homeowner's ability to rent the house for enough money to cover the monthly mortgage payment.

### **Servicemembers Civil Relief Act**

If a member of the military experiences financial distress due to deployment—and their debt was entered into prior to deployment—he or she may qualify for relief under the Servicemembers Civil Relief Act.

### **Bankruptcy**

Many believe bankruptcy is a “foreclosure solution,” but this is only true in some states and situations. Entering bankruptcy can be a risky and costly process. Be sure to seek the advice of a qualified bankruptcy attorney when pursuing this as an option.

### **Refinance**

Refinancing means you will acquire a new loan based on your current credit standing. If you have already missed mortgage payments, your credit score may make it difficult to find a loan with cheaper payments.

Knowing that foreclosure can be avoided gives you the ability to develop a realistic strategy to plan for a future that is both financially stable and full of hope.

### **The Government and Lenders Want to Help**

Since the beginning of the mortgage crisis, millions of Americans have faced mortgage challenges. For the last four years, lenders have faced an equally daunting challenge of a managing the sheer number of borrowers who weren't able to pay their mortgages. Lenders are not in the business of owning real estate, and are motivated to find solutions that would benefit all parties involved. In a short sale, even though lenders lose a part of their investment, they recover more funds than in a foreclosure. Homeowners are also able to keep foreclosure off their credit reports.

Today, lenders are becoming increasingly equipped to streamline the short sale process, and have developed new processes to help facilitate this foreclosure solution.

In addition, the government's Home Affordable Foreclosure Alternatives (HAFA) program offers cash incentives to lenders and homeowners to successfully complete a short sale or deed-in-lieu.

The program requires the waiver of a deficiency judgment, meaning the lender must forgo its right to pursue any losses they incur from the short sale.

### **Give the Green Light to Financial Stability**

When you have options to avoid foreclosure, you will soon realize that there's nothing strategic about “strategic default,” or walking away. I can help you form a real strategy based on your circumstances, and help put you back on the road to financial stability. The sooner you call me, the more time we'll have to act and move toward a more promising future.

### **Place Your Confidence in CDPE**



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With the right assistance, the stress of facing foreclosure becomes manageable. CDPE-designated agents have received the knowledge and training necessary to assess all possible foreclosure alternatives and pursue homeowners' best options. A CDPE-designated agent attends several days of intensive, thorough training on foreclosure avoidance and how to negotiate short sales efficiently and ethically. The highly regarded CDPE logo means you are working with the most informed, up-to-date resource available.