

REAL ESTATE AND CONSTRUCTION



ASK THE EXPERT
Elizabeth Kayser, attorney at law
Kayser & Associates
636-220-2218
attykayser@sbcglobal.net

FOR A HOMEOWNER WHO IS BEHIND ON HIS MORTGAGE AND FACING FORECLOSURE, WHEN IS A SHORT SALE A GOOD IDEA?

In St. Louis, many homeowners can no longer make mortgage payments as a result of job loss, income loss, divorce or other reasons. What might be a bet-

ter option than foreclosure is a short sale in which the lender accepts an amount below the mortgage payoff when the home is sold. A short sale can be preferable for several reasons. To start, foreclosure can ruin the homeowner's credit and be a public embarrassment. Foreclosures can drive down property val-

ues, leading to steeper losses for lenders and setting up a neighborhood's downward spiral.

In a short sale, lenders avoid foreclosure costs by getting rid of the property faster. A short sale also protects the borrower's credit, keeps properties occupied and gets the debt serviced quicker. In addition, a short sale transfers homeowner costs to the new owner, rather than to the bank or other lender. A short sale reduces a lender's loss and gets a "toxic non-performing asset" off the books.

A home's short sale results in a "settlement" status on the owner's credit report instead of showing up as a foreclosure.

Someone who has gone through foreclosure can encounter much difficulty in financing another house, a car, opening a business, qualifying for credit, getting a job and passing security clearances.

That said, short sales involve legal land mines that can result in unfavorable consequences for the seller and buyer, so it is important to get an expert to handle the negotiation.

If successful, a short sale offers a fresh start and eliminates debt while reducing damage to credit and avoiding eviction proceedings. It can be referred to as a graceful exit to a difficult situation for a homeowner.