

ALTERNATIVES TO FORECLOSURE

Comparison of Foreclosure and Alternatives		Financial Qualification	Time to Complete	Time to Qualify for New Loan	Taxation on Cancelled or Discharged Debt	Remaining Liability for Debt	Lien Holder Cooperation Required	Cash or New Obligation	Home Retention
Foreclosure		N/A	5-6 mos.	3 years	N/A	YES	N/A	N/A	NO
Short Sale		YES*	30-60 days	2 years	POSSIBLE‡	POSSIBLE±	YES	POSSIBLE	NO
Bankruptcy	Ch 7	YES**	4-6 mos.	2 years	NO	NO	NO	NO	NO
	Ch 13	YES***	3-5 years	3-5 years	NO	YES±±	YES	YES±±	YES
Deed in Lieu of Foreclosure		YES*	30-60 days	3 years	POSSIBLE‡	POSSIBLE±	YES	POSSIBLE	NO
Loan Modification		YES*	30-60 days	Variable	POSSIBLE‡	POSSIBLE±	YES	YES	YES

*Some form of financial hardship is generally required, including but not limited to inability to pay because of interest rate adjustment, loss of job, medical problems, divorce or other adverse financial condition. A financial statement from the homeowner will be required by the lender.

** Household income must generally be less than the state median income for households of the same size to qualify for Chapter 7 bankruptcy.

*** For individuals who do not qualify for Chapter 7 and have unsecured debts of less than \$269,750 and secured debts of less than \$807,750.

‡ If the transaction involves a qualifying principal residence and type of loan per the Mortgage Debt Cancellation Relief Act, or the homeowner is insolvent per IRS rules, then no taxes are due. Otherwise, ordinary income tax may be due.

± Homeowner, guarantors and co-makers remain liable for any portion of the debt not cancelled by the lender as part of the transaction. Release of the lien does not release the obligation to repay the debt unless set forth in writing and signed by the lender.

±± The approved Chapter 13 repayment plan may include modification and/or discharge of portions of debt.

DEFINITIONS

Foreclosure: Process whereby lien holder has property sold at Public Trustee's Sale to satisfy unpaid debt secured by property.

Short Sale: Sale transaction in which lien holders agree to accept less than full amount owed to release their liens against the property.

Chapter 7 Bankruptcy: A total liquidation of assets for people who qualify financially and who have no hope of repaying their creditors.

Chapter 13 Bankruptcy: For individuals with regular income who want to pay their debts and retain assets but need time to do so through reorganization.

Deed in Lieu of Foreclosure: Process whereby lender agrees to take back title to collateral by way of a voluntary deed to avoid foreclosure process.

Loan Modification: A voluntary adjustment of the terms of a loan by the lender to enable the homeowner to continue making payments.