

Distressed properties

They may look like bargains, but they're fraught with complications for buyers and sellers alike.

By Penny Stine
Real Estate Weekly Staff Writer
penny.stine@gjsentinel.com

Some homeowners are facing tough times and tough decisions right now due to circumstances beyond their control. Other people are sensing that now is the time to begin investing in real estate and want to know more about taking advantage of great deals.

After experiencing a decade or more of appreciation, real estate in the Grand Valley is seeing a downturn. That's not a problem for those who purchased before 2006 and never took out a home equity loan. It's also not a problem for those who have a steady job and can make their mortgage payments, even if it hurts.

It's creating problems for those who bought when real estate peaked and have since then experienced a significant life change, such as losing a job, a divorce or a death. In those circumstances, some people may need to modify their loans or sell their homes. Before reaching for their real estate broker's phone number, they should call their lender.

"We've learned that communication is key," says Greg Osborne, regional vice president with Wells Fargo Home Mortgage.

According to an industry statistic put out by the Hope Now Alliance in 2008, 50 percent of the people who lost their



Photos by PENNY STINE/Real Estate Weekly

THIS HOME is currently being listed for a short sale. The home has 1,548 square feet, with three bedrooms and two baths. Joanna Little with RE/MAX 4000 is the listing agent for the property. Asking price is \$219,000.

homes to foreclosure never contacted their lender.

"There are many things we can do for a borrower who is delinquent, but unless they call us, we don't know what the best loss mitigation solution is," says Osborne. Possible solutions include refinance, working out a repayment plan with the lender, a loan modification, a short sale, a deed-in-lieu of foreclosure, and if no other solution is possible, bankruptcy or foreclosure. Homeowners should explore every other scenario before considering foreclosure, since it creates a huge hit on a credit record and remains on file for up to seven years.

"Foreclosure is worse than bankruptcy," says Sheila Smith, transaction manager with Your Short Sale Solution, a Front Range company that assists homeowners and real estate brokers in managing short sales. "It is the worst ultimate thing to happen. Homeowners should avoid it at all costs."

Short sales are becoming more

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Terms for turbulent times

- 1. Upside-down or underwater mortgage** – More money is owed on the home than what the home is currently worth
- 2. Short sale** – Real estate transaction in which the lender(s) agree to allow the seller sell the property for less money than what is owed.
- 3. Foreclosure** – Legal process whereby the homeowner's rights to his property are severed due to nonpayment of the loan.
- 4. Deed in lieu of foreclosure** – A deed to a property exchanged from a borrower who can no longer make the payments; accepted by the lender to avoid the foreclosure process
- 5. Financial hardship** – Varies from one lender to another; must be a life-changing event that makes it impossible to continue making mortgage payments, such as loss of a job, loss of income, divorce, death or severe medical emergencies.