Acceptance, emotional, 31 Acceptance letters, bank, 125, 126 ACORN housing counselors, 59-60 Adjusted basis, 19 Ads, sample, 40, 41, 42-43, 108 Affirmations, positive, 167 American Bar Association, Legal Help page, 141 Anger, 27-28, 49 Assets, performing/nonperforming, 6-7 Attorneys, 17, 136, 140-141 Authorization to Release Information, 106, 107 Background checks of potential tenants, 143-144 Bailout (2008), government, ix, 66 Balloon mortgage, 190 Bank(s). See also Loan(s)/lenders acceptance letters, 125, 126 assets, performing/nonperforming, 6–7 departments, 48 loan loss reserve, 7 negotiating with: loan modifications, 49, 51-52 short sales, x, 67, 79-80, 105, 106 reasons for doing short sales, 80 (see also Short sales) vacant homes and, 11-12 what they want, 6-7 writing off loss, 18 Bank-owned property, defined, 82 Bankruptcy, 133–141 buying time with, 135-137 Chapter 7, 136, 137, 184 Chapter 11, 136

Chapter 13, 136, 137 common misunderstanding about, 135 credit, impact on, 137, 138-141, 185 credit counseling requirement, 139, 140 filing without attorney, 139-140 finding/hiring attorney, 17, 136, 140-141 fraud, 140 free legal services, 140-141 laws changing (2005), 139, 183-184 options to consider before or instead of, 133, 135 public notice and court process, 139-140 rolling Chapter 13 into Chapter 7, 137 341 hearing, 136, 137 types of, 136 web site (uscourts.gov) information on, 136, 138-139 Bankruptcy Department, loan modifications and, 48 Bent-Twyford, Dwan: emotional impact of Medicaid, 189-190 family photo, xx past financial problems, xiii, xix-xxi, 31-33, 175 positive affirmations, 167 when first met Bill, 166 Bill of Sale, 108, 118 Blog, theieu.com, 16 Brokers price opinion (BPO), 74, 75-78

195

INDEX

Cars, cheaper, 171, 189 Cash & carry mode, 180 Cash flow, living with negative, 135, 168-171 Certificate of title, 86 Chapter 7/11/13. See Bankruptcy Children: life insurance on, 188 part-time jobs for, 170 telling about financial distress, 170 Closing deal(s), 123-129 bank acceptance letter, short sale, 125, 126 checking your credit afterward, 128-129 imperative of getting everything in writing, 124-126 need for closing agent, 123 what to expect from the closing agent, 126-128 Collections: agencies, 178-179 whether to pay, 178-179 Comparable sales (comps), 4-5, 86 downloadable sample, 96 Multiple Listing Service (MLS) and, 5 two types of, 4-5 Zillow.com, 5 Contract for sale and purchase, 85-86, 91-95 Country-Wide Home Loans, 9 Craigslist.com, 39 Credit cards: limits, recommending using only 30 percent, 183 payoff plan, 183-186 Credit check of potential tenants, 144 Credit counseling requirement, bankruptcy, 139, 140 Credit rebuilding, 175-186 credit repair services, 176-180 Fix Credit Biz, 176-179 formula for paying off credit cards, 183-186 round of credit repair (45-day-cycle), 179 steps, when not using credit repair company, 181-183

strengthening credit through adding positive credit, 180 taking realistic look at what you need to do, 175-176 Credit report/score: bankruptcy and, 136, 138-141 checking, after closing process, 128-129 hard-money loans and, 191-192 ordering free annual report, 129 Cutting back on spending: tips, 168-169 wants versus needs, 182 Deed(s), 5-6, 86, 106 certificate of title, 86 forced sale disclosure, 5 investors and short sales, 106 not needed for negotiating with banks, 106 quit claim, 5-6, 86 showing distress, 5-6 special warranty, 5, 86 type of, in comps for proof of hardship, 96 warranty, 5-6 Deed in lieu of foreclosure: banks and, 9, 13-14, 18 closing, 124 credit report and, 14, 15 deficiency judgments and, 14, 15, 16.17-18 IRS 1099 and, 14, 15, 16, 17, 18-19 as one of several options, 135 protecting yourself, 14-15 rights given up with, 106 Deficiency judgments, 14-18, 138 Denial, 26-27, 48 Depression, 28-29 Easy money home loans: financial disaster and, xi

financial disaster and, xi HELOC loans (Home Equity Line of Credit), xvi–xvii interest-only loans, xiii–xv liar loans (based on stated income), xv–xvi

Index

14:52

197

eBay.com, 39 Embarrassment/shame, 29-31, 48-49, 134 Emotions, 25-38 acceptance, 31 anger, 27-28, 49 burnout, 187 denial, 26-27, 48 depression, 28-29 embarrassment/shame, 29-31, 48-49, 134 fear, 28 letting go of emotional attachment, 165-166 living with emotional stress, 172-173, 175 loan modification and, 48-49 not dwelling on the past, 65-66 personal stories, 31-33 putting aside pride, and starting over, 34-38 typical mindset of people in financial distress, 25-31 homeowners, 26 investors, 25 Equity lenders, 190 Estimating value of your home, 4-6 Family: gifts versus loans, 37-38 meeting, 37, 38 Fear, 28 Financial distress/hardship: life after, 36, 187-194 avoiding another disaster, 188-189 becoming an investor, 193-194 getting help for starting over, 36 investing again, 190-192 list of things every person should have, 188-189 sharing your experience with other distressed homeowners, 192-193 tackling ownership again, 187-188 proving, 49, 70, 72, 90 telling children about, 170

Financial relief programs, 61-62 Housing Choice Tenant-Based Voucher, 61 Low Income Home Energy Assistance Program (LIHEAP), 62 Soldiers' and Sailors' Civil Relief Act, 61 Fix Credit Biz, 176-179 Forbearance agreements, 8-9, 47, 52-55, 124 Forced sale disclosure deed, 5 Ford, Henry, xii, 134 Foreclosure(s): deed in lieu of (see Deed in lieu of foreclosure) defined, 82 friendly, 15 how it works, 16 statistics on, x Forgiven debts, 19-23 For Sale by Owner (FSBO), 39-41 Fraud, bankruptcy, 140 Friendly foreclosure, 15. See also Deed in lieu of foreclosure; Foreclosure(s) Genesis 50:19, 175 Gift versus loan, friends/family, 37 - 38Goal board, 175 Government bailout (2008), xi, 66 Government programs, 19-23, 57-62 blog for up-to-the-minute information about legislation, 16 ChrisFreeMoneyJohnson.com, 57-58 financial relief, 61-62 Housing Choice Tenant-Based Voucher, 61 Low Income Home Energy Assistance Program (LIHEAP), 62 Soldiers' and Sailors' Civil Relief Act, 61 grants for home repairs, 57 local government funding, 57

INDEX

Government programs (Continued) mortgage relief, 19-23, 58-61 ACORN housing counselors, 59-60 Home Equity Loss Prevention Program (HELP), 59-60 HomeFree-USA "Save A Family" Foreclosure Prevention Fund, 58-59 Hope Now Alliance, 59 Housing Partnership Fund, 60 Mortgage Forgiveness Debt Relief Act, 19-23 Mortgage Relief Fund (web site), 60 Veterans' Mortgage Relief, 60-61 Section 8 Housing, 160-164 Government web sites, 19-23 govtrack.us, 20 irs.gov, 19, 20-23 sccgov.org, 20 whitehouse.gov, 19 Hard-money lenders, 190-191 Hardship/financial distress: proving, 49, 70, 72, 90 telling children about, 170 Health insurance, 188 HELOC loans (Home Equity Line of Credit), xvi-xvii HELP (Home Equity Loss Prevention Program), 59-60 Help in starting over, 36-38 Home Equity Line of Credit (HELOC) loans, xvi-xvii Home Equity Loss Prevention Program (HELP), 59-60 HomeFree-USA "Save A Family" Foreclosure Prevention Fund, 58-59 Homeowner(s): banks negotiating with in short sales, 79-80, 105 estimating home value, 4-6 mindset of financially distressed, 26 with mortgages exceeding home value (see Underwater homeowners)

Homeowner Protection Agreement, 109, 110-117, 124 Hope Now Alliance, 59 Housing Choice Tenant-Based Voucher, 61 Housing Partnership Fund, 60 Income, ways to increase, 170-171 Insurance, 188 Interest-only loans, xiii-xv Interest rate reduction, asking for, 84-85 Investor letter, 87, 100 Investor(s), real estate: banks negotiating with, for short sales, 67, 79-80 becoming, 193-194 benefits, 194 disillusionment, ix-x hardship letter, 72 home equity, not buying property with, xvi investing again after financial disaster, 190-192 mindset of financially distressed, 25 selling investment property: short sales, 66, 71-73 wording in ads, 42-43 short sale package, sample introduction letter from, 100 Investor(s), working with for short sale of your property, 105-121 Authorization to Release Information, 107 closing, 124 Homeowners Protection Agreement, 109, 110-117, 124 negotiating with investors, 117-121 sample ad, looking for investor, 108 sample Bill of Sale, 118 sample script, talking to potential investor, 119-120 unethical investors, typical MO of, 120-121 what should an investor do,

106–117

Index

199

IRS: Form 1099, 14, 16, 18-19 web site information, 20-23 Johnson, Chris (ChrisFreeMoneyJohnson.com), 57-58 Kitchen, photos of in short sale package, 97, 98 Late Payment Department, 48 Legal Help page, American Bar Association, 141 Legal Services Corporation, 141 Legislation. See Government programs Liar loans, xv-xvi Life insurance, 188 LIHEAP (Low Income Home Energy Assistance Program), 62 Loan(s)/lenders. See also Bank(s) easy-money home loans: financial disaster and, xi HELOC loans (Home Equity Line of Credit), xvi-xvii interest-only loans, xiii-xv liar loans (based on stated income), xv-xvi hard-money lenders, 190-191 qualification guidelines, historical perspective on, xi, xvii-xix Loan modifications, 47-55 bank preference for repayment plan versus short sale, 50 benefits of, 47 closing, 124 contacting bank, 48 emotions and, 48-49 versus forbearance agreements, 47, 50, 52-55 hardship, proving, 49 interest rate reduction, 84-85 as one of several options, 8 possibilities/options, 50-51 preparing to negotiate, 49 sample conversation with the bank, 51-52 Loopnet.com, 40

Loss mitigation: department, 48 understanding mindset of, 73-74 Low Income Home Energy Assistance Program (LIHEAP), 62 Medicaid, 189 Mindsets: loss mitigation, 73-74 people in financial distress, 25-31 Mortgage lenders. See Bank(s); Loan(s)/lenders Mortgage relief, 58-61 ACORN housing counselors, 59-60 Home Equity Loss Prevention Program (HELP), 59-60 HomeFree-USA "Save A Family" Foreclosure Prevention Fund, 58-59 Hope Now Alliance, 59 Housing Partnership Fund, 60 Mortgage Forgiveness Debt Relief Act, 19-23 Mortgage Relief Fund, 60 Veterans' Mortgage Relief, 60-61 Multi-Level Marketing company, 171 Multiple Listing Service (MLS), 5 Needs versus wants, 182 Negative cash flow, living with, 135, 168-171 Negotiating: with banks for loan modifications, 49, 51-52 with banks for short sales, x, 67, 79-80, 105, 106 with investors for short sale assistance, 117-121 Net sheet, sample, 87, 99 Options for distressed homeowners. See also specific options bankruptcy, 133-141 deed in lieu of foreclosure, 9, 13-19, 135 financial relief programs, 61-62 forbearance agreements, 8-9, 47,

52–55, 124

INDEX

Options for distressed homeowners (Continued) government programs and mortgage relief organizations, 57-62 loan modifications, 8, 47-55 negative cash flow, living with, 135 renting your home, 9, 135, 143-164 riding out the storm (staying put), 8-9, 135, 165-173 selling your home, 9 aggressive first steps, 39-46 short sales (see Short sales; Short sales working with investors) walking away and starting over, 11-23, 134, 135 Parenting: life insurance on children, 188 part-time jobs for children, 170 telling children about financial distress, 170 Part time jobs, 170 Pet deposits, 144 Pick-a-payment, xiv Positive affirmations, 167 Preforeclosure, defined, 82 Pride, putting aside, 34-38, 171 Qualification guidelines, historical perspective on, xi, xvii-xix Quitclaim deed, 5-6, 86 Real estate agents: historical perspective, banks negotiating with agents/ investors/homeowners, 67, 79-80 listing house with, 41-43, 124 Multiple Listing Service (MLS) and comps, 5 Real estate prices, what happened to, x–xiii Refinanced homes, 21 Religion, 175 Rental properties: difficulty of staying afloat, 171-172 forbearance agreements, 55

inexperienced landlords, xi recommendation of cash reserve, xii Renting room(s)/garage in your home, 170-171 Renting your home temporarily, 143-164 as one of several options, 9, 135 pet deposits, 144 rental agreement, sample, 146-160 resistance to, 143 screening tenants: Section 8; questions to ask counselor, 162-164 tips, 143-144 Section 8 Housing, 160-164 security deposit/payments, 144, 163 subleasing, 144-145 Repair list, sample, 87-88, 101 Reserve, bank loan loss, 7 Riding out the storm. See Staying put (riding out the storm) Sale/purchase contract, 85-86, 91-95 Sales, short. See Short sales Saving money: tips, 168-169 wants versus needs, 182 Savings, life (not using to save property), 166-167 Savings account, 188 sccgov.org, 20 Second mortgages, xviii Section 8 Housing, 160-164, 191 facts about, 160-161 leases, 163-164 purpose of, 161 reinvesting and, 191 screening tenants (questions to ask counselor), 162-163 Security deposits/payments, 144, 163 Selling your underwater property, 39-46. See also Short sales open house, 43 with real estate agent, 41-43 without real estate agent, 39-41 abbreviations in ads, 41 sample ads, 40

Index

14:52

20 I

showing your home, 43 when mortgage is current, 44-46 Sheriff's sale: bankruptcy and, 136 deeds from, 86 Short sales, 65-78, 79-104 banks: acceptance letter, 125, 126 approaching/negotiating with, x, 73-74 historical perspective, banks negotiating with agents/ investors/homeowners, 67, 79-80 mindset of loss mitigation, 73-74 reasons for banks to say no, 67 reasons for banks to say yes, 68, 80 repayment plan/forbearance agreement preferred, 50 waivers of deficiency/1099s, 17, 18, 124 work-out department, 81, 84 brokers price opinion (BPO), 74, 75-78 closing (get it in writing), 123-129 checking your credit after deal is done, 128-129 letter of acceptance from bank, 125, 126 ordering your free annual credit report, 129 what to expect from closing agent, 126-128 deficiency judgments and, 16, 17 defined, xiv-xv, 7-8, 43, 66 example, 9 financially distressed homeowners, 81-84 hardship package, 67, 85-104 area comps, sample, 96 checklists, 82-83, 88, 102 contract for sale and purchase, 85-86, 91-95 deal coordinating sheet, 103-104 homeowner hardship letter, 70 investor (as buyer) introduction letter, 100

investor hardship letter, 72 net sheet, sample, 87, 99 photos, sample, 86-87, 97, 98 proof of financial hardship, 90 repair list, sample, 101 short sale checklist, sample, 102 investment properties, 66, 71-73 listing agreement special clauses section, real estate agents, 42 options to try before attempting, 65 requirements/items to gather, 68-71 selling tactics (see Selling your underwater property) solvent homeowners, 66, 84-85 tax implications, 17, 18, 124 terms defined: bank-owned property, 82 foreclosure, 82 preforeclosure, 82 working with ethical investors for, 105-121 Short sales working with investors, 105-121 Authorization to Release Information, 107 closing, 124 Homeowners Protection Agreement, 109, 110-117, 124 negotiating with investors, 117-121 sample ad, looking for investor, 108 sample Bill of Sale, 118 sample script, talking to potential investor, 119-120 unethical investors, typical MO of, 120-121 what should an investor do, 106-117 Showing your home, 43 Soldiers' and Sailors' Civil Relief Act, 61 Solvent homeowners selling underwater houses, 44-46, 66, 84-85 Special warranty deed, 5, 86 Spending: tips for cutting back on, 168-169 wants versus needs, 182

INDEX

Stall tactic, bankruptcy as, 135-137 Starting over. See Financial distress/hardship, life after Stated income, defined, xv Staying put (riding out the storm), 8-9, 165-173 affirmations to repeat, while facing foreclosure, 167 emotional attachment, letting go of, 165-166 emotional stress, living with, 172-173 negative cash flow, living with, 168-171 not exhausting life savings to keep property, 166-167 perspectives: bank, 172 neutral third party, 172-173 you, 172 recommendation against, 165 tips for cutting back on spending, 168-169 tips for increasing income, 170-171 Subleases, 144-145 Support/counseling, offering as volunteer, 192-193

Taxes:

irs.gov web site information, 20–23 receiving IRS Form 1099 income, 14, 16, 18–19 Tenant(s): Housing Choice Tenant-Based Voucher, 61 screening: Section 8: questions to ask counselor, 162–164 tips, 143–144 Tenantauthority.com, 143 Theieu.com blog, 16 Trackandscreen.com, 143 Twyford, Bill. See also Bent-Twyford, Dwan family photo, xx past financial problems, xiii, xix-xxi, 31-33, 175 positive affirmations, 167 when first met Dwan, 166 Underwater homeowners: defined, 3 estimating home value, 4-6 options for (see Options for distressed homeowners) reasons for selling, 4 typical scenario, 3-4 why so many, ix-x Unsecured note for balance, 45, 46 uscourts.gov, information on bankruptcy, 138-139 Vacant homes, 11-13 Veterans' Mortgage Relief, 60-61 Waivers of deficiency/1099s, 17, 18, 124 Walking away and starting over, 11-23, 134, 135. See also Financial distress/hardship, life after foreclosure (see Deed in lieu of foreclosure; Foreclosure(s)) stopping making payments and moving out, 11-13 Wants versus needs, 182 Warranty deed, 5-6 Whitehouse.gov, 19 Workout Department, 48, 81, 84

Zillow.com, 5