

“Put our Creative Energy and.....



...Experience to work for you!”

A Special Report for Prescott, AZ Area Home Owners

“Mortgage Problems? Understand Your Options”

Compliments of The Long Family Team



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If you find yourself among the millions of Americans who are currently having trouble making their mortgage payments, or who have become completely unable to make their payments altogether, then it is our goal to help you know your options so you can be confident you are making the best decision and have peace of mind as you move forward. Doing business as a family team, we seek to treat every customer as well as our current clients just like we would treat a member of our own family. So, we recently asked ourselves this question.....

“If one of our family members were to call us today and ask us if there was one place they could go, or one article they could read to help them better understand their options as a homeowner facing foreclosure, what would we tell them?”

The answer to that question was..... ***We really didn't have an answer!*** We couldn't think of one resource we had come across that we felt did a great job of explaining the options in an in-depth, yet sensible way that is easy to understand, thorough, and honest. So, we got inspired to create such a report that we would feel comfortable sending to one of our family members, knowing it was exactly what they **needed** to read! So, here are the major options explained, the pros and cons of each, and what to make of it all.

- 1.) **Reinstatement.** So it may go without saying that for most homeowners, this option is rather appealing. Reinstatement, however, can be a very difficult process due to the fact that it requires a full payment of the past due balance, as well as penalties and fees that have accrued. Most homeowners that are behind on their payment have trouble with this option since it requires so much cash out of pocket.
 - a. **Benefit:** Does not require the lender's approval.
 - b. **Drawback:** Requires that the homeowner payback all past due amounts, penalties & fees.
- 2.) **Forbearance or Repayment Plan.** A forbearance or repayment plan typically involve a homeowner either postponing payments for a period of time, or agreeing to a payment schedule that helps the homeowner get caught up on payments. Either way, the homeowner most typically ends up paying all back payments they are behind but is able to do so over a period of time.
 - a. **Benefit:** Allows homeowner to pay back all past due payments over a period of time instead of all at once.
 - b. **Drawback:** Requires that a homeowner be able to pay their full monthly payment plus a portion of their past due amount.
- 3.) **Loan Modification.** A loan or mortgage modification has been a very popular option in the last couple of years. It includes a negotiation period with your lender where you provide them with extensive financial information and attempt to prove hardship along with the ability to continue making payments to your lender. This almost always includes the requirement of having steady employment and income as the bank still wants to know they are going to be able to count on a steady payment from you. Additionally, in certain circumstances, the bank may be willing to forgive a portion of the total debt owed. The reality, however, is that a VERY small percentage of homeowners have any luck



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in that regard. Most commonly, a successful loan modification would include an interest rate reduction and an extension of the amortization schedule (for example, if you were supposed to pay the bank back in 30 years, they may extend the payback schedule to 35 or 40 years to allow your payments to be lower).

- a. **Benefit:** Most commonly, the monthly payments are reduced.
 - b. **Drawback:** It requires that a homeowner fully qualify for the new payment, so it is like applying for a loan all over again (lots of required documentation).
- 4.) **Rent the Property.** Pretty straightforward. If a homeowner can get as much or more for rent on their property than their monthly mortgage payment is, it may be worth considering.
- a. **Benefit:** It allows the homeowner to hang onto the property indefinitely.
 - b. **Drawback:** Creates a new problem (keeping a renter in the property) that didn't previously exist, not to mention managing the frustrations that accompany managing a rental property, including ongoing maintenance requirements.
- 5.) **Deed in Lieu of Foreclosure.** This option, summed up, means you are giving your ownership rights back to the lender. It is typically a very simple process, but does require lender approval and the homeowner must be prepared to vacate the property immediately.
- a. **Benefit:** May cause the lender to forego their “deficiency judgment” option.
 - b. **Drawback:** Still may be reported to the credit bureaus as a foreclosure, and requires an immediate vacating of the property by the homeowner.
- 6.) **Short Sale.** We have an entirely separate special report that thoroughly covers this option, as there are a lot of different ways (including some really bad ways) to proceed with a short sale. [You can download and read that report, titled “The EXPERT Way to Short Sale Your Home” here!](#) However, in brief, a short sale is a process where a homeowner offers lists their property for sale at a price that will cause them to make less money on the sale than what they owe their lender. In turn, it requires the permission of their lender. Like a loan modification, it requires an application process with the homeowners lender, and the homeowner must be able to prove hardship. Hardship can be things like change in income, forced or unplanned relocation, change in financial stability, job loss, divorce, and a variety of other acceptable scenarios.
- a. **Benefit:** It allows the homeowner to salvage some of their credit, and potentially avoid a deficiency judgment as well. Additionally, it keeps a foreclosure off the homeowner's record and allows the individual to purchase another home in as little as 2 years as opposed to 5 years in the case of a foreclosure.
 - b. **Drawback:** It can be a long process, and should only be attempted with the assistance of qualified professionals (yep, that's where we come in).
- 7.) **Foreclosure.** OK, as this is what you are probably trying to avoid, we won't go into all the terrible things about a foreclosure.



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- 8.) **Bankruptcy.** Bankruptcy will typically cease foreclosure proceedings until the bankruptcy is sorted out in court. For this reason, bankruptcy is often presented as a solution to foreclosure. In limited cases, this is correct. This is why it is SO important to pursue legal counsel to know which of these options is the very best for you! (See the bottom of this page for a GREAT solution!)
- a. **Benefit:** Doesn't require your lender's approval, and can delay foreclosure proceedings.
 - b. **Drawback:** Can be very costly, lengthy, damages credit, and can only be declared once every seven years.
- 9.) **Refinance.** In very limited cases (most commonly only if you bought more than 5 years ago) it might be an option to refinance. There are actually refinance options up to 105% of the current value of your home in some cases. This might allow you to get a better rate or better terms than those in your original mortgage.
- a. **Benefit:** Can lower the payment.
 - b. **Drawback:** Can be costly to initiate.

While our list of the 9 primary options most homeowners consider is very thorough, there are a few other options that may exist in some cases, particularly for members of the military. And, while we hope you now have a better comprehensive understanding of what your options are, we also understand you may not be any closer to knowing which of these options is best for you. And, to be honest, we know we are not the best ones to help you determine which option is the best option for you. However (**and this is a big "however"**), we don't want to see you go through this process without getting excellent input and advise from a top notch legal source. That is precisely why we have networked with a Mortgage Mediation Law Group that offers all of our clients a **NO COST 30 minute minimum consultation** to help you better understand your options! **Yes, we did say NO COST which means FREE!** Our clients have spoken very highly of their services, and we would strongly encourage you to take advantage of this excellent opportunity to get quality legal advice. So, pick up the phone and give us a ring today to get connected with them! We look forward to providing you with their information, and of course, to assisting you with all of your real estate needs!

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