# Walk Away From The Deal

I admire my clients. They find the perfect home – or so they think, and then are driven to close the deal regardless of financing roadblocks that surface. Sometimes, though, they don't see the forest for the trees.Typically, there are relatively simple solutions to resolve issues. For example, if a lender requires a borrower to evidence timely rental payments via cancelled checks (but in some months cash was paid), the landlord can confirm this with a signed Verification of Rent (VOR) form. But when several solutions are required, stretching is likely not the best answer. I'm all for rolling up the sleeves and making it work, but there is a point when you need to walk away so that either your economics are more comfortable or you truly know your Seller's bottom line. Having some of these example issues should give you pause:

| **Problem** | **Solution** |
|---|---|
| Debt-To-Income Ratio Too High | >Restructure Vehicle Loan to Reduce Overall Monthly Payments |
| Low Appraised Value & Seller Is Price Inflexible | >Obtain Gift Funds to Cover New Equity Required |
| Higher Gift Funds Introduces Risk to Lender | >Evidence More Cash Reserves in Bank Account |
| Uneconomical Homeowners Insurance Costs | >Change from Replacement Cost Coverage to Actual Cash Value |
| There is Asbestos in the Siding & Ceiling Tiles | >Accept the Fact that Fibers Are Not Airborne Unless Disturbed |
| Dry Rot and a Ceiling Leak | >Seller to Set Aside Sufficient Repair Reserves |

Remember: Your best solution may very well be to find another property!

**Here’s the Point:***Don’t fall in love with your real estate purchase until you are Cleared-To-Close, because your judgment might be clouded.*

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# Short Sellers Are Back

**Homeowners who entered into short sales after the U.S. Housing Crisis are back purchasing homes again.**

Between 2010 to 2014, a significant number of foreclosures took place. Lenders exercised steps to take title to many homes – typically because borrowers were unwilling or unable to correct their late payments or defaults. Now, 7 years after receiving a Certificate of Title evidencing the property foreclosure sale, many borrowers can qualify for conventional financing (only 3 years to qualify for FHA financing).Instead of allowing a foreclosure, however, many people took the time to sell their homes for less than the amount of the outstanding debt – at the approval of their lenders. As indicated in the following chart, these “short sale” arrangements require less of a waiting period to obtain a conventional mortgage than the waiting period for a foreclosure.

**Years of Seasoning for Mortgage Qualification:**

| | **Conventional** | **FHA** | **VA** |
|---|---|---|---|
| **Foreclosure** | 7 | 3 | 2 |
| Deed-In-Lieu | 4 | 3 | 2 |
| **Short Sale** | 4 | 3 | 2 |

Provided 4 years have elapsed since the HUD-1 Closing Statement was finalized from a short sale, mortgage financing can generally be made available again (only 3 years for FHA, and 2 for Veterans Administration loans). These waiting periods are the same if, instead of a short sale, title to the property was voluntarily transferred to the lender in exchange for a release from the mortgage obligation – i.e., a Deed-In-Lieu of Foreclosure (DIL).According to the Federal Housing Finance Agency (FHFA), short sales and DIL's are down at least 65% since 2014 – and therefore a large segment of home purchasers are buying homes again, which is contributing to increased home values.

**Here's the Point:***Many people are now able to qualify for mortgage financing, now that their short sale or foreclosure seasoning periods are over since the U.S. Housing Crisis.*