What are a homeowner's foreclosure alternatives?

A: Alternatives to foreclosure available to a homeowner in default who cannot soon cure the delinquency include a:

- forbearance;
- loan modification;
- deed-in-lieu of foreclosure; and
- short sale.

A forbearance occurs when a mortgage holder agrees to temporarily forego acting on their rights, such as by cancellation of the foreclosure, while the property owner in default takes steps to bring the mortgage payments current.

A loan modification occurs when the mortgage holder agrees to change the terms of the mortgage. The note itself is not cancelled or newly rewritten since the debt it documents is secured by a trust deed which references the note. If the note is replaced by a newly written note, the dates of the note and trust deed will differ. Mismatched dates cause later difficulties on foreclosure or reconveyance of the trust deed since the recorded trust deed refers to the secured debt as that evidenced by a note "of the same date."

A deed-in-lieu is the homeowner's conveyance of their property to the mortgage holder in exchange for the mortgage holder cancelling the mortgage debt. Both the deed-in-lieu and a reconveyance of the trust deed are recorded, extinguishing the lender-borrower relationship between the mortgage holder and the property owner.

An alternative to any of the above when the homeowner has a positive equity in the property is a sale of the mortgaged home and payment of the mortgage debt in full, called a standard sale.

A short sale occurs when a homeowner sells their property for less than they owe on the mortgage, and the mortgage holder accepts the insufficient net proceeds in exchange for cancelling the unpaid mortgage balance, called a short payoff. By accepting a short payoff, the mortgage holder avoids the costs of a foreclosure sale and the risk of loss during their ownership of the property, known as real estate owned (REO) property, until it is resold.

Your Name/Team Name

CalBRE Lic#
555.555.5555
youremail@mail.com
yourwebsite.com

Extra contact information
(Delete if not needed)

YourCompanyLogo