Mortgage Assignment Guide for Homeowners

This guide explains the Mortgage Assignment Program and answers all of the common, and not so common, questions that people have.

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What is a Mortgage Assignment?

- The sale of a home where the loan(s)/lien(s) are assigned to a buyer in exchange for the deed (ownership).
- Although virtually no loans are "assumable", anyone can make payments on anyone else's mortgage and as long as those payments are made, the lender will consider the loan to be performing.
- In a Mortgage Assignment Sale, the buyer agrees to make payments on the seller's mortgage going forward in exchange for ownership of the property.

What is the Profile of a Typical Mortgage Assignment Candidate?

- Has a difficult to sell home - due to the home having little, no, or negative equity, or simply a home that is hard to sell size, or location, or a home in a down market, etc.
- Needs to sell more quickly than is typical using conventional list and wait method
- Bought or built a new home with a $0/down (or minimal down) mortgage in an area that has not appreciated
- Refinanced an existing home, borrowing most of the equity, in an area that has not appreciated
- Bought a home in an area that has seen significant price reductions
- Has suffered a divorce, lost job, medical problems, or other financial hardship including any combination of an increase in expenses and/or decrease in income
- Has a non-owner occupied investment property that is no longer performing to generate positive cash flow
- Has an Adjustable Rate Mortgage (ARM) in which the payments have increased to an unaffordable level
- Has had an increase in payment due to an escrow shortage adjusted after tax increases, or an under-funded escrow from the purchase of a new home

What Paperwork is Needed for a Mortgage Assignment?

- The Investor will generate a checklist of all paperwork, as well as all forms required to sell your home. This checklist will include:
    - Authorization to Release Loan Information
    - Purchase Contract Agreement
    - Contract Addendum – specifying the terms of the mortgage assignment
    - Seller's Disclosure
    - Assignment of Insurance Agreement
    - Seller Acknowledgements
    - Additional documents we will need:
        - Loan Information Profile
            - Lender Name
            - Loan Number(s)
            - Loan type(s): FHA/VA, Conventional, ARM
            - Loan Terms: interest rate(s), balloon or pre-payment clauses
            - Approximate loan balance(s)
            - Amount of loan arrearages (back payments – if any)
        - Copy of recent mortgage statement(s)
        - Copy of original survey
        - Copy of Original Note(s) and/or Deed(s) of Trust
        - Property Repair Estimate – Completed by Realtor or Investor

What are the Benefits of the Mortgage Assignment Program?

- Allows a homeowner to sell a difficult to sell home – quickly!
- Better than conventional alternatives
    - Avoids a foreclosure – in cases where homeowner can no longer afford a home
    - Does not require seller to bring many thousands of dollars to closing – in cases where the home has little, no, or negative equity
    - Superior to renting – because home is actually SOLD, seller does not have to worry about maintaining the home going forward

What are the Disadvantages of the Mortgage Assignment Program?

- Your name stays on the loan
  - The reason that a buyer wants your home is because it comes with financing! To make that happen, the existing loan(s) must be left in place.
- Buyer could default on payments
  - Although the buyer has been pre-qualified to have a required income and deposit, and although the buyer will be buying the home as a home of their own, there is always a possibility that the buyer will someday not be able to make payments, and thus default. In this situation, the seller would have the opportunity to take the home back through a foreclosure on the buyer or a deed in lieu of foreclosure.
- Lender could call the loan
  - A lender reserves the right to call a loan due on a home in which ownership has changed. That being said, it is highly unusual for a lender to foreclose on a home for which the payments are being made. If a lender chooses to call such a loan due, the buyer would be required to refinance the loan.

How do I Get Started?

1. Review this guide to answer all of your questions about the Mortgage Assignment Program.
2. Investor will generate all the necessary paperwork for you and your Realtor or Investor partner.
3. Your Realtor/Investor will have you sign a sales contract and the necessary paperwork so that the process can get started. They will also collect additional mortgage documents from you needed to create closing documents.
4. The sales contract (i.e. property) can then be marketed or offered to prospective buyers.
5. When a buyer is found, your Realtor or Investor partner will return the required paperwork to the title company or closing attorney and schedule a closing for all parties.
6. The title company or closing attorney will prepare the closing documents and coordinate a closing with all parties.
7. That's it!

What are the Fees?

- There are no upfront fees associated with this program all we ask is that you give us a strong upfront commitment to sell your home.
- Depending on the home, situation, and buyer's resources, the homeowner may or may not be asked to pay some closing costs at the time of sale.
- A key benefit of this program is that most of the closing costs, assignment fees, and commissions (if any) are paid by the buyer.

What Services Does The Investor Perform?

- **Coordinate with Realtor/Investor andHomeowner**
  - Analyze the subject property for eligibility into the Mortgage Assignment Program
  - Provide Mortgage Assignment Program guides and instructions to Realtor®/Investor and homeowner
  - Provide all necessary Mortgage Assignment Program contracts, checklists, and paperwork to homeowner through Realtor/Investor
  - Collect all paperwork from the Realtor/Investor
  - Provide solutions for unusual situations
  - Help the title company or closing attorney generate closing documents
  - Assist at the closing as needed.
- **Coordinate with the Lender(s)**
  - Submit Authorization to Release Loan Information to the lender and receive verbal confirmation of receipt
  - Verify loan balances, arrearages (if any), escrow status, etc.
  - Coordinate insurance coverage for buyer
- **Locate the Buyer**
  - Advertise and show the property.
  - Explain the process to the buyer.
  - Put the buyer under contract.
- **Coordinate with the Title Company/ Closing Attorney**
  - Deliver the contract and addenda to the Title Company/ Closing Attorney.
  - Review the Abstract of Title to ensure there are no additional liens on the property.
- **Provide Expertise**
  - Answer questions from the homeowner.
  - Answer questions from the buyer.

Additional Questions About the Mortgage Assignment Program

Can I stay in the home?

- Yes, it's your home until you sell it. You are welcome to stay in the home until a buyer is found and the sale is completed, although you are not required to.

Should I make the payments until the home is sold?

- We prefer to assign mortgages that are current. If you are behind, a mortgage assignment is still possible however, the more behind, the more a buyer would have to bring to closing to bring the loan current – and the less likely it will be that a buyer can be found to buy the home.
- Also, as the loan goes further into default, a foreclosure becomes possible.
- Generally if you are not able to keep a loan going, WE CAN HELP by doing a short sale on your home. Often we can start a short sale and mortgage assignment program together (a COMBO PLAN) and if a buyer can't be found in time for the mortgage assignment program, we can fall back to the short sale to try to avoid a foreclosure.

Are there other alternatives to doing a Mortgage Assignment?

- In general, if a home has little or no equity, the only way to sell the home is to do a short sale or mortgage assignment. Otherwise you would have to bring money to the closing table in order to cover the closing costs, commissions, and possible payoff shortage.
- If you don't want to sell your home, you may consider negotiating a forbearance or loan modification agreement with your lender. These agreements generally allow a homeowner to agree to a schedule to "make up" missed payments that resulted from a temporary interruption in income and/or reduce the payments going forward. If your situation is more permanent than temporary, you will likely not be approved for forbearance, in which case a short sale or mortgage assignment is probably a better option. Please note that most loan modifications/forbearance are denied.

How does this program affect my credit?

- It depends. If you are behind in making your payments and/or have a spotty payment history, at the time that a buyer buys the home, through the mortgage assignment program, your payments will be brought current and this will generally improve your credit.
- For many sellers, as payments continue to be made monthly and in a timely fashion, their credit will continue to improve or remain unchanged. Obviously, if payments are late or missed, your credit will degrade.

- In most cases, although the loan(s) remains in your name these loans are treated by the credit bureaus as cash neutral accounts (a debt with an offsetting credit).

Will I make any money?

- In most cases, if the home has little, no, or negative equity, there is no money to be made by the homeowner.
- In cases where the home has significant equity, yes.

Will I have to pay anything?

- Depending on the home, situation, and buyer's resources, the homeowner may or may not be asked to pay some closing costs. But it will be significantly less than the amount required if the homeowner sold it traditionally.
- One of the great benefits of this program is that most of the closing costs, assignment fees, and commissions (if any) are paid by the buyer
- The home is generally sold as-is and repairs are generally the responsibility of the buyer.

How long does this process take?

- Normally 1-3 months, but it could be less than a week! Most of this time is used showing the home to a list of buyers that have already been found that are looking for homes, like yours, offered for sale with financing.
- As with any sale, you can negotiate the closing date with the buyer.

What are the odds of success?

- Pretty good! Of course many factors affect the odds of success – most notably, would anyone want this house with this payment?
- It has always been true that offering a home with financing, as is done with the Mortgage Assignment Program, allows a homeowner to sell a home FASTER and with a higher loan balance than any other method of selling a home.

What if the buyer stops making the payments?

- You can always call the lender or check through their on-line loan servicing website to verify that payments are being made.
- If payments are missed, you have the right to foreclose on the property and get it back. In most cases it would be preferable, however, to call the buyer and try to resolve the situation.
- An alternative to foreclosure is to offer the buyer the opportunity to give you a deed-in-lieu of foreclosure. In other words, you can ask the buyer to deed the property back to you so that you don't have to foreclose on them and ruin their credit.
- In all cases if there is trouble with the buyer, call the Realtor or Investor that helped you sell the home the last time. They will be

motivated to help you get the home back so that they can quickly sell it again.

What if the buyer trashes the home and then gives it back?

- The advantage of SELLING a home through the Mortgage Assignment Program is that the buyers are actually buying the home and not renting. In most cases buyers have pride in homeownership and care more for the home than renters.
- If you threaten to foreclose on a buyer, you can often negotiate the terms under which the buyer will return the home to you in exchange for you treating them more fairly in a foreclosure proceeding. For example, you can offer to allow them to stay in the home for an extra so many days in exchange for them cleaning and making-ready the home for a new buyer and deeding the property back to you so that you don't have to foreclose.
- Regardless of the condition of the home, it can be offered to a new buyer as-is and resold using the Mortgage Assignment Strategy.

What if I have multiple loans or liens against my property?

- All loans/liens against a property must be paid off at closing or become the responsibility of the buyer going forward. Before the property is purchased, the buyer will get a copy of a title report listing all liens on the property.

If I can't afford this home, should I declare bankruptcy?

- Some people facing payments on a mortgage they cannot afford consider bankruptcy as an alternative. The truth is that bankruptcy does not prevent a home from being foreclosed on – it just delays the process briefly.
- If selling the home through the Mortgage Assignment Program (or a short sale) would leave you financially solvent, it is probably a far better alternative to bankruptcy.

What happens if I do declare bankruptcy?

- A home cannot be sold or foreclosed on (auctioned) while in bankruptcy (Ch 7 & 13).
- When a homeowner declares bankruptcy, the lender will file a motion with the bankruptcy court to have the home removed from the bankruptcy(lift the bankruptcy stay) so they can foreclose.
- Bankruptcy is a common strategy to avoid foreclosure, but the reality is bankruptcy only DELAYS the foreclosure temporarily and does not prevent it.
- Fees and missed payments pile up during bankruptcy making foreclosure more likely and less preventable, which can usually leave homeowners with a bankruptcy AND a foreclosure on their credit.
- If a homeowner's financial problems can be mostly resolved by selling the home, a Mortgage Assignment Sale or short sale is often a much better option than a bankruptcy.

- **If bankruptcy is inevitable, timing the Mortgage Assignment sale or short sale with the bankruptcy is critical. It's often better to do the sale first, or if that is not possible, to coordinate the sale during bankruptcy so that it can be started as soon as the home is removed from the bankruptcy.**

What about the interest deduction and the 1098 Interest statement I get every year?

- **Your lender will continue to issue a 1098 interest statement with your name on it each year. However, because you are no longer the owner of the home or the one paying the mortgage, you are no longer allowed to take the interest deduction.**
- **The new buyer is entitled to take the interest deduction, although they will disregard your 1098 statement and have their CPA generate a new one for them.**

Can I buy or rent another home after selling using the Mortgage Assignment Program?

- **In most cases – yes. If you are buying, you may have to explain to your new lender (when asked about the old loan still on your credit report) that you sold the home through a Mortgage Assignment Program. In some cases, the underwriter will ask the new buyer to sign a brief letter verifying that they purchased the home through a Mortgage Assignment Program and are responsible for the payments going forward.**

What kind of buyer will buy the home?

- **Possibly a person with less than perfect credit, but with an income sufficient to make the monthly payments, a down payment necessary to pay most of the fees, and closing costs associated with the Mortgage Assignment Program.**
- **Probably a self-employed person that can't get a conventional loan in the current lending environment.**

Do my neighbors have to know I'm selling my home?

- **Not necessarily. When a home is sold through the Mortgage Assignment Program it is usually marketed to an existing list of pre-qualified buyers.**
- **If it's OK with you, we'd also like to put a For Sale sign in the yard.**

Mortgage Assignment Program Application

Please complete this form.
You may also return this to your Realtor®/investor or other referring party.
You will receive a Paperwork Package and additional instructions by email within 24 hours.

Today's Date: ___________________________________

Realtor/Investor Information

Name: ____

Email: ____

Phone number: _________________________________ Alternate Number: ____________________

Homeowner Information

Name: ____

Other Names on the Deed: ____

Other Names on the Loan: ____

Email: ____

Phone number: _________________________________ Alternate Number: ____________________

Property Information

Property Address: ________________________________

City: ____ State:
____

Zip: ____ County:
____

Legal Description (if known):____

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Mortgage Information

1st mortgage servicer (lender name): ______________________________ Loan No.______________

Loan Type: FHA VA Conventional Private ARM (Select One) Interest Rate: ____________________

Approximate balance:______________________________ Date last payment made:______________

2nd mortgage servicer (lender name): _____________________________ Loan No.____________________________________ Loan Type: FHA VA Conventional Private ARM (Select One) Interest Rate: __________________________

Approximate balance:______________________________ Date last payment made:______________

Other information:

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