Published based on Florida Short Sale Vs Home Foreclosure

Florida Short Sale Vs Home Foreclosure

Some homeowners who owe more on their mortgage than the home's current value are considering "strategic defaults." This means that they simply walk away from their homes and the associated mortgage debt.

It may not be a wise course to pursue. The American Bankers Association has warned of dire consequences. These include the attachment of personal assets, including autos, stocks, bonds, cash, etc.

Deliberately walking away from a mortgage may prevent your obtaining a subsequent mortgage for between 4 and 7 years. Government mortgages typically take 4 years to qualify. Fannie Mae recently said that one would be ineligible for 7 years if they intentionally defaulted on a mortgage.

Any foreclosure impacts ones' credit rating badly. Craig Watts, public affairs director of FICO says that a foreclosure is a strong predictor of future risk. These reports remain on ones credit report for 7 years, though the impact lessens after about two years. This assumes that other debts are being paid on time. A foreclosure definitely lowers the FICO score by several hundred points.

The mortgage Mortgage Forgiveness Debt Relief Act of 2007 (extended through 2012) offers significant protection from federal taxes as a result of foreclosure. This does not apply to state taxes however. So significant tax liability can result following a foreclosure.

A lender can also pursue the remaining debt from an unpaid loan by obtaining a deficiency judgment against the delinquent borrower, or may work with a collection agency to recoup losses. Despite the potential negative consequences of a strategic default, the move is less risky in some states than others. Non-recourse laws protect homeowners in some states. When a borrower defaults in one of these states, the lender can take the home through a foreclosure but has no right to any other borrower assets. (Home equity loans are not eligible for this protection unless they were used as part of the home purchase.) According to research from the Federal Reserve Bank of Atlanta, 11 states are "non-recourse" states: Alaska, Arizona, California, Iowa, Minnesota, Montana, North Carolina, North Dakota, Oregon, Washington and Wisconsin. California is said to have some of the best anti-deficiency rules around, so banks can foreclose on the home but cannot get any other judgment to claim additional assets.

Short sales generally work better than foreclosures when luxury properties are involved. This is because the lender is far more reasonable when faces with either huge expenses to foreclose, or huge losses if the property cannot be sold quickly. No lender wants to carry such a loss on their books.

Deficiency judgments are allowed in Florida anytime a property is sold for less than the amount owed on it. In short sales, however, with a qualified buyer prepared to act, banks tend to be eager to accept something now rather than risk getting far less down the road. The Short Sale Commando's team always asks for a release from a lender during short sale negotiations. This release promises that the lender will not ask for a deficiency judgment in the future for the balance not paid.

Go to Short Sale Commando to learn effective options for the distressed luxury home owner in Florida.

You can also find this article published on Florida Short Sale Vs Home Foreclosure, and on the tag pages florida short sale experts, florida short sales, home equity loan, short sale experts, short sale florida, short sale luxury homes.