

Short Sale Lease Back, Is It An Option for You?

The Short Sale Lease Back Program *may* allow some qualified homeowners to stay in their home after a short sale. Certain banks will approve short sale lease-back transactions on certain loans as long as the homeowner has a valid hardship and the short sale terms are acceptable to the bank.

“This program is the win-win solution that has been missing for too long,” said Bob Oakes, a Realtor specializing in short sale transactions. “For some, the biggest fear is having to move. What if they didn’t have to move? It would prompt more people to raise their hand and ask for help, before the bank takes their house.” After completing his training and getting certified Bob, a 35 year veteran said “I’m excited to be able to offer this alternative stay in your home program to my clients”.

THE BACKGROUND

The SSLB Program was inspired by changes to the federal Home Affordable Foreclosure Alternatives short sale program. Program founders designed it to help distressed homeowners find an alternative to foreclosure and more quickly return to the housing market as buyers.

A short sale occurs when a property is sold for less than is owed on it and the bank agrees to a discounted payoff. In recent years, banks and servicers have required that a short sale be an “arm’s-length” transaction, meaning the buyer and seller could not be related and could not have a prior agreement for the homeowner to stay in the property.

The U.S. Treasury Dept. in March 2011 issued a supplement, or amendment, to the HAFA guidelines to allow “servicers the discretion to approve sales to non-profit organizations with the stated purpose that the property will be rented or resold to the borrower, so long as all other HAFA program requirements are met.” It further strengthened that option in a November 2012 supplement that smoothed the process for such a sale.

PROGRAM DETAILS

The SSLB Program is monumental and game-changing, providing a more attractive solution for homeowners who cannot afford their homes but have valid economic hardships and with steady incomes can afford a lease payment.

Here is a program overview:

- Homeowners must work with a licensed agent who is trained and certified by the Short Sale Lease Back Program
- A qualified non-profit would purchase the home in a short sale
- The homeowner's lenders MUST approve of the lease-back terms — the intent of the sale and tenancy cannot be hidden from the lienholders
- The seller would lease the home for up to three years, allowing their credit to heal so that they could qualify for a mortgage and re-enter the market
- Homeowners must attend ongoing HUD and financial-literacy counseling and speak with legal and tax experts to ensure the program is the right fit

Not all homeowners qualify for the program. Borrowers must have sufficient income to afford the monthly rent payments in addition to their other debt payments.

Homeowners who don't qualify for the program can still complete a traditional short sale, which may include a relocation incentive from \$2,500 to as much as \$45,000, depending on their lender, loan amount and individual situation.

Either option is better than a financially devastating foreclosure, which can crush a consumer's credit, hinder their ability to find a future rental, and perhaps even impact their jobs.

Banks prefer short sales over foreclosure and even loan modifications because they net 12% to 25% more money from the transaction and it is a more agreeable solution to the involved parties. Not all lenders, servicers or investors will allow the homeowner to remain in the home after a short sale. This is a pilot program from the realtor side of the transaction and each transaction must be individually reviewed and approved.

DO YOU QUALIFY?

The Short Sale Lease Back Program is now interviewing applicants. To qualify, homeowners must:

- Live in the property as their primary residence.
- Have steady, verifiable income.
- Have a valid hardship and be able to qualify for, and complete, a HAFA short sale.

Want to know if you qualify? Call Bob Oakes today at 949-466-0811 to make an appointment for an interview.