

# Homeowner's Guide To Assignment of Mortgage Payments Sales



*America's leading network of non-traditional real estate authorities!*

*Sellers that NEED TO SELL a property, but CANNOT AFFORD TO, because of the amount owed, and/or the condition of the property, and the tough real estate market, now have a viable solution: A NEW PROGRAM that allows sellers to assign mortgage payments to a new buyer!*

*Need to sell? We can help! We are part of a national network of investors and Realtors that specialize in buying and selling properties FAST using advanced, non-traditional, real estate techniques, such as Mortgage Payment Assignment, that are squarely focused on today's market.*

*This guide explains the Assignment of Mortgage Payments Sale options and answers all of the common, and not so common, questions that people have.*

## **Disclaimer**

***We are not a loan modification company and DO NOT offer loan modification services or FOR FEE foreclosure avoidance services. We do not advocate the use of loan modification services because of their very low success and very low customer satisfaction rates.***

***"Information presented here is for general educational purposes only and is not intended to apply to any given situation. It is not to be considered to be legal or accounting advice, and no warranties of its correctness or legality are made hereby. We do not believe that the services we offer constitute Mortgage Assistance Relief Services (MARS) as that term is defined in the law and regulations, however, in the abundance of caution, the following disclosures under the Act are given:***

### **IMPORTANT NOTICE**

***WE ARE NOT ASSOCIATED WITH THE GOVERNMENT, AND OUR SERVICE IS NOT APPROVED BY THE GOVERNMENT OR YOUR LENDER. YOU MAY STOP DOING BUSINESS WITH US AT ANY TIME. YOU MAY ACCEPT OR REJECT THE OFFER WE OBTAIN FROM YOUR LENDER [OR SERVICER]. IF YOU REJECT THE OFFER, YOU DO NOT HAVE TO PAY US. IF YOU ACCEPT THE OFFER, YOU WILL HAVE TO PAY US \$0.00 FOR OUR SERVICES. EVEN IF YOU ACCEPT THIS OFFER AND USE OUR SERVICE, YOUR LENDER MAY NOT AGREE TO CHANGE YOUR LOAN."***

# *Assignment of Mortgage Payments Sales Homeowner's Guide*

## ***What is an Assignment of Mortgage Payment Sale?***

- The sale of a home where the loan payment(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 an Assignment of Mortgage Payment Sale, the buyer agrees to make payments on the seller’s mortgage(s) going forward in exchange for ownership of the property.

## ***What are Three Versions of an Assignment of Mortgage Payment Sale?***

- Mortgage Payment Assignment – existing mortgage payments are assigned from seller to buyer
- Wrap-Around Mortgage - new mortgage is created and payments are assigned to buyer
- Lease/Option – Home is sold though a Rent-To-Own program

## ***What is the Profile of a Typical Assignment of Mortgage Payment Seller?***

- 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, location, 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 is an Assignment of Mortgage Payment Sale Example?***

- Current Appraised Property Value: \$200,000
- Existing loan(s) balance: \$225,000, Payment: \$1850/mo PITI
- Payments on existing loan are assigned to a buyer using a Mortgage Payment Assignment
- Buyer buys at sales price: \$225,000, payment \$1850/mo PITI

In this example, the property is transferred to an investor or buyer subject-to the existing loan(s) that the new owner is then responsible for making the payments on (\$1850/mo in this example). The sales price (\$225,000 in this example) is the balance of the loan(s), which may even be a premium above the current appraised property value (\$200,000 in this example). Typically when a property is sold with financing, as in this example, it will sell faster and at a premium price, because the buyer is getting the financing. This is because loans are currently difficult to get for millions of people, and because in general, buyers are buying based more on the terms of the loan (monthly payment and money needed at closing) than the price of the property. Historically properties sold with owner financing, as in this example, sell faster and at a premium price.

Note: The price and loan payment could be higher or lower. This program works for all priced properties. In general, this works best for properties with little, no, or negative equity.

## ***What are the Benefits of an Assignment of Mortgage Payment Sale?***

- Allows a seller to sell a difficult to sell home – quickly (typically in weeks, not months), regardless of whether the home has little, no, or negative equity.
- Better than conventional alternatives
  - Avoids a foreclosure – in cases where homeowner can no longer afford a home
  - Better than Listing – Because it does not require seller to bring many thousands of dollars to closing – in cases where the home has little, no, or negative equity
  - Better than a Short Sale – Because a short sale always destroys the seller’s credit and very often results in a foreclosure anyway
  - Better than Renting – Because home is actually SOLD, and the seller does not have to worry about maintaining the home going forward
- Sale typically takes 2-6 weeks - we already have a database of MANY THOUSANDS of buyers looking to BUY quickly, through this program
- Seller does not have to pay real estate commissions (because most of the closing costs and fees are paid by the buyer)

In summary, the advantage to selling a property through an assignment mortgage payment sale is that it will typically sell much FASTER and even at a premium sales price because it comes with financing, even if the property is worth less than the total amount owed.

## ***What are the Disadvantages of Assignment of Mortgage Payment Sales?***

- 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 or deed-in-lieu.
- 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 (less than 1% chance in our experience). If a lender chooses to call such a loan, the buyer would be required to refinance the loan.

In summary, the disadvantage to selling a property through a mortgage payment assignment sale is that the seller's name remains on the loan. It is somewhat analogous to having a seller co-sign for a loan on behalf of a buyer. Obviously this is not as desirable as a not having to remain on the loan, however, it is usually a better alternative to everything else: a short sale, traditional listing (where the seller will have to bring money to the closing), foreclosure, etc. For many sellers, living in areas where hundreds or thousands of properties are available on the market, the most valuable thing they have to offer the marketplace, is their loan itself, and the assignment of mortgage payment sale allows these sellers to sell, and to sell FAST.

Obviously, for most people they would prefer to sell FAST and at a PREMIUM PRICE and without leaving the loan in place. Unfortunately, no such options exist.

## ***What are the Fees?***

- Often none!
- A key benefit of this program is that most or all of the closing costs, assignment fees, down payment, and commissions (if any) are paid by the buyer
- Depending on the home, situation, and buyer's resources, the seller or may not be asked to pay some closing costs.

## ***How do I Get Started?***

1. Review this guide to answer all of your questions about Assignment of Mortgage Payment options
2. We will generate all the necessary paperwork for you, have you sign a sales contract so that the process can get started, and give you a list of any additional lender documents needed to create closing documents
3. The sales contract and property can then be marketed and/or offered to prospective buyers
  - NOTE: We already have a database of THOUSANDS of buyers looking for properties available with owner financing. In many cases we have a buyer already identified immediately!
4. When a buyer is found, we will schedule the closing with you, the buyer, and our local or national law firm
5. Close, move out, move on, and that's it!

## ***What Paperwork is needed for an Assignment of Mortgage Payments Sale?***

- We 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
  - Seller's Disclosure
  - Possible state specific disclosures
  - Additional documents we will need:
    - Loan Information Profile (see profile form, attached)
      - 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

## ***What Services Do We Perform?***

### **■ Coordinate with Seller**

- Analyze the subject property for eligibility into the Mortgage Assignment Program or alternative programs
- Generate one of more OFFERS, on your property, to get the process started
- Provide Assignment of Mortgage Payment Sale guide and instructions to seller
- Provide all necessary contracts, checklists, and paperwork
- Collect all paperwork
- Provide solutions for unusual situations (our network has done over 1,000 non-traditional transactions such as these; we've seen it all)
- Generate closing documents with our local and/or national law firm
- Coordinate the closing

### **■ Coordinate with Buyer**

- Show the buyer the property
- Provide Assignment of Mortgage Payment Sale guide and instructions
- Provide all necessary contracts, checklists, and paperwork
- Provide solutions for unusual situations (our network has done over 1,000 non-traditional transactions such as these; we've seen it all)
- Generate closing documents with our local and/or national law firm
- Coordinate the closing

### **■ Coordinate with the Lender(s)**

- Submit Authorization to Release Loan Information and receive verbal confirmation of receipt from lender(s)
- Verify loan balances, arrearages (if any), escrow status, etc.
- Coordinate insurance coverage for buyer

### **■ Coordinate with Closing Attorney (or title company)**

- Provide contracts, paperwork, and documentation collected from seller and buyer
- Coordinate the closing

### **■ Coordinate loan servicing going forward**

- We can arrange for a loan servicing company to collect payments from the buyer and make the underlying payments to the lender(s), while issuing monthly and annual statements to the buyer, seller, credit bureaus, and IRS going forward.

# Additional Questions About Assignment of Mortgage Payments Sales

## ***Can I stay in the property, until it sells?***

- *Yes, it's your property until you sell it. You are expected to stay in the property until a buyer is found and the sale is completed, although you are not required to. When you complete the sale, you move out.*

## ***Should I make the payments until the property is sold?***

- *We would prefer to assign mortgage payments that are current. If you are behind, a mortgage payment assignment may still be possible however, the more behind, the more a buyer would have to bring to closing to make the loan current – and the less likely it will be that a buyer can be found for the property.*
- *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 property. Often we can start a short sale and mortgage payment assignment program together (a COMBO PLAN) and if a buyer can't be found in time for the mortgage payment assignment program, we can fall back to the short sale to try to avoid a foreclosure. For more information contact us.*

## ***Are there other alternatives to doing a Mortgage Payment Assignment?***

- *In general, if a property has little or no equity, the only way to sell the property is to do a short sale or mortgage payment assignment. Otherwise you would have to bring (potentially a lot of) money to the closing table in order to cover the closing costs, commissions, and payoff shortage.*
- *If the property has some equity (typically more than 20%) a good alternative may be a wrap-around mortgage, which also allows the home to be sold with owner financing, and thus FASTER than through traditional methods.*
- *Another alternative may be to offer the home on a lease/option (lease with an option to buy). Although this is not technically a solution for the seller (the seller becomes a landlord for 3-5 years) and is not legal in all 50 states.*
- *If you don't want to sell your property, you may consider negotiating a forbearance or loan modification agreement with your lender. These agreements generally allow a property owner 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 payment assignment is probably your best option. Also, the majority of loan modifications are not approved by lenders and many property owners that pursue this option ultimately end up in foreclosure.*

**How long does my name need to remain on the loan?**

- *Until the buyer ultimately re-sells the home, refinances the loan or pays the loan off. If you want to place a time limit on the loan you are assigning, you CAN put a balloon term on the loan, making the loan expire after 3, 4, or 5 years (or any amount of time you desire) at which point the buyer will be required to refinance.*

**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 property, through the mortgage payment 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 decline.*
- *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). However, each person is treated individually, so check with someone you trust.*

**How do I know the payments are being made?**

- *The best way to monitor the payments is to have a loan servicing company collect the payment from the buyer and make the payment to the underlying lender(s) while sending the buyer as well as you, the seller, a statement each month. We can arrange this automatically as part of the closing for the mortgage payment assignment program. You can also usually check the status of the loan using your lender's online system.*

**Will I make any money?**

- *In most cases, if the property has little, no, or negative equity, there is no money to be made by the property owner.*
- *In cases where the property has a significant amount of equity, the property owner may receive money through an alternative Assignment of Mortgage Payments strategy such as the wrap-around mortgage sale or owner financing sale.*

**Will I have to pay anything?**

- *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.*
- *Depending on the property, situation, and buyer's resources, the property owner may or may not be asked to pay some closing costs. Typically, the seller will pay their portion of the closing costs only.*
- *Also, the property is generally sold "as-is" and repairs are generally the responsibility of the buyer.*

**How long does this process take?**

- *FAST! There is no guarantee, but normally 2-10 weeks, but it could be less than a week! Most of this time is used showing the property to a list of buyers that have already been found that are looking for properties, 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?**

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

**What if the buyer stops making the payments?**

- *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 (or let the loan servicing company do this) and try to resolve the situation, by telling the buyer to deed the property back using a deed-in-lieu, so that a foreclosure on them (and the destruction of their credit) is not necessary.*
- *In all cases if there is trouble with the buyer, CALL US and we will be happy to help resolve the problem and/or get the property back so that we can quickly sell it again.*

**What if the buyer trashes the property?**

- *The advantage of SELLING a property through the Mortgage Payment Assignment Program is that the buyers are actually buying the property and not renting. In most cases buyers have pride in property ownership and care more for the property than renters.*
- *Additionally, these buyers are bringing their hard earned money to closing when they buy. So unlike renters who are just putting down a small deposit, the buyers have much more skin in the game, in the form of their down payment. They may even make substantial improvements to the property after they buy it, as is the case with many homeowners.*
- *Finally, if you threaten to foreclose on a buyer, you can also often negotiate the terms under which the buyer will return the property 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 property for an extra so many days in exchange for them cleaning and make-readying the property 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 property, it can always be offered to a new buyer "as-is".*

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

- *No problem. All loans/liens against a property can all be consolidated and assigned to the buyer going forward. If a loan servicing company is used (we can arrange this), all of the underlying loans can be automatically combined into a single new loan and escrow account on behalf of the buyer.*

**If I can't afford this property, 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 property from being foreclosed on – it just delays the process briefly.*
- *If selling the property through the Mortgage Payment 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 property cannot be sold or foreclosed on (auctioned) while in bankruptcy (Ch 7 & 13).*
- *When a property owner declares bankruptcy, the lender will file a motion with the bankruptcy court to have the property removed from the bankruptcy 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 property owners with a bankruptcy AND a foreclosure on their credit.*
- *If a property owner's financial problems can be mostly resolved by selling the property, a Mortgage Payment Assignment Sale or short sale is often a much better option than a bankruptcy.*
- *If bankruptcy is inevitable, timing the Mortgage Payment 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 property is removed from the bankruptcy.*

*We have experience working with bankruptcy attorneys while negotiating property owner's short sale or coordinating a mortgage payment assignment sale. If you are considering a bankruptcy, we will need your bankruptcy attorney's contact information.*

**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 property, and the one paying the mortgage, you are no longer entitled to take the interest deduction.*
- *The new buyer is entitled to take the interest deduction. Therefore, they will disregard your 1098 statement and have their CPA generate a new one for them. If a loan servicing company services the loan (we recommend this and can arrange it), then a 1098 with the proper name on it will be generated and sent to the new buyer.*

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

- *There is no rule that says you can't have more than one mortgage, and, for example, most landlords have many mortgages.*
- *If your goal is to rent, having someone responsible for the payment of the mortgage on your last property will likely help your credit situation (versus the alternatives of a short sale or foreclosure) and improve your ability to rent a home.*
- *If your goal is to buy another property, you may have to explain to your new lender (when asked about the old loan still on your credit report) that you sold the property through a Mortgage Payment Assignment Program. In some cases, the underwriter will ask the new buyer (or loan servicing company) to send a brief letter verifying that the property was sold through a Mortgage Payment Assignment Program.*
- *Note: in some cases, although someone is making the payments on the loan, and the amount of the payment covers the expense of the payment, having the loan will affect your debt to income ratios. This can push some buyers below the current lending thresholds. Each individual is treated differently, and getting another loan on a new property is certainly not guaranteed. So you'll need to check with a mortgage banker to find out how your individual situation will be treated.*

- *Another option, if you would like to buy another property, is to ask us to find you a property that is also available through the Mortgage Payment Assignment Program.*

***What kind of buyer will buy the property?***

- *Possibly a person with less than perfect credit, but with an income sufficient to make the monthly payments, and enough up front cash necessary to pay most of the fees and closing costs associated with the Mortgage Payment Assignment Program. Possibly a self-employed person that can't get a conventional loan in the current lending environment. In some cases a buyer with excellent credit and income that simply can't get a loan because of current underwriting standards, or simply does not want to put down the very high down payment required in the current lending environment.*

***Do my neighbors have to know I'm selling my property?***

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



## Assignment of Mortgage Payment Seller Profile

Please complete this form so that we will have all of the information necessary to generate a contract and closing documents for the sale of your property. Note: This form is not a contract and does not obligate either party to buy or sell a property.

Today's Date: \_\_\_\_\_

### **Seller Information**

Name: \_\_\_\_\_

How quickly would you like to sell?: \_\_\_\_\_ Preferred closing date: \_\_\_\_\_

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): \_\_\_\_\_

### **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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### **REALTOR®/Investor Information**

Name: \_\_\_\_\_

Email: \_\_\_\_\_

Phone number: \_\_\_\_\_ Alternate Number: \_\_\_\_\_