



## Foreclosure Process

**Disclaimer:** This information is provided to our clients. This guide is not intended to, nor should it be substituted for the professional advice offered by your personal attorney, accountant or that of a professional credit counselor.

### 1. Pre-Foreclosure

- a. Borrower misses first payment. Lender serves written notice of late payments and addition of late fee.
- b. Approximately 30- 60 days – Lender initiates phone call (s) to borrower to identify reason for missed payments and discusses options to bring payments current.

### 2. Notice of Default

- a. Approximately 90 days – Lender issues formal notice of default which mandates if something is not worked out within a specified timeframe, the delinquency will be turned over to their Corporate Attorney. This action initiates foreclosure proceedings.

*Note: The pre-foreclosure phase can last for several weeks or several months as long as something positive is happening – This is the window for executing various techniques to prevent foreclosure, including Short Sales.*

### 3. Referral to Attorney

The transaction is turned over to their Attorney to begin the process of foreclosure on the property. At this point many banks or financial institutions are no longer willing to work directly with the borrower but refer them to their Attorney. Attorney's fees are added to the amount needed to bring the loan current or pay their loan off entirely.

### 4. Sheriff's Sale

Generally 6 months after judge approves the foreclosure sale. The time frame can be longer (1 year) if lender is attempting to secure a deficiency judgment against the owner, or shorter (60 days) if the property is abandoned. Most states require that sufficient notice be given in the event a Sheriff's Sale of the property has been set for a specified date, time and place. The terms of the sale are usually stipulated in the announcement. The purchaser is required to place a deposit of 10% and close following the judge's confirmation of sale (approx. 2-3 weeks after Sheriff's Sale).

### 5. SOLD or Listed

If there are no bidders or if the bids are not sufficient, the financial institution takes possession of the property after the foreclosure sale. The property is said to be Real Estate Owned (REO), and becomes a part of the liabilities of the financial institution.

### 6. Asset Managers

Most financial institutions designate someone to manage the REO account (s). The number of properties in this account can vary from a few for a small financial institution to more than a hundred for a large institution. The Asset Manager is responsible for listing the property with an agent and taking the necessary steps to get it sold. This includes maintenance, security, cleaning or other actions needed to ensure the safe, saleable condition of the property.