

Government Announces Short Sales Guidelines

The U.S. Treasury Department announced new guidelines this week designed to make short sales go more smoothly.

To qualify under these new guidelines:

The property must be the home owner's principal residence.

- The home owner must be delinquent on the mortgage or close to defaulting.
- The loan must have been made before Jan. 1, 2009, and be for less than \$729,750.
- The borrowers' total monthly mortgage payment must exceed 31 percent of their before-tax income.

Under the plan, borrowers will receive \$1,500 from the government for selling homes for less than the amount of their mortgages. Mortgage-servicing companies will get \$1,000 for each completed short sale. Second-mortgage holders can receive up to \$3,000 of the sales proceeds in exchange for releasing their liens. Investors who hold the first mortgage can collect up to \$1,000 from the government for allowing the payments.

Borrowers who complete a short sale under the program must be "fully released" from future liability for the debt, according to the guidelines.

Source: Associated Press, J.W. Elphinstone (11/01/2009) and The Wall Street Journal, Ruth Simon (11/01/2009)