



Donna Bosze - Chesapeake, Virginia Beach, Norfolk

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## FORECLOSURES VS SHORT SALE

June 2011

Hello Hampton Roads,

Let's take a look at Foreclosure and a Short Sale? Our real estate market has both kinds of distressed sales, and today, we'll take an in depth look at both.

A **foreclosure** is a process that occurs when the lender or creditor takes possession of the property because of the borrower's failure to pay. A **foreclosure** property is also known as an REO, or Real Estate Owned (by the bank). To recoup their losses, the bank lists these properties with a qualified Realtor to sell. Since banks are not in the business of owning real estate, these properties can be a source of potential bargains. However, **foreclosures** are devastating to the financial well being of a borrower with effects that can be long lasting.

A **Short Sale** on the other hand is an increasingly popular tactic for financially troubled homeowners to possibly avoid foreclosure. **Short Sale** occurs when the lender or creditor agrees to sell the property for less than the mortgage amount. When the bank agrees to accept less than the pay off amount, the balance is "short" the amount owed, so hence we have the term, **short sale**. **Short sales** are essentially pre-foreclosures. The owner of the home has a financial hardship and has either missed mortgage payments or perhaps has a job transfer and must sell the property.

Here are some of the pros and cons of both:

### Foreclosure: Pros

- Bank has approved the price so there is no guessing concerning the sales price
- Bank has cleared liens in foreclosure
- Closing is relatively quick, usually within 30-60 days
- Generally the bank's preservation company maintains the lawn and takes care of safety issues or other issues that may de-grade value or cause damages

### Cons

- Lower sales price re-sets the price point in the neighborhood which lowers assessed value and reduces the tax bases
- Ruins the owner's credit-there is usually a 250-300 point drop in credit score and the foreclosure remains on credit history for 10 years or more.

- Very damaging to those who have a security clearance and can be grounds for termination or reassignment
- Seller is eligible to receive a Fannie Mae backed mortgage after 5 years- a much longer term than with a short sale.

### Short Sale: Pros

- Less damaging to Seller's credit especially if seller is current on all other payments and a short sale is not reported on credit history
- Not a challenge for owner's with security clearance
- In most cases property will sell for a higher price that if the property were foreclosed, thus keeping neighborhood property values higher than a foreclosure sale
- Sellers is eligible to receive a Fannie Mae backed mortgage after 2 years

### Cons

- Can take an extremely long time to close-in some cases close to 4 months.
- According to Fannie Mae, in 2008 for every short sale, there were eight foreclosures
- Bank may not agree to the price buyer and seller have agreed upon and the price may have to be renegotiated
- Seller may be liable to pay a deficiency judgment (the balance of the loan amount) to the bank if the bank agrees to the short sale.
- Generally if the seller cannot make mortgage payments, he or she may also not be able to properly maintain the house.

Both short sales and foreclosures have their own set of complexities and these sales are currently a driving force in our market as well as nationally. Any buyer or seller in this market would be wise to seek the guidance of a Realtor experienced in distressed property sales. If you have any questions or are considering buying an REO or short sale, or selling your house as a short sale feel free to contact me.



## FORECLOSURES FALL AGAIN, REACHING 3-YEAR LOWS

Fewer home owners are losing their homes as the number of foreclosure filings sank to more than a three-year low in April, RealtyTrac reports. The number of foreclosure filings in April dropped 34 percent from a year ago, also marking the seventh straight month of declines, and reaching its lowest level since December 2007. Foreclosure filings include notices of default, scheduled auctions, and bank repossessions. Also, 69,532 homes were repossessed in April — an 8.6 percent drop from March and a 32 percent drop from last September's peak.

Banks being blamed for faulty paperwork continued to slow the pace of foreclosure activity last month, but many foreclosures still loom, experts warn. About 3.7 million borrowers are at least 90 days late on payments.

However, there are hopeful signs of a turnaround: The employment picture is improving, which will allow more home owners to make payments and banks are completing more loan modifications to keep borrowers in their home. Banks completed 77,000 mortgage modifications in March, which is a 26 percent increase from February.

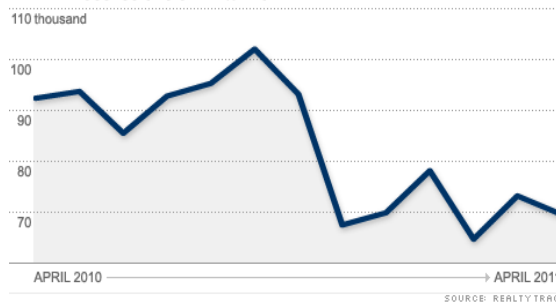
### States With the Highest Foreclosure Rates

Nevada, Arizona, and California continue to post the highest foreclosure rates in the nation.

Ten states account for more than 70 percent of all foreclosure activity in the country: California, Florida, Arizona, Michigan, Nevada, Illinois, Texas, Georgia, Ohio, and Colorado.

NEW YORK (CNNMoney) -- The number of foreclosure filings issued in April plunged 34% from a year ago -- the seventh straight month of declines. And there were just 69,532 homes repossessed last month, a 32% fall from the peak last September just before the eruption of the "robo-signing" scandal, in which banks were found to be mishandling the foreclosure process.

BANK REPOSSESSIONS OFF 32% FROM PEAK



### 3 QUICK TIPS FOR HEALTHY HOME SYSTEMS & APPLIANCES

1. Air Conditioning Systems - Routine maintenance can help extend the life of appliances and components and in some cases, even reduce energy costs. Use these simple tips to help keep your home systems and appliances in proper working order for the season ahead. To ensure efficient operation, check the air filter every month and clean or replace as needed.
2. Electrical Systems - Regularly use the self-test button on the ground fault circuit interrupters to ensure proper working order.
3. Washer/Dryer - Routinely check all hoses and venting to your washer and dryer—inspecting for leaks, cracks, holes and clogs. Replace hoses as needed.

### Fresh is Best!

Summer's here and so is fresh produce! Farmer's Markets and roadside stands will be sprouting up all over town, and grocery stores will be stocked with their best selection of fruits and veggies. Here are some tips to keep in mind .



1. For the best quality produce, select an amount you can use within a short time, so you can enjoy it at its peak of freshness.
2. Handle produce gently to reduce bruising.
3. At the grocery store, keep fresh produce on top of other foods in a shopping cart - and keep it separate from meat. This will prevent bruising and cross-contamination.
4. When buying cut produce, be sure to keep it refrigerated. Keep it in a cooler with ice if traveling a long distance.

*Life is Ten Percent*

*What You Make It*

*And*

*Ninety Percent*

*How You Take It*

*~Ben Franklin*

### Chicken Strawberry Spinach Salad

### With Ginger-Lime Dressing



- 2 teaspoons corn oil
- 1/2 teaspoon ground ginger
- 2 teaspoons milk
- 2 cups fresh spinach, stems removed
- 4 fresh strawberries, sliced
- 1 1/2 tablespoons slivered almonds
- 1/2 lime, juiced
- 1 skinless, boneless chicken breast half-cut into bite-size pieces
- 2 teaspoons milk
- 2 cups fresh spinach, stems removed
- 4 fresh strawberries, sliced
- 1 1/2 tablespoons slivered almonds
- 1/2 lime, juiced

### Directions

1. Heat oil in a skillet over medium heat. Place chicken in skillet, season with garlic powder and cook 10 minutes on each side or until juices run clear. Set aside.
2. In a bowl, mix mayonnaise, lime juice, ginger and milk.
3. Arrange spinach on serving dishes. Top with chicken and strawberries, sprinkle with almonds and drizzle with dressing. Season with pepper to serve.