

**ATTENTION: DISTRESSED HOMEOWNERS!**

# Congress **RENEWS** Critical Homeowner Relief Program

**Discover How You Can Erase Your Mortgage Debt and Save as Much as \$10,000 or More on Your Taxes This Year!**

## Mortgage Forgiveness Debt Relief Act

As part of tax bill H.R. 8, which addressed the so called "fiscal cliff," Congress passed an extension of the Mortgage Forgiveness Debt Relief Act of 2009. This is good news, as it means foreclosure alternatives, such as loan modifications and short sales, will continue to be valuable options free of tax penalties on forgiven debt. This report details how the extension of the Mortgage Debt Relief Act will save these homeowners thousands in taxes, and what to do if you or someone you know find yourself facing the possibility of foreclosure.

The Mortgage Forgiveness Debt Relief Act was originally passed in 2007 to aid the millions of homeowners who suddenly found themselves in danger of losing their homes to foreclosure following the housing market crash. Under the Mortgage Forgiveness Debt Relief Act, any debt forgiven in a short sale or loan modification, is exempt from federal taxes.

**EXTENDED**



CERTIFIED DISTRESSED  
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# Congress **RENEWS** Critical Homeowner Relief Program

As part of tax bill H.R. 8, which addressed the so called “fiscal cliff,” On January 1, 2013, Congress passed an extension of the Mortgage Forgiveness Debt Relief Act of 2007.

For distressed homeowners, the extension of this act comes as welcome news, as it means foreclosure alternatives, such as loan modifications and short sales, will continue to be valuable options free of tax penalties on forgiven debt. This report details how the extension of the Mortgage Forgiveness Debt Relief Act will save these homeowners thousands in taxes, and what to do if you or someone you know find yourself facing the possibility of foreclosure.

## **What Is The Mortgage Forgiveness Debt Relief Act?**

The Mortgage Forgiveness Debt Relief Act was originally passed in 2007 to aid the millions of homeowners who suddenly found themselves in danger of losing their homes to foreclosure following the housing market crash.

Under the Mortgage Forgiveness Debt Relief Act, any debt forgiven in a short sale, foreclosure, or loan modification is exempt from federal taxes.

Here’s how the process worked before the Mortgage Forgiveness Debt Relief Act:

- A homeowner found that he or she could no longer afford his or her mortgage. At risk of default and foreclosure, the homeowner was able to negotiate with the bank an option that avoided foreclosure (most likely a short sale or a principle reduction).
- The bank was legally required to report the amount of debt forgiven or cancelled to the IRS.

- The IRS labeled this amount as “income.” Even though the homeowner was never given any cash from the bank, it was considered income because it was a credit issued to the borrower from the bank that didn’t previously exist.
- The homeowner was now responsible for paying income tax on this amount, which could amount to tens of thousands of dollars.

With the recent extension of the Mortgage Forgiveness Debt Relief Act, eligible homeowners will continue to remain exempt from these taxes, saving them from paying thousands, or even tens of thousands, in taxes on top of losing their homes.

## **MORTGAGE FORGIVENESS DEBT RELIEF ACT – FREQUENTLY ASKED QUESTIONS:**

*When does the Mortgage Debt Relief Act Expire?  
December 31, 2013.*

*How much debt can be forgiven?  
\$2 million (\$1 million if you are married and filing separately.*

*Does this apply to any debt that is forgiven?  
No, the Mortgage Debt Relief Act applies only to debt forgiven on your primary residence.*

*Who determines how much debt is forgiven?  
The lender is required to report any forgiven debt that is over \$600.*

*Will be reported on my credit?  
If a foreclosure was started, then it probably will be, although it will be less impactful than if the foreclosure is completed.*



## What Does the Extension Mean for You?

This question is easy to answer: If you are struggling with your mortgage payment and facing the possibility of foreclosure, it means *you have options*. By pursuing alternatives to foreclosure, you can take advantage of this tax exemption and get back on your financial feet much more quickly.

If you have enough equity and income and a high enough credit score, a loan modification may be an option. In a loan modification, the bank permanently changes the terms of the loan to make payments affordable.

Loan modifications are a great option, but they are sometimes difficult to get. For those who cannot attain a loan modification, a short sale is an increasingly popular solution.

In a short sale, the bank agrees to accept less than is owed on the mortgage and, with more and more banks preferring short sales to foreclosure, short sales are easier than ever to execute. By pursuing a short sale over foreclosure, homeowners can regain their financial footing much faster.

## Additional Benefits of a Short Sale over Foreclosure

For distressed homeowners, short sales are a powerful option, and provide a number of advantages over foreclosure, including:

**Potential Financial Support** – *There are many government and bank programs that provide financial support for homeowners who pursue a short sale over foreclosure. For example, the Home Affordable Foreclosure Alternatives (HAFA) Program offers qualifying homeowners up to \$3,000 to help supplement the cost of moving after a short sale. Many banks offer their own relocation assistance*

*programs, such as Bank of America, which offers up to \$30,000 in assistance to those who qualify.*

**Credit Scores** – *A foreclosure affects a homeowner's credit score by between 250-300 points on average. This devastating impact happens because a foreclosure is reported directly on a credit report. In a short sale, however, there is NO standard code that is reported. Ultimately, the late payments can have as little as a 50 point impact on your score.*

**Credit History** – *Because a foreclosure is specifically reported on a person's credit, by law it must remain on that person's credit report for at least 7 years. In a short sale, because there is no specific reporting code, it may not be reported on a person's credit history.*

**Qualifying for Future Loans** – *When trying to get a home loan, you must fill out a 1003 application which asks "Have you had a property foreclosed upon or given title or deed-in-lieu thereof in the last 7 years?" Having to answer "yes" to this question makes attaining a loan nearly impossible for the 7 years following a foreclosure. With a short sale, however, there is no such requirement. In fact, Fannie Mae and Freddie Mac loans are also available for those who go through short sales in about 2 years or less, depending on circumstances.*

**Current and Future Employment** – *Today, it is very common for companies to run credit checks on potential employees, and in some cases employers even keep tabs on the credit of current employees. Because a foreclosure is reported on a credit report, this is an immediate red flag for current and future employers. In a short sale, the only things reported are late payments or, in some cases, "paid as agreed" or "paid as negotiated."*

## ***If you or someone you know is having trouble with your mortgage...***

With expiration of the Mortgage Debt Relief Act, it is more important than ever for homeowners facing foreclosure to know their options. Knowing your options can save you tens of thousands of dollars in potential taxes.

For any homeowner struggling with his or her mortgage, the best thing to do is to contact a real estate agent who specializes in distressed properties. As a Certified Distressed Property Expert (CDPE), I am uniquely qualified to discuss all the foreclosure alternatives available to you, and to help guide you through whichever option is best for your situation.

So if you or someone you know needs help, please contact me at the number or email address provided at the bottom of this report to schedule a private consultation. It is my mission to help as many homeowners as possible avoid foreclosure.

## **WHAT DOES “CDPE” MEAN?**

As a Certified Distressed Property Expert, I have received extensive training on all the options that are available to homeowners in danger of losing their home to foreclosure. This training has taught me how to recognize the best option for every homeowner's unique situation, as well as how to complete the processes involved in the most efficient way possible.

