ROOTS OF DISTRESSED PROPERTIES

Homeowner Insights

1. **Financial Hardship:** Loss of income or employment, making it impossible to keep up with mortgage payments.
2. **Medical Bills:** Unexpected medical expenses that consume savings and income, leading to an inability to pay the mortgage.
3. **Divorce or Separation:** Changes in marital status can lead to financial strain, necessitating the sale of jointly owned property at a loss.
4. **Death of a Spouse or Co-Borrower:** Losing a partner or co-borrower can result in a significant decrease in household income.
5. **Adjustable-Rate Mortgage Reset:** An increase in mortgage payments due to an adjustable-rate mortgage resetting to a higher rate. 2/1 buydown coming up.
6. **Decrease in Home Value:** A drop in the property's market value, leaving homeowners "underwater" (owing more than their home is worth). When they go to sell it.
7. **Relocation for Work:** Needing to move for a new job or military deployment but being unable to sell the house at a price that covers the mortgage loan.
8. **Increased Living Expenses:** Rising costs of living, including utilities, taxes, and homeowners' association fees, that make the home unaffordable.
9. **Property Damage:** Significant damage to the property that the owner cannot afford to repair.
10. **Rising Debt Obligations:** An increase in other debts, such as credit card debt or personal loans, making it difficult to pay the mortgage.
11. **Tax Lien:** A lien placed on the property for unpaid taxes, complicating the ability to afford mortgage payments.
12. **Legal Issues:** Legal challenges or judgments that impact the homeowner's financial stability.

13 **Interest-Only Mortgage Phase Ending:** Transitioning from paying only the interest on the mortgage to also paying down the principal, significantly increasing monthly payments.

14 **Loan Modification Denial:** Being denied a loan modification or other mortgage relief options by the lender.

15 **Unemployment/Underemployment:** Losing a job or working fewer hours, resulting in lower income.

16 **Business Failure:** Owning a business that fails or significantly underperforms, affecting personal finances.

17 **Retirement:** Transitioning to a fixed income that cannot cover the existing mortgage.

18 **Inheritance:** Inheriting a property with an outstanding mortgage that the beneficiary cannot afford.

19 **Insurance Increase:** Significant increases in property insurance premiums, making the overall cost of maintaining the home unaffordable.

20 **Environmental Changes:** Changes in the surrounding area, such as increased flooding or other environmental risks, that devalue the property or make it costly to insure.

21 **Incarceration:** Someone incarcerated might need to short sale their house for several reasons, often stemming from the challenges and changes in their financial situation due to incarceration. Here are some key reasons:

As a real estate agent for a client in pre-foreclosure, it's your role to fully understand the client's situation so you can help them understand timelines, connect them to the right financial and legal resources, and propose the right solution for them.