

5 Options After a Notice of Default

What each one actually is, when it fits, and what to watch for

Almost everyone who gets a Notice of Default ends up going one of these five ways. None of them is right for everybody. The goal is to figure out which ones are realistic for you **before** the sale date gets close, because the list gets shorter as the date gets closer.

1. Reinstate the loan

- What it is** You pay everything you're behind, plus late fees and the trustee's costs, in one payment. The loan goes back to normal as if nothing happened.
- When it fits** The money is actually there: savings, retirement, family, a settlement. Not "probably" there.
- Watch for** The number grows every month. Ask the lender for a **reinstatement quote in writing**; they have to give it to you. You can reinstate by right up to 5 business days before the sale.

2. Loan modification

- What it is** The lender changes the loan terms, usually by adding what you owe to the balance and setting a new payment. Sometimes the rate or term changes too.
- When it fits** You have steady income that can carry a payment, and you want to stay. It can take one to three months.
- Watch for** The new payment is often **higher**, not lower. Submit the full package and get written confirmation that it's "complete"; that's what pauses the sale under California law. "We're reviewing your file" is not a pause.

3. Bankruptcy

- What it is** A court filing that puts an automatic stay on the sale. Chapter 13 is a 3-to-5-year repayment plan; Chapter 7 is a liquidation. This is an attorney's conversation, not ours.
- When it fits** You need time right now and can keep up with a court-ordered plan on top of the regular payment.
- Watch for** Attorneys need a retainer up front. It stays on your credit for 7 to 10 years. Miss a plan payment and the stay can be lifted; the foreclosure picks back up where it left off.

4. Sell before the sale date

- What it is** You sell the house on your own terms, pay off the loan at closing, and keep whatever is left. That can be a listing with an agent or a direct sale to a buyer who can close fast.
- When it fits** There is equity in the house and keeping it isn't realistic. This is how most people keep their equity instead of handing it to the auction.
- Watch for** It has to **close** before the sale date, not just go under contract. A listing takes 30 to 60 days plus escrow; a direct sale can close in two to three weeks. Lenders will often postpone for a signed contract with escrow open, but it is not guaranteed.

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Continued

5. A sale where the loan stays in place

- What it is** A buyer takes over the house and the payments, and the existing loan stays where it is instead of being paid off. There are a few versions of this.
- When it fits** Little or no equity, a loan with a good rate, and you want to avoid a completed foreclosure on your record.
- Watch for** The loan still reports under your name until it's paid off. Only do this with written agreements, an escrow, and someone who will show you exactly how it works. If it's explained on a phone call in five minutes, that's a red flag.

HOW TO PICK

Three questions decide it: **How much time is left?** (Check the recorded dates.) **How much equity is there?** (What it's worth minus what's owed minus the arrears.) **Can the income carry a payment?** If the answer to the third one is no, options 1 through 3 are usually a delay, not a fix.

Inside the last three weeks before a sale, the realistic options are usually reinstatement, bankruptcy, or a fast sale. Everything else takes longer than that.

Not sure which one fits?

Call or text (661) 271-6299

We'll go through all five with you, with your real numbers. If the answer is one where we make nothing, we'll tell you that.

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