

SHORT SALES AND CREDIT REPAIR



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Fine you say, you'll go ahead and settle that mortgage for cents on the dollar and say bye – bye to all those late charges, interest and whatever that always seem to get bigger and stronger, especially when you open the envelope and pray for a break, just a little one. Maybe they'll mess up. Forget perhaps. Maybe they'll do one of those internal audits and spread some of that TARP stuff around and sprinkle a few dashes of TLC onto your account. No ... not a chance you say – huh? No way they'll step aside from anything even vaguely resembling a dollar due, particularly when it comes to your name.

But here you are and it's all in black in white, just like you wanted. All a matter of

yes or no at your end. And so, the ball's in your court with a letter from Mortgage Bank in one hand and a Bud Light in the other – with lime - and they say they'll do the undoable and take one big write off as part of your short sale. Surely a win – win, right?

Pretty much a no brainer at this point. Close the short sale and say so long to Mortgage Bank for cents on the dollar or – don't close and allow nature to run its course with Mortgage Bank calling every hour on the hour and lining your mailbox with certified letters just in case you forgot about them. Or ... if you're really game, ducking those silver bullets from their nasty debt collectors or the

white shoe attorneys who are just angling for a payment plan with automatic debits, whacking your account with one of those “pay forever plans” where the balances never go down. Or worse yet, face a lawsuit and who knows ... maybe a deficiency judgment when all’s said and done – and another twenty years of legal crap with levies on your bank accounts.

Settle for Less than What’s Due or Worship Your Credit Score

So you’ll close and make them go away, no doubt, but what about your credit standing once the dust clears and your creditors say the magic words – settled in full – for real, like they really mean it – kind of like Dr. Evil on the lip thing with Mini Me just behind.

Are you forever banned from being you? Scarred for life? Can you ever borrow again or might your lender get even by quietly putting a note in some top secret file that

always stays hush – hush behind closed doors, seventeen stories underground in the Sahara Desert so debt collectors round the world can sleep easy, knowing that if a nuclear blast destroys every living soul on the face of this planet, that all the bad stuff on you will still survive just in case someone would ever dare think about lending you a few dollars once you’re back on your feet and ready for another house or auto.

Can you eradicate the file? Swoop down in a reconnaissance mission to seize and destroy so you can assume a new identity without any bad stuff about not paying on time or settling for something less than every dollar demanded inclusive of interest at idiotic rates that nobody would ever pay, late charges and whatever they choose to put on paper as an excuse to bill and collect.

Federal Law Protects Against Bad Info

Fortunately, federal law together with some clever letter writing can pretty much do the job as to most forms of negative info – so it doesn't hang around for years and years as the banks like to threaten. That's how credit repair works. Nothing too scientific – just a few words of legal mumbo jumbo, some postage and a little persistence.

The Federal Fair Debt Credit Reporting Act can do wonders, so say the folks in credit repair who make a living out of all the bad info that destroys credit scores and government's answer on how to play the game. Here's how it works.

Credit reporting gets done by three major agencies that keep all kinds of records about you and me and how we live our lives. Info can come from a whole bunch of sources such as institutional lenders, private parties who choose to

give input, public records like county clerks and of course ... you and me if we take the time to patch in.

Sometimes the info's right and other times, well, the info's outdated, inexact or dead wrong. Maybe they got the wrong guy. Maybe you say one thing and your creditor speak with forked tongue. Because of this and the importance credit reporting plays in our ability to borrow or do anything financial, federal law offers a remedy for correcting what's wrong and setting the record straight.

Ready for the low down?
Here we go.

Three Steps to Credit Repair

Step one. Get a copy of your credit report from each of the three major agencies for free – to see what it says. Get all the bad news that's fit to print ... for free. Federal laws say that you're entitled to one free credit report annually.

Just ask and do so in writing. Then presto ... days later a complete copy will appear in your mailbox. But don't get too carried away on the free thing – request it again within one year and they'll talk money.

Step two, ID all that's bad by taking the credit report and circling everything you'd like to see go away, almost as if you're wishing upon a star and putting yourself in a different place where only good things happen like nannies with British accents who ride on umbrellas without tudes or felon wanna be's for boyfriends. Fire Departments that spend their time climbing trees to rescue wayward cats. Or a world where houses go up in value because lenders aren't allowed to wreck the economy by dumping their collateral through foreclosures at every twist and turn.

Step three, write the credit reporting agency and tell them to remove or correct what they did wrong. And then wait. Wait for federal law

to kick into high gear and work its magic.

Credit reporting agencies are required to confirm the info within thirty days after getting your request – and that's exactly what they'll do – or at least try to do.

Three things might happen after thirty days.

One, the info gets confirmed as for instance if the lender or county clerk responds and says it's right on point. If that happens you're stuck for now, but all's not lost so don't lose the faith. You can try again next month – and again and again and again ... till it works.

Two, the info gets confirmed in modified form – like the debt's still due but we can't say yes or no as to those past dues for ninety days. If this happens, don't break out the bubbly but feel free to crack a smile since you're on your way. Remember, Rome wasn't built in a day and you're just beginning.

Three, the info doesn't get confirmed because nobody responds. If that happens ... zipper it shut and say no more. Life's a beach and it can't get any better.

No News Means Good News

Credit repair thrives on the thought that Credit Reporting Agencies must remove info that doesn't get confirmed. The thought that sources of bad info like lenders would only have a window of thirty days to say what they got a say. If they mess up and miss the deadline, or if they don't have the records to say yes or no – then everything bad goes puff and you're back to a clean slate.

Lenders Lose and Misplace Files – Or, they Lose Interest after Debts are Settled

Lenders aren't big on keeping files after a debt's dead and buried so many in the business of credit repair

will say that it's only a matter of time after you settle up, that your file will become a thing of the past and all traces of negative info can go Sayonara.

So ask yourself this, if you're on the fence about doing a short sale because you worked so hard for that credit score and you're not about to let it slip. Are you better off paying the extra hundred or two hundred grand and keeping your mortgage lender happy and well fed – or, might it lie in Number One's best interest to force a short pay, save the cash, and do a little credit repair when the time's ripe?

Hmmm.... see you at the short sale.

About the Author

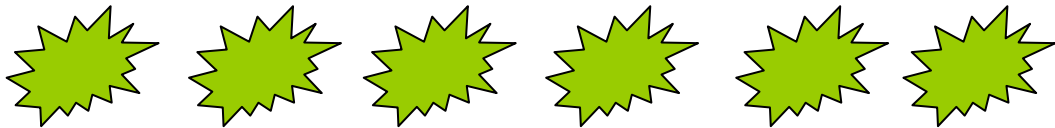
The author Kenneth B. Schwartz is a practicing attorney who maintains offices at 555 Westbury Avenue, Carle Place, N.Y. (Tel. 516-333-7020). After becoming a certified public accountant in 1980, Mr. Schwartz earned his JD in Law from St. John's University Law School in 1983, and a Masters in Tax Law from New York University in 1991. Mr. Schwartz now devotes his law practice to the representation of buyers, sellers and lending institutions in connection with real estate closings.

Mr. Schwartz resides on Long Island together with his wife and three children.

Mr. Schwartz's prior publications on the real estate industry include *Mortgages to Music* (Morris Publishing, 2004), *CEMA's, a Tale of Two Mortgages* (XTreme Publishing, 2006); *Cooperatives and Sandcastles in the Sky* (XTreme Publishing, 2007); *CEMA's and Darwinian Evolution* (Mortgage Press, October 2007); *Short Sales, Our Secret to the Universe* (Mortgage Press, December 2007); *Mortgage Closing Resolutions for 2008* (Mortgage Press, January 2008); *The Shady Short Seller* (Mortgage Press, February 2008); *Should Have Done A Short Sale, Bankruptcy vs. Short Sale* (Mortgage Press, March 2008); *Short Sale Scams Alive and Well and Living in Scamsville USA* (Mortgage Press, June 2008), *Let's Talk the F Word, an unabridged Crisis* (XTreme Publishing, 2008); *Just a Glimmer – Short Refi's, Hope for Homeowners under the New Housing Bill* (Mortgage Press, 2008); *Thou Shall Not Pump and Dump* (Mortgage Press, 2009); *In Search of the Perfect Deal* (XTreme Publishing, 2009); *Short Sales in the Ancient City of New York* (XTreme Publishing, 2009); *Don't Pay Your Debts, "The Financial Vigilante"* (XTreme Publishing, 2009).

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ON THE FENCE ABOUT DOING THAT SHORT SALE BECAUSE OF YOUR CREDIT SCORE? YOU WORKED SO HARD ALL THESE YEARS SO WHY TOSS IT AWAY – JUST TO SAVE ONE OR TWO HUNDRED GRAND.

THINK AGAIN. MAYBE IT'S NOT A MATTER OF ONE OR THE OTHER. MAYBE YOU CAN DO THE SHORT SALE AND KEEP YOUR CREDIT SCORE AT THE SAME TIME.

GOT YOUR INTEREST? READ ON.

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