

REAL ESTATE TERMS

DEBT RELIEF ACT OF 2007: A provision signed into law, allowing the owner of a principal residence to be relieved of debt, in part or in full, for which the amount of relief is not included as taxable income. Note that this tax relief is only for the debt secured by the principal residence and not other investment property, or other secured debt.

FORECLOSURE: The legal confiscation and sale of real property brought about by a secured creditor. The proceeds of the sale are taken to satisfy the unpaid portion of the debt. There are two basic forms of foreclosure, judicial and non-judicial. In the former, the sale is conducted under the auspices of the court following a trial and other legal proceedings. The debtor has a period of time, usually one year or more, during which to redeem the property from the purchaser at the judicial foreclosure sale. In a non-judicial foreclosure, the sale occurs privately by the trustee and the debtor has no period of time within which to redeem following a trustee's sale. Sometimes a deficiency judgment is possible following a judicial foreclosure; never following a non-judicial foreclosure.

FORGIVENESS OF INDEBTEDNESS: The relief of a debt obligation by the creditor to the debtor, for which the amount relieved is generally taxable as ordinary income to the debtor (except in bankruptcy).

REAL ESTATE OWNED (REO): Institutional lenders, such as banks and savings and loan associations, sometimes receive title to properties that secure loans that are in default, following foreclosure sales. These lenders typically offer these reclaimed properties, called REOs, for sale.

REDEMPTION PERIOD: The period of time allowed a debtor, usually 6 months, to redeem the property previously foreclosed upon. To redeem the property, the debtor must pay off all of the underlying debt owed, plus interest, plus expenses incurred by the creditor in the foreclosure.

SHERIFF'S DEED: A deed, signed by an official (because the debtor likely won't cooperate) used to convey real property to the high bidder following a forced sale to satisfy a judgment lien.

SHERIFF'S SALE: A forced sale. The net proceeds of the sale are used to satisfy the debtor's unpaid debt. A sheriff will issue a sheriff's deed to convey ownership to the real estate. The authority for a sheriff's sale comes from a writ of execution issued following a court judgment.

SHORT SALE: The sale of property that results in a loan payoff that is less than the actual amount of the outstanding balance owed on the loan (a "Shortfall"). Because the lender will receive less than the amount that it is owed upon close of the sale escrow, its consent to a short sale must be obtained. Lenders will sometimes give consent to accept less than the unpaid balance of their mortgages when the value of the collateral has declined to the extent that foreclosure is not an attractive remedy.

VACANT BUILDING REGISTRATION FEE (VBR): A \$2,000 fee owed by the owner to the City of Minneapolis for any property condemned. If the VBR is not paid by the owner, it will be assessed to the property taxes the following year. Upon the 1 year renewal date of the VBR, the fee is \$6,000 but this fee can be abated if the owner enters into a Restoration Agreement with the City of Minneapolis and places \$10,000 into escrow to ensure that the property will meet all code compliance requirements within a 6 month completion date.