

**WHAT DO I OWE MY MORTGAGE LENDERS AFTER
A FORECLOSURE OR SHORT SALE?
A Guide for California Borrowers**

If you lost your home in a foreclosure...

If you lost property in a non-judicial foreclosure (meaning that there was no judge involved in the foreclosure), even if the property sold for less than the amount you owed, you **do not** owe the balance to the lender who foreclosed. That means the foreclosing lender cannot take any steps to try to collect the balance from you. See California Code of Civil Procedure, section 580d.

If you lost a primary residence of one to four units in any type of foreclosure, even if it sold for less than the amount you owed, you do not owe the balance of any loan used to purchase the property. See California Code of Civil Procedure, section 580b.

Example: You took out two separate loans to buy your house: one from Lender A and one from Lender B. You default on the first loan, and Lender A forecloses. The sale price is not enough to cover what you owe to either lender. However, since both loans went towards the initial purchase, you do not owe either lender any money.

However, after a foreclosure you still owe any balance remaining to any non-foreclosing lenders who lent you **money to refinance** or who otherwise lent money against the value of your residence after you had already purchased it. See California Code of Civil Procedure, section 580b.

Example: You took out a mortgage with Lender A to buy your home. Three years later, you took out a home equity line of credit (HELOC) with Lender B. You default on the first loan, and Lender A forecloses. The sale price is not enough to cover what you owe to Lender B. Since Lender B did not lend you money to buy the property initially and did not foreclose on the property, you still owe money to Lender B and Lender B can still collect that money-it becomes like credit card debt.

If you completed a short sale...

If, after January 1, 2011, your lender agreed to a short sale in writing on a residence of up to four units, then even if the property sold for less than the amount you owed, you **do not** owe the lender the balance. See California Code of Civil Procedure, section 580e. If the short sale took place after July 15, 2011, this rule applies to all lenders who agreed in writing to the short sale. If the short sale took place between January 1 and July 15, 2011, then the rule only applies to the lender with the first lien against the property.