

**Mortgage Tidbits**



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**Understanding the Foreclosure Redemption Period**

The Redemption period confuses many people. The Foreclosure process itself is a drawn-out process and on top of this, the foreclosure process includes a redemption period. This means the purchaser of the property at the Sheriff’s sale does not “Own” the property until after the redemption period is completed. Each state has their own definition of the redemption period, as well. During the redemption period, if the “owner” of the property can get the funds together for the amount they owe the bank, they could purchase the home back during this time. Below is a typical timeline of the Foreclosure process with the redemption period:

* Homeowner stops making payments
* Bank sends letters after each 30 days the payment is not made. Sometimes called a Breech Letter
* When the homeowner is 60 - 90 days past due, the bank begins the foreclosure process by filing a Lies Pendens. The Lies Pendens is recorded and will show on title. The borrower is served by the Local Authority (usually the Sheriff’s office) with the order. This is a notice to the borrower that a foreclosure will be the next step if the payments are not caught up. Think of this step as a pre-foreclosure notice.
* Each state has a different time period that must elapse before the next step of the process. Which will be the formal Notice of Foreclosure. This will be filed in the local courthouse and the paperwork is “served” to the homeowner. Typically, this is between 120 – 180 days from the time the homeowner stopped paying. Again, depending on the laws for the state the property is located in.
* After the notice of foreclosure is put to record, the sale of the property can take place. This is known as the Sheriff’s sale since the local Sheriff’s Departments typically handle the sales. The Bank selling the property will have a reserve they need to meet and if they do not get this amount, they purchase the property themselves.
* The original owner now has the redemption period to work in to pay the bank the amount they owe on the property. Each states redemption period is different. At this point, the original owner is probably still occupying the home.
* Once the redemption period has expired, a Notice of Eviction is issued and the Sheriff will remove the former owner, if they have not already vacated the premises. The bank or purchaser at the Sheriff’s sale now fully owns the property and can resell it or occupy the property.
* The redemption period can be escalated if the original owner abandons the property. Most states have rules for this situation to shorten the redemption period in cases of abandonment.
* It is very important to read a title commitment and make sure the redemption period has passed before completing the loan on the property!

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