

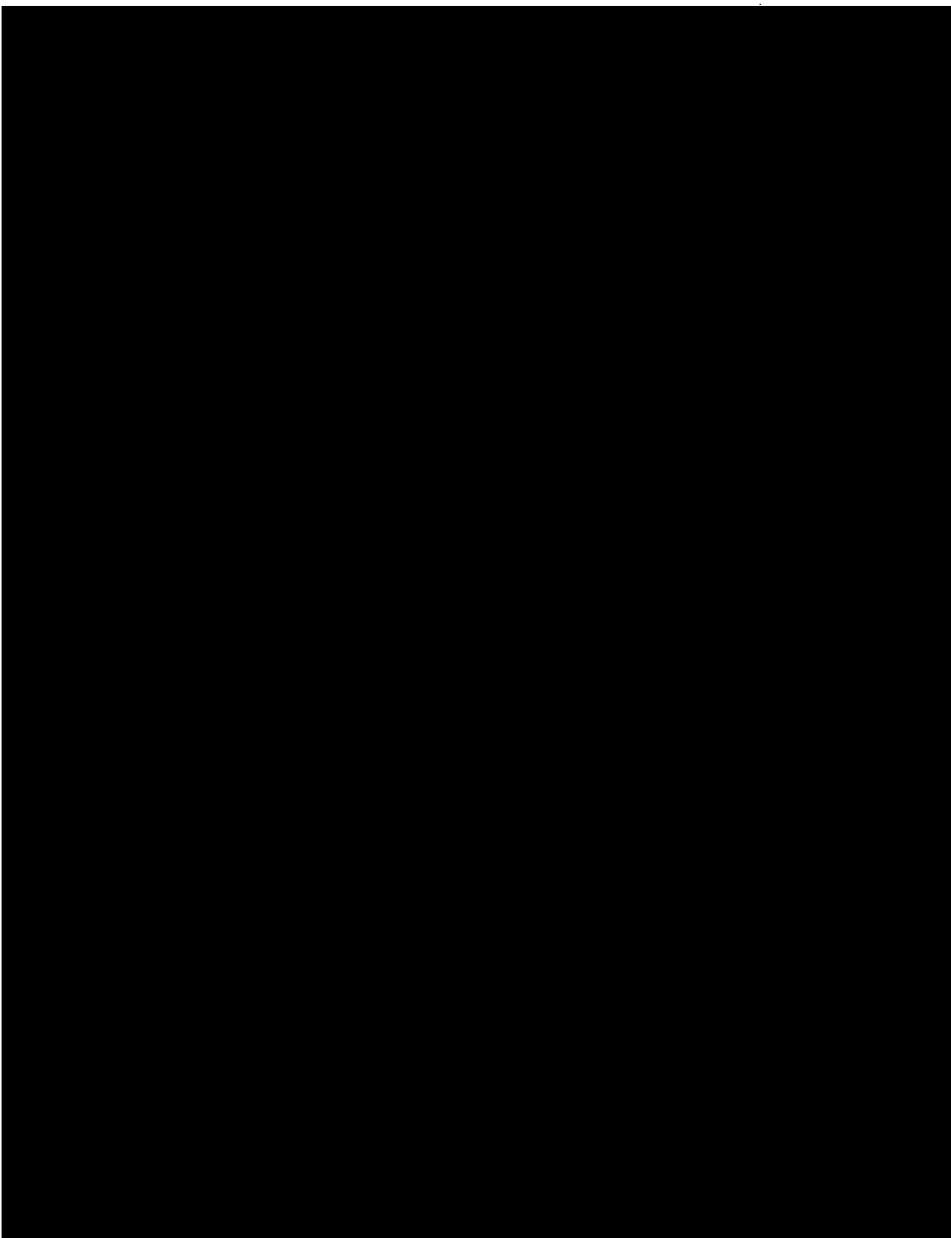
Owner **NAME**  
 County **VENTURA**

Address **ADDRESS**  
 APN **APN**  
 DATE **08/31/07**

**ATTORNEY-CLIENT WORK PRODUCT - CONFIDENTIAL**

ESTIMATED ESCROW SHORTAGE - Date of Purchase: **March 25, 2004**

**HOMEOWNER OPTIONS - 1. Add Money - 2. Short Sell - 3. Deed in Lieu - 4. Foreclosures**



|                         |   |   |
|-------------------------|---|---|
| <b>1 - ADD \$\$</b>     | 1. <i>Add personal funds to escrow to close short</i><br><i>Credit - reported as 'paid satisfactorily' or 'paid as agreed'</i><br><b>NO COD Income</b> because loan paid<br>GAIN excluded per 1997 Tax Act  | <b>Possible sources of funds:</b><br>Family / Friends / Employer<br>Personal Loan<br>Credit Card  |
| <b>2 - SHORT SALE</b>   | 2. <i>Attempt to negotiate short sale with lender</i><br><i>Credit - reported as 'Settled'</i><br><b>COD Income - From Cancellation of Debt</b><br>Amount due on loan(s) - [ Loan Balance(s) ]<br>FMV - Sales Price per lender approved SHORT SALE<br><b>COD INCOME derived from cancellation of debt - 1099 issued</b> | <b>Concerns</b><br>Junior liens<br>Hardship letter / circumstances<br>Seller financials<br>Property valuation / comps<br>Resistent lender |
| \$ 445,812.66           | er Costs  |   |
| \$ (350,000.00)         | ,312.66)  |   |
| \$ <b>95,812.66</b>     | 0   |   |
|                         |   |   |
| \$ <b>350,000.00</b>    |   |   |
| \$ (24,500.00)          |   |   |
| \$ (299,000.00)         |   |   |
| \$ <b>26,500.00</b>     |   |   |
|                         |   |   |
| <b>3 - DEED IN LIEU</b> | 3. <i>Negotiate with lender to accept deed in lieu of foreclosure</i><br><i>Credit - reported as 'Voluntary Foreclosure'</i><br><b>COD INCOME derived from cancellation of debt - 1099 issued</b><br><b>GAIN (LOSS) derived from accepted voluntary foreclosure</b>   |   |
| \$ 95,812.66            |   |   |
| \$ 26,500.00            |   |   |
|                         |   |   |
| <b>PROBLEM</b>          | <i>Deed in lieu does NOT extinguish junior liens</i>  |   |
|                         |   |   |
| <b>4 - FORECLOSURE</b>  | 4. <i>Default on loan and let lender foreclose</i><br><i>Credit - reported as 'Foreclosed'</i><br><b>COD INCOME derived from cancellation of debt - 1099 issued</b><br><b>GAIN derived from approved SHORT SALE -</b>   |   |
| \$ 95,812.66            |   |   |
| \$ 26,500.00            |   |   |
|                         |   |   |
| <b>NOTE</b>             | <i>Lender could sue for shortage; if lender succeeds and collects, there is no COD income which is otherwise satisfied by the lawsuit judgment</i>  |   |

**LENDER REFUSES SHORT SALE & FORECLOSES ON PROPERTY** All estimates ...

|                       |   |  |
|-----------------------|---|--|
| \$ (378,933.00)       | Amount Due on TD - 1st - PRINCIPAL LOAN AMOUNT  |  |
| \$ -                  | Amount Due on TD - 1st - NEGATIVE AMORTIZATION  |  |
| \$ (16,152.00)        | Amount Due on TD - 1st - PREPAYMENT PENALTY   |  |
| \$ -                  | Amount Due on Junior Lien / HELOC / Seller Financing  | <b>NOTE: Extinguished by Foreclosure</b> |
| \$ <b>350,000.00</b>  | Purchase price offered by arms-length 3rd party buyer   | No guarantees of achieving               |
| \$ (45,085.00)        | <b>RESULTING PROCEEDS</b>   |  |
| \$ (9,877.13)         | Foreclosure Costs at approx % of loan amount  | 2.50% Estimated                          |
| \$ (24,500.00)        | Resale cost as an REO (bank owned property-commissions++)   | 7.00% Estimated                          |
| <b>\$ (79,462.13)</b> | <b>EQUALS LENDER'S GAIN (loss) FROM SALE</b>  |  |
| \$ ? ? ?              | Holding costs + fix / repair costs while waiting for resale   |  |
| \$ ? ? ?              | Accruing mortgage payments not made between now & Trustee's sale  |  |
| \$ ? ? ?              | <b>GRAND TOTAL COSTS IF LENDER DECIDES TO FORECLOSE</b>   |  |
| <b>Unresolved ...</b> | <b>Foreclosure by TD-1 Lender wipes out junior lien(s)</b>  |  |
| \$ <b>50,727.66</b>   | Amount Due on Junior Lien - HELOC / Seller Financing  | <b>REFI : RECOURSE LOAN</b>              |
|                       | This lien holder may sue to recover loss and, depending on representations in loan application, amount may be recovered + punitive damages if fraud is proven + attorneys' fees and court costs. If FRAUD is proven, amount awarded in judgment may not be dischargeable. |  |
| \$ 350,000.00         | <b>Cross-Check to FMV / Sales Price / BPO</b>   |  |
| \$ (395,085.00)       | Amount owed TD-1 Lender   |  |
| \$ (45,085.00)        | TD-2 is / is not 'wholly unsecured' - strip off per IN RE LAM vs 'strip down' ... both in Chapter 13 BK   |  |

**CAUTION:** Consult a tax specialist to discuss the tax implications of whatever option you pursue. In foreclosure, there can be both ordinary income arising from Cancellation of Debt (COD and Capital Gains, unless the homeowner is insolvent or the gain is exempt. Check with your tax specialist. Consider also IRS FAQ re 1099 Income - see also, Publication 523 (2006), Selling Your Home. <http://www.irs.gov/faqs/faq4-4.html> The numbers on this sheet are estimates only.