



Short Sale Glossary

Deficiency Judgment

A deficiency judgment is a civil judgment obtained by a lender to receive payment in the full amount of the unpaid principal balance of a promissory note when only partial satisfaction of the note has been obtained. The character of the loan, the type of foreclosure action pursued (judicial or non-judicial) and where the property is located are among the factors that can determine if a deficiency judgment is permitted. Keep in mind the character of a loan can change (i.e. via a refinance).

Judicial Foreclosure

A costly and time consuming foreclosure method wherein the property which secures a promissory note is sold through a court proceeding. This process requires compliance with standard legal steps to be valid.

Lien

In California, liens are generally given priority based on their recording date. Title insurance serves the purpose of ensuring that a purchase money lender will take first position.

Non-judicial Foreclosure

A foreclosure method that does not require court involvement but in California requires compliance with California Civil Code requirements.

Non-recourse Loan

A non-recourse loan is a loan in which the lender, upon default, is limited to the sale of the property to satisfy the unpaid promissory note.

One-action Rule

The one-action rule limits the way in which a lender can be recompensed for a default on a purchase money loan. Under this rule a lender is essentially required to choose their best option: a civil judgment of the unpaid principal balance of the promissory note or seek title to the property through a foreclosure.

Recourse Loan

A recourse loan is a loan in which the lender, upon default, is permitted to seek a judgment against the borrower personally to satisfy the unpaid promissory note. Many times a “refinance” or a “second” are classified as recourse loans.

Short Sale

A Short Sale is a negotiation process which permits a homeowner to sell their home for less than what is owed.