

Deed In Lieu

In a Deed-in-Lieu of Foreclosure, the borrower voluntarily transfers ownership of property to the servicer in full satisfaction of the amount due, provided that the title is free and clear of mortgages, liens and encumbrances (though this can sometimes be negotiated). Like a short sale, a deed-in-lieu can decrease the cost and emotional trauma of foreclosure and provide the homeowner with possible cash relocation assistance.

Generally, the servicer will require that the borrower make a good faith effort to sell the property to a third party before accepting a deed-in-lieu. The servicer has to give the borrower permission to conduct a deed-in-lieu.

The borrower should have a written document stating that the loan is fully satisfied when the transfer of property occurs.

For income tax consequences from a deed-in-lieu, click [here](#).

Tip

Most servicers offer a “cash for keys” program that will assist homeowners with their relocation costs in exchange for vacating the premises on an agreed-upon date and leaving it in a clean condition.