REAL ESTATE FINANCING AND FORECLOSURE

Financing
Buyer finances purchase of land using the land as collateral. Usually done by giving lender a mortgage on the property, although it could be done with deed of trust, installment land contract, absolute deed, or sale-leaseback.

Default
Mortgagor-borrower defaults. Mortgagee has right to foreclose. Up until the foreclosure sale, borrower may redeem by paying off mortgage and accrued interest (equitable redemption).

Foreclosure
Foreclosure must be by sale, usually judicial sale.

Proceeds distributed according to priorities of security interests.

Post-Foreclosure
If proceeds of sale are insufficient to satisfy debt, mortgagee can bring personal action against borrower for deficiency.

About one-half of states give borrower a right to redeem for a fixed period (e.g., six months) after foreclosure by paying sale price (statutory redemption).