



## Can You Relocate If Your Mortgage Is Underwater?

By John Rossheim, Monster Senior Contributing Writer July 2, 2010



Maybe your employer has offered you a promotion with a very long string attached: a move to a distant city. Or maybe you've been offered a job that would be a real step up -- whether from unemployment or your current employer -- but would mean relocating your family out of state.

Whatever the relocation scenario, if you're like countless other professionals around the country, you're facing a McMansion-size conundrum: The house you now own is worth a lot less than your mortgage. Can you take a career leap from a home that's underwater? The answer is yes, but it won't be easy.

"Candidates need to look at the costs and benefits from a long-term perspective," says Angie Salmon, senior vice president at executive search firm EFL Associates in Kansas City, Missouri. "But they also need to consider whether they can afford the shorter-term hit." Paying off the negative equity in your home from savings, renting out your current house or coming up short on your existing mortgage all require risk and pain, so you'll want to think before you act.

### Will Your Employer Help Out?

Many companies are more risk-averse than ever, so your current or prospective employer might not give you substantial financial help to move. But it's certainly worth asking if any relocation benefits are available or negotiable.

If you're negotiating with a new employer, "consider asking for a signing bonus that you can use to help pay off the mortgage," says Victoria Collins, a certified financial planner and senior managing partner at First Foundation Advisors, a wealth management firm in Irvine, California.

### Going Short

Can you get the holder of your mortgage to accept less than the full principle as a payoff of the loan? You can try for such a concession -- called a short sale. Why would a mortgage holder agree to accept less than what you owe? Out of fear that otherwise you'll stop making payments and it'll be left holding a much bigger bag.

"A short sale may be the strategy for a family, because it doesn't leave the stigma of a bankruptcy or abandoned mortgage," says Harlan Platt, a professor of finance at Northeastern University. However, a short sale will likely downgrade your credit rating, though perhaps not as drastically as a foreclosure would.

## **Consider Renting Out Your House**

If you share the faith of millions of Americans that a housing market recovery will pull up prices before too long, then consider renting out your old house to make your move possible. "I would advise someone to rent and wait out the storm," says Thomas Casey, a certified financial planner with Casey, Thomas & Associates in Shelton, Connecticut.

Taking a small monthly haircut -- in the form of rental income that's less than the mortgage payment -- may be much more practical than finding the money to pay off negative equity in a lump sum. But you've got to run the numbers. "You have to ask yourself whether the cash flow from the new job will be enough to support the old house while you rent it out," Collins says.

An alternative that's analogous to a short sale: "You can discuss with the bank whether they would accept the rent as the mortgage payment, even if the rent is less," Platt says.

Whichever scenario you consider, don't take lightly the obligations and expenses of being an absentee landlord. If you can afford the substantial fee, think about hiring a property manager.

## **The Jingle Mail Option**

What about just mailing the mortgage holder the keys to that underwater home? The stigma of foreclosure may be smaller than it once was, but it's still extra large. "Walking away ruins your credit for a number of years," Casey says. It may even affect your ability to get another job, he adds, since more and more employers run credit checks on applicants and consider a poor score to be a red flag.

So consider walking away from your mortgage as a risk-plagued last resort, at best.

## **Pick Your Advisors with Care**

Your employer, mortgage holder and real estate agent may all offer advice on whether and how to relocate out of a negative-equity situation. But they'll all be trying to protect their own interests, so you should also seek advice from a disinterested professional who doesn't stand to gain from your decision.

Who can you trust to give you unbiased advice on a corporate relocation? "You might go to your CPA, the professional who does your taxes," Collins says. Other professionals such as financial planners may be able to provide advice by the hour. Among other issues, they can help you evaluate any tax implications of your actions and the net effect of your salary increase when the cost of living in the new city is factored in.