

SHORT SALES

What is a short sale?

A short sale is a program that allows a borrower to sell the property, even though the proceeds are less than the loan payoff, due to low property value. Upon a final approval, a short sale can help homeowners avoid further collection activity or possible foreclosure action, which can result in adverse credit reporting and possible tax liabilities.

How to get started on a short sale?

Homeowner:

The homeowner is required to call their lender and ask for someone who handles short sales. Many lenders will ask for financial information so they can review and may require a pre-foreclosure sale counseling.

Brief, written explanation of your financial hardship.

Financial documents/worksheet

All information must be signed and dated by homeowner

The realtor

The following documents will be required to begin a short sale application:

Fully executed listing agreement

HUD

Fully executed purchase contract with all pages initialed by both buyer(s) and seller(s)

Buyer pre-qualification letter or proof of funds if cash offer from buyer

Signed and dated financial worksheet listing all monthly expenses

Signed and dated hardship letter

Letter authorizing the realtor/title company access to information on the account. It must be dated and include the last 4 digits of the borrower's social security number, their signature, the full account number and the property address.

Additional Information:

Most short sale approval is good for 30 days. If the closing does not occur within 30 days, the entire short sale package may need to be resubmitted with updated information. At time the entire approval process may have to start over.

Any realtor/title agency or homeowner inquires should be direct to the negotiator assigned to the file.

Realtors are generally allowed 5% to 6% commission based on Investor rules. If dual agency applies, maximum commission is usually 5%. Some investors cooperate on a reduced commission structure and the actual commission schedule can be confirmed at the beginning stages.

During the introduction call to the lender, the following is addressed:

Commissions

Fees and Costs

Pricing of the property

Timeline

A short sale is designed to help people avoid foreclosure. A short will reflect as a “settlement” on a person’s credit report. A tax professional should be consulted on potential tax liability on any unpaid deficiency balance. All short sales must be an “arms-length” transaction. The property may not be sold to anyone the homeowner has a close personal relationship or business relationship. This includes family, close friends or neighbors. A short sale can save the homeowner the embarrassment and stress associated with foreclosure.

The process for a short sale can take some time from the initial contact call to the actual closing. In some cases, the investor or PMI companies might require the mortgagors to sign an unsecured note for some or all of the difference between the property sale amount and the total amount due. This will be stated as part of the response on a short sale offer.