

Short Sale FAQ



1. How A Short Sale Benefits You: A short sale will help you sell your home if you're facing foreclosure and especially if you're upside down on your mortgage. Also, if the property values have declined or if the property needs repairs or anything else is wrong with the home that has affected its current value.

2. The Definition of a Short Sale: A real estate short sale is when a third party or homeowner negotiates a discount on the payoff amount due to a mortgage company. This happens when a homeowner owes more money to banks and/or lien holders than what the property can currently sell. In order to sell a property that is "upside down" in equity, the bank must agree to accept less than what is currently owed on the property.

3. Why Would A Lender Discount A Mortgage? The lender looks at all of the mitigating factors when a homeowner is facing foreclosure. Most times the lender will lose money if the property goes to foreclosure because they have to pay and calculate for the following: property taxes, repairs, maintenance, insurance, lost interest payments, realtor commissions, eviction costs, and loss severity. Plus, the longer the property sits without being sold it continues to lose value. The short sale can be a win-win for both you and the lender.

4. Will I Owe The IRS Anything? – In December 2007, President Bush signed into law, The Mortgage Forgiveness Debt Relief Act which provides the discharge of indebtedness of up to \$2 million of taxable income from a short sale of a homeowner's property.

5. What Is A Deficiency Judgment? – This is a promissory note issued by the mortgage lender usually for the amount it discounts the mortgage. Few lenders are issuing these judgments and we do everything we can to get the lenders to not issue a judgment.

6. How Long Does The Short Sale Process Take? – A short sale can take anywhere from weeks to months. Every short sale is unique and the time line can be influenced by the type of loan, how behind the lender is with their short sale requests, the backing investor and other underlying factors. We will let you know how long you have to stay in your property. You can usually count on another 3 months.

7. Can I Get Money From The Sale Of My House? – No. Because the lender is taking a discount from what you owe. In addition, their acceptance letters specify no monies are disbursed to the homeowner from the sale of their home if a short sale is approved.

8. Couldn't I Just File Bankruptcy To Save My Home? – Yes, if your financial situation has greatly improved so that you could continue to make your original payments. Consult a foreclosure attorney or we could refer you to one. However, if your financial position is still in bad shape, filing a bankruptcy is like putting a band aid on a broken leg. Remember a bankruptcy will stay on your credit for as long as a foreclosure, up to 7 years and more than 65% of the time delays the inevitable.

9. What Can I (the homeowner) Do To Help Speed Up The Process? – You can provide the necessary documentation that the lender requires as soon as possible. You need to be able to take care of any requests as soon as we need them. You need to let us know if your phone numbers or email address changes so we have a way to get a hold of you.

10. Is There A Guarantee The Lender Will Accept The Short Sale? – Unfortunately since this process is dependant upon the value of the home and a host of other factors including the investor (financial institution) that is backing the mortgage, there can never be any guarantee of success. Currently, we have a more than 90% success rate. Always be careful of anyone who declares they can guarantee success, not even your lender can guarantee the success of your negotiations.

11. Can I Live In My House While The Short Sale Is Being Reviewed? – Yes you can but as soon as the short sale is accepted you usually have a 30 day window to move.

12. What if My Foreclosure Is Right Around The Corner? Even if your foreclosure is 1 or 2 weeks away we work extremely hard to postpone the foreclosure to buy more time to get your short sale approved and your house sold. Lenders will work with us to postpone the foreclosure because they want to avoid the foreclosure as much as you do.

13. Will My Credit Scores Be Damaged With A Short Sale? In most cases your credit scores are already damaged because you're 1-12 months behind on your mortgage payments. The short sale will stop your property from going into foreclosure which would be a catastrophe for your credit and prevent you from buying another home for minimally 5 years.

14. Can I Sell Items In My House Like My Cabinets And Flooring? When one of our clients is looking at losing their home, many emotions are hard to control. Emotions like anger, despair, bitterness, uncertainty, fear and many more feelings and emotions. We have been taught to pay our bills on time, keep our credit scores high and owning a home is the American Dream. When the dream becomes a nightmare we feel as if we are losing a part of ourselves. Nothing could be further from the truth.

Your house is as much a material possession as your car or television set. Yes there have been many memories created in your home but your home doesn't define who you are as a person. The pending foreclosure is a financial setback which in most cases is not your fault. So when you feel like ripping the cabinets out and tearing up the floors or smashing holes in the walls, you'll do more harm to yourself and be of no help to the short sale process.

15. How Does The Lender Determine How Much My Home Is Worth? The lender will send out a local real estate agent or appraiser to conduct what's called the "BPO" to see how your home compares against similar properties sold within the last 3-6 months. Once the lender receives this report they can begin the negotiations with our firm. We will always want to be present when the lender sends their contracted agent out to your property because we want to make sure the report is being completed accurately.

16. What Is A BPO Again? The BPO is defined as the Broker's Price Opinion (or a mini appraisal) and is conducted by a licensed Realtor. The BPO is paid by the lender and is used by the lender to determine the value of the property. The BPO can be an external (drive by) or an internal which is more extensive.

17. Do I Need To Clean My House Before The Lender Does Their BPO? No. We would rather have the house look as messy as possible in order for the value to come in lower rather than higher. If the value comes in too high the lender usually believes the property is worth more than the true value. If this happens the property becomes harder to sell and therefore more probable it will go to foreclosure. So, don't worry about the dishes or the dirty clothes.

18. How Much Of My Information Is Confidential? All of it. Your neighbors, friends and family will never know you're in foreclosure, unless you tell them. We even prevent your lender from having your updated numbers or email address so you don't have to worry about those nerve wracking phone calls.

19. What Do I Tell My Lender If They Keep Calling Me? The department calling you is the collections department and they are directed to keep calling until the loan is caught up, other payment arrangements are made (usually thousands of dollars down and then monthly arrangements) or the home goes to foreclosure. If you want tell the people calling you are working out a short sale, however there is no guarantee this will stop the calls. Keep telling them you are working out a short sale and eventually the calls should stop.

20. When You Are Selling My House Do You Put Up A Sign That Says “Foreclosure For Sale”? Absolutely not. We will protect your privacy unless you tell us otherwise. Your home will look and feel just like a normal house for sale.

21. How Much Do I Have To Pay You? Absolutely nothing. We are paid by the foreclosing lender as a processing fee, by the new buyers or a contribution from the commissions.

22. Does The Lender Pay For My Closing Costs? Yes they do. Your lender will pay for closing costs including taxes, HOA dues, commissions and attorney fees. You will walk away from the foreclosure and get a fresh start.

23. What If I Have Other Liens Or Judgments? Please let us know as early as possible because we will negotiate those liens and get them paid by the lender or we will take care of them from our proceeds.

24. What About A Promissory Note? A promissory note is presented by the Private Mortgage Insurance Company (PMI) as a condition of short sale approval. This is now happening about 20% of the time. PMI was placed on the original mortgage as protection from default, especially if there was less than 20% down payment. We work diligently to lessen the impact of the promissory note or get it eliminated.

25. I Don't Have Much Money Should I Pay Anything Towards My Mortgage? If you are short on cash each month, you should pay the following items immediately: car payments, utilities, groceries. That's it. If you can't pay your credit card bills, let them go for the time being because cash is the most important thing you need to take care of your family not maintaining your credit scores. If you are months behind with your mortgage with no way to pay it back then making 1 payment is not going to help and is money wasted.

26. Can I Ever Get My Good Credit Back? Yes. It will take time but you can get it back. There are even a number of credit repair companies around that are experts in repairing credit for folks who have suffered a financial hardship and facing foreclosure.

27. What If I Have Multiple Lenders? Even if you have multiple lenders or judgments or liens we can negotiate with all of them at the same time. We are experts in getting your original lender to pay for those negotiated liens without you having to come out of pocket.

28. I Keep Hearing About Those Foreclosure Scams On TV, Is This Legit? You should have hesitation when one of two things happen. 1. Someone asks you to sign over your deed, this is a big red flag. 2. You are asked to pay money up front for some kind of a loan modification program. You should never sign over your deed to anyone because you then lose control of your own property. You should never pay anything up front because you can work directly with your lender for a loan modification. Our firm never asks you for money (we work for a successful settlement with your lender) and we never ask for a deed (we don't need to). 3. We have been successfully profiled on the front of Sunday newspapers and are nationally known for the way we have helped homeowners like yourself for more than 5 years.