

Seller's Short Sale Q & A

What is a short Sale? A "short sale" is a sale of real estate in which the proceeds from the sale fall short of the balance owed on a loan secured by the property sold. In other words, it's when the Lender(s) agree to accept less than the amount owed on the property as a payoff on the loan(s). The discount comes from the bank rather than from the seller.

A short sale typically is executed to prevent your home to foreclose. The negotiation is all done through communication with the bank's loss mitigation or workout department.

How long will it take? It typically takes up to 4 months.

Why would a bank accept a short sale? A bank will allow a short sale if they believe that it will result in a smaller financial loss than foreclosing as there are carrying costs that are associated with a foreclosure. A foreclosure costs money for legal and title(s) fees to auction a property and it costs even more money for holding costs, rehab work, past due utility bills, back paid taxes and insurance, and REO (Real Estate Owned) agent fees. It's usually in the best interest of the bank to "short sale" the property instead of a foreclosure. A bank will typically determine the amount of equity (or lack of), by determining the probable selling price from a Broker Price Opinion (BPO) or through a valuation of an appraisal. For the home owner, advantages include avoidance of a foreclosure on their credit history and partial control of the monetary deficiency. A short sale is typically faster and less expensive than a foreclosure.

In short, a short sale is nothing more than negotiating with lien holders a payoff for less than what they are owed, or rather a sale of a debt, generally on a piece of real estate, short of the full debt amount. It does not extinguish the remaining balance unless settlement is clearly indicated on the acceptance of offer.

When is a short sale submitted? When an offer has been presented, and both the buyer and seller have "mutually accepted" the purchase and sale agreement.

When do I put my house on the market for sale? NOW. The sooner the better! You want as much time as possible to find a buyer and close on your home before your foreclosure date. Keep in mind that starting a Short Sale will not automatically stop a foreclosure. However, the lender may allow us to postpone the auction date if we do have a purchase and sale agreement.

Can I stay in the house? Yes you can, but we recommend that to start planning your exit out.

How do I know this will work? You don't. We cannot and will not make any promises. Once you missed a payment, the lender has full control and it can go either way. The lender can proceed with a foreclosure if they want to. The lender will look for his best interest.

What happens if this doesn't work? Your home will go into foreclosure.

