

TIPS FOR A SHORT SALE SELLER

FROM YOUR REALTOR® . . .

Angela Savage

DRE License No. 01747510

Steinbeck Real Estate

Office Address: 307 Main Street #130
Salinas, CA. 93901

Phn: 831.809.6387

Fax: 831.319.0388

Cell:

Email: angela@steinbeckrealestate.com

Web Address: www.AvoidForeclosureMonterey.com

As a seller attempting a short sale, you want to be at the top of your game. To succeed, you not only have to find a buyer for your home, but also convince your mortgage lender to accept a loan payoff of less than what you owe. A short sale can be a long and arduous process, and yet, you have no guarantee of success. To help ensure success, here are some good tips for selling in a short sale situation:

- **Hire a REALTOR®:** One of the best things you can do in a short sale is to hire a qualified REALTOR® to guide you through the process. A REALTOR® can represent you in finding a buyer, negotiating with your lender, and facilitating your sales transactions. Not all real estate agents are REALTORS®. The word REALTOR® is a trademark designation to distinguish that a real estate agent has, among other things, voluntarily pledged to abide by the strict code of professional ethics of the NATIONAL ASSOCIATION OF REALTORS® to protect and promote their clients' interests.
- **Take a proactive approach:** When you're an "upside down" seller owing more on your mortgage than your property is worth, the prospect of selling short is likely to be upsetting. You may have never expected that owning a piece of the American dream could turn into a nightmare. Despite the grim realities, selling in a short sale may get you out of a bad situation. But it may take a commitment of time and effort on your part. Taking a proactive approach to your short sale may help you get out of that nightmare as quickly and painlessly as you can.
- **Knowledge is your friend:** A short sale is a new experience for most homeowners, but knowledge is a key to success. You should know the pros and cons of a short sale, including the credit, tax, liability, and other potential consequences. You should consider whether any alternatives to a short sale are more suitable and feasible for your situation. You should also understand the overall short sale process -- what you need to do, how long the process may take, and what the common pitfalls may be. Your REALTOR® may be a great resource for information. Short sale information is also available online, such as news articles, governmental websites, lenders' websites, and short sale blogs. Be careful, however, as a lot of misinformation on short sales also floats in our midst.
- **Do your homework:** As early in the game as possible, determine your lender's short sale requirements and whether you satisfy those requirements. If you have multiple loans or other interests secured by your property, you may have to get a short sale approval from all of those creditors. Every lender is different. Not only that, but a lender's requirements may change over time. To approve a short sale, your lender may require that you demonstrate and document a true financial hardship, such as job loss, illness, disability, or death of a co-owner. A decline in property value, absent more, may not be enough to demonstrate a financial hardship. Your lender may have other eligibility requirements, such as a current delinquency in mortgage payments, income verification, or property valuation. You should also determine how your lender intends to treat the shortfall (or the difference between your loan balance and the payoff amount). Your lender may forgive the debt, refuse to forgive the debt, require you to repay it, or say nothing at all about it. Effective July 2011 for properties with one-to-four residential units, a mortgage lender generally cannot hold the borrower personally liable for a short sale deficiency under California Code of Civil Procedure section 580e.

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TIPS FOR A SHORT SALE SELLER (Cont'd)

- **Get a good price for your home:** Getting a good sales price not only improves your chances of getting your short sale approved, but may also have other advantages. A better sales price reduces your shortfall which is the difference between your loan balance and payoff amount. Minimizing your shortfall may be advantageous for possible repayment, tax, liability, or other reasons. So do the best you can to improve your home's marketability. Even if you don't want to spend a lot of money for a short sale, you can still make your home ready and available for showings by cleaning the house, getting rid of clutter, putting away personal items, making minor repairs, and doing yard work. Ask your REALTOR® for other suggestions to improve the marketability of your home.
- **Get a good buyer:** Your ideal buyer may be someone who will wait patiently until your lender approves your short sale and, as soon as that occurs, the buyer will quickly perform to close the deal. These qualities are admittedly difficult to prescreen for, but do the best you can. Before entering into a sales contract with a prospective buyer, you may ask to verify his or her ability to buy, such as by getting a loan prequalification or approval letter, credit report, and source of down payment and closing costs. You're better off asking upfront than to be surprised later in the process by a buyer's inability to obtain a loan or otherwise perform. You may also try to negotiate favorable contractual terms for yourself, such as a meaningful good faith deposit from the buyer, a substantial down payment, and reasonable time frames for your buyer to inspect the property, obtain financing, and close the transaction.
- **Submit a complete short sale package:** A short sale request typically involves a lot of paperwork, but getting paperwork to the lender in a piecemeal manner is likely to cause delays. You may greatly expedite the approval process by providing your lender with a complete short sale package containing all the required information and documentation in an organized manner.
- **Be ready:** Once you've submitted your short sale request to your lender, be ready to wait for what could be a long time before you get an answer from the lender. The short sale process can take a few weeks to a few months. Patience and persistence may help you get through that waiting process. Once the lender responds to your short sale request, be ready to satisfy the lender's requirements and close the sales transaction, or carry out your contingency plan if necessary. Being prepared for what may come will serve you well in a short sale situation.
- **Avoid scam artists:** Be wary of scam artists who prey on distressed homeowners hoping to dupe you out of your money and property. As one homeowner who fell victim to a foreclosure-rescue scam said, "When you're down and out you'll believe anything." Watch out for the common signs of a scam, such as someone who asks for money upfront, asks for you to do something immediately without delay, or gives you an unqualified promise to stop foreclosure or other assurances. Also watch out for new types of scams that crop up every day.



Contact a Professional for Your Real Estate Needs.

Agent: [Angela Savage](#)

Phone: [831.809.6387](tel:831.809.6387)

Fax: [831.319.0388](tel:831.319.0388)

Prepared using zipForm® software

Broker: [Steinbeck Real Estate 307 Main Street, Suite 130 Salinas, CA 93901](#)