

THE LONG OF SHORT SALES 10 CAUTIONS . . .

A Short Sale occurs when a seller is having difficulty making their mortgage payment due to a "hardship" (such as health, job loss) and cannot sell the property for what they owe on it. **They now owe more than the property is worth.**

1. Short Sellers are **ASKING** the Bank or other Financial Institution to "**FORGIVE**" the short fall on their debt. These sales are not approved prior to being listed. Without an offer, the process doesn't even start.
2. Waiting for an answer on a short sale is long and frustrating; Banks take a long time to decide. Short sale buyers wait anywhere from 2 to 8 months for a response. Sometimes, the answer is "No, and "don't let the door hit you on the way out."
3. If a Lender does approve the short sale, they may require the seller to make up the difference, either through utilizing what little assets they may have left in a bank or retirement account or require a promissory note. Most if not all short sellers don't have that ability and usually just let it foreclose.
4. And if that's not enough, the IRS will get involved since it is seen as debt relief; this may be treated as income where the seller would have to pay taxes on the forgiven debt. Again, many walk at this juncture.
5. Short Sale List Prices are Not Real. Buyers gravitate toward short sales for two reasons: a) The list price is attractive and b) they believe the seller is desperate. However, neither of those beliefs is necessarily true. Since not every short sale home is in foreclosure, not every seller is desperate. Moreover, sellers often set the listed price unrealistically, hoping that buyers will flock to that listing like moths to a flame.
6. The sellers can agree to any type of purchase offer put before them for signature, but it's not binding unless the sellers' bank approves the offer. It doesn't matter what stipulations are in the offer if the bank won't accept them. Your true negotiation does not lie with the seller; it lies with the bank's negotiator.
7. If there are more than one lien holder involved (1st & 2nd Trust Deed), then BOTH Lenders have to agree on it and who gets what amount – if they can't agree there's no sale.
8. Banks rely on desktop appraisals and third-party BPOs (broker price opinions) to determine value. Although banks don't want to follow through on a foreclosure, they also want fair market value. From the onset of your offer to the banks final decision, the price of the property will probably change; i.e., go up or down significantly. **Then you have to start the process with the Bank ALL OVER AGAIN!**
9. The Listing Agent is the one who negotiates with the Bank; if they do not have experience or professionalism in managing a short sale with a major bank or lender, you are simply their guinea pig offer; this happens more than folks know.
10. There's no guarantee what condition the home will be left in by the time the Bank agrees to the sale; no telling!

*This list is not inclusive of all the potential problems associated with buying a short sale – just the major ones.