

More About Short Sales

A short sale is an “arrangement” between the current owner of a home and the current mortgage lender holding the mortgage to accept an offer for less than the total amount owed to pay for the home loan (including other transaction-related expenses such as closing costs, property taxes, transfer tax, and/or commission fees).

The lender determine if the seller is eligible to sell the home at less than the outstanding debt due to a hardship and then the lender accepts that shortfall as their loss. Simply owing more than the home is worth is NOT a considered hardship. Hardships include divorce, unexpected hospitalization and medical expenses, job loss, death of a family member or similar catastrophic situations. Additionally, a budget must show that the seller’s expenses exceed their income/assets, they are behind on their payments and there is no way to repay the lender.

The buyer of a property in a short sale should be aware of several key issues. The contract is usually contingent upon the agreement of the seller’s mortgage lender to accept the net proceeds of the sale as full payment for the underlying debt. This is often a long process, which can delay an anticipated settlement date, and buyers and agents should be prepared for this possibility. Ideally, the lender pre-approved the short sale prior to advertising on a Multiple Listing Service, but the fact that the property is a short sale should be disclosed in the comments section of the listing. The sales contract should also include a third party addendum, outlining that the contract is contingent upon the agreement of the seller’s mortgagee to accept the net proceeds of the sale as full payment of the underlying outstanding debt.

As always, if you are considering a short sale, or any real estate transaction, whether you are a seller or a buyer, it is important to seek competent legal and financial professional advice. Be sure you deal with a real estate professional with experience on short sale transactions.

Where to go for HELP....

- **The NeighborWorks Center for Foreclosure Solutions** was created to preserve homeownership in the face of rising foreclosure rates. In conjunction with the Homeownership Preservation foundation, national nonprofit, mortgage and insurance partners, the Center has built a network among certified foreclosure counselors around the nation. It conducts public outreach campaigns to reach struggling homeowners with information about how to keep their homes. For more information go to: www.nw.org
- **HOPE NOW** is an alliance between counselors, mortgage companies, investors and other mortgage market participants who want to reach and help distressed homeowners directly (<http://www.hopenow.com>). The participating mortgage servicers are listed at http://hopenow.com/mortgage_directory.html

- **Consumer Credit Counseling Service**, an accredited non-profit community service organization, has been serving the community since 196. CCCS is dedicated to helping individuals and families resolve financial problems by promoting the wise use of credit through confidential budget counseling, debt management repayment program, and community education. For more information, call 1-800-656-2227 or go to: contactus@cccstl.org
- **The U.S. Department of Housing and Urban Development (HUD)** has created “tips for Avoiding Foreclosure,” which provides an index of broad information on foreclosure assistance at <http://www.hud.gov/foreclosure/index.cfm> and a more detailed guide, “help for Homeowners Facing Loss of their Home” at <http://www.hud.gov/offices/hsg/sfh/econ/econ.cfm>