

Short Sale Questions & Answers

What is a Short Sale?

A short sale occurs when a lender agrees to accept less than they are owed for an outstanding loan.

How long does it take?

Time is of the essence when one has defaulted on their mortgage payments. The process of a short sale varies from one lender to the next. There are too many variables involved to be able to give a definite time frame. Experience with a wide range of lenders shows an average of two to four months. However, some make take even longer.

Can the mortgagor stay in the house?

Yes, however the seller needs to be prepared to move out at closing once the short sale is approved.

Will the seller get money from the sale?

No. On a normal short sale, the bank does not let the seller receive any funds from the sale. However, through the HAFA program, a seller may obtain some moving expense money. In our experience it is rare.

What is a “qualifying” hardship?

Some examples of bank recognized hardship reasons are: reduction in income, job transfer, illness, divorce, unemployment, payment adjustment and so on. A detailed hardship explanation letter will be required from the seller. The home being worth less than the homeowner owes is not a qualifying hardship.

What is the short sale success rate?

Market research suggests a success rate of 40-50%. However NAMG is averaging a 75% or more success rate.

What if the seller has more than one mortgage?

It will be a more difficult process, but in many cases it can be accomplished. The experienced negotiator needs to negotiate with all lenders simultaneously. The more mortgages, the more difficult the process.

Will the banks pursue the sellers for the deficiency balance of their loan?

This depends on the type of loan. Laws and Bills such as SB 931 may protect sellers from banks pursuing them after a short sale. NAMG will always review the approval for this verbiage on the short sale approval letters, and negotiate the best possible terms for the sellers.

Are there tax consequences to a short sale?

Possibly. They may fall under the protection of the Mortgage Debt Relief Act that has been extended through 2012. The seller should consult with an attorney or tax advisor as to whether or not a short sale will result in any taxes owed.

What documents are needed to process a short sale?

A complete and up to date set of documentation must be submitted to the lender. NAMG's packet includes a clear checklist of crucial documentation needed.

Lesley Roten

Manager

714-245-7719

714-415-7294 efax

LesleyR@ShortSaleNAMG.com

*“Helping Agents
help their Clients”*

Mona Magana

Sr. Short Sale Negotiator

714-245-7795

714-822-3512 efax

MonaM@ShortSaleNAMG.com