

# The Short Sale Process

**An Option To Avoiding  
Foreclosure**

# The Short Sale Process

**Welcome.** You have contacted an agent to help you sell your home as a short sale.

**We have made this presentation to help answer your questions about the short sale process.**



- What is a Short Sale?
- Who Qualifies For a Short Sale?
- What Will Be Required of You?
- What Should You Expect in the Process?
- What are the Benefits of a Short Sale?
- Why Working With Your Real Estate Agent is a Great Decision?
- Answers to Frequent Questions

# What is a Short Sale?

A Short Sale is when your mortgage lender(s) and/or lien holder(s) agree to take less than is owed so that you can sell your home.



- Your home may be over-leveraged or “underwater”
- You may be behind on payments and cannot sell for high enough to cover what you owe plus other required fees to close.
- Lenders created short sales as a foreclosure alternative
- Lenders would rather allow you to short sale versus foreclosing.
- Foreclosing on properties costs lenders money

# Who Qualifies? And How?

Most people facing foreclosure or a financial hardship who cannot sell their home for what is owed will qualify



However, each Lender and Loan Type has a different set of requirements.

- Please be sure to tell your agent: Your Lender & Loan Type
- This information can be found on a current mortgage statement or the settlement papers from your closing.
- If you do not know the loan type and lender, be sure to give your agent authorization to call your lender.

# Who Qualifies? And How?

In General, to Qualify you must simply:

- **Be experiencing a True Financial Hardship**
- **Be in default OR imminent on your mortgage**
- **Facing imminent default while in a 'Must Sell' situation**
- **Have NO Equity in your home**
- **Have NO available assets**
- **Have a lender and loan type with a clearly defined short sale process**



# So, what do you need to do?

First and Foremost:  
**Get Your Property Listed for Sale**  
at fair market value

- Your Lender will require copy of a Listing Agreement.
- Your Lender wants to see that you have made a good effort to sell your home



# The Paperwork List

## Your Lender Will Require the following:

- **Handwritten Hardship Letter**  
Explain your situation, when it started, how it happened and what you are doing to fix it
- **A Financial Worksheet- Your Budget**  
Everything that costs you money on a monthly basis
- **2 Years Most Recent Tax Returns**  
With W-2s
- **2 Months Recent Bank Statements**  
All accounts and all pages
- **2 Most Recent Pay-Stubs**  
Or, if unemployed, a statement stating such



# The Paperwork List

## Your Agent Will Require the following:

- An Authorization to Release Information to your Listing Agent
- Copy of recent mortgage statement(s)
- Copy of any correspondence received regarding the property from attorneys, lien holder(s), bankruptcy trustee, or probate.
- Any paperwork regarding any other liens and/or judgments.
- Property tax records
- HOA information



# Help Sell Your Home

**Short Sale Success will be easier if you assist with the process.**

- Allow showings
- Keep the home show-able
- Stay available for your agent
- Stay in communication with your agent
- Cooperate with marketing efforts
- If vacant: leave on utilities, if possible



# What to Expect?

**The Process could take weeks or months to complete.  
Patience and Communication are the keys to success.**

1. Home is Marketed
2. Purchase Offer Received
3. Short Sale Package Submitted
4. Bank Orders Appraisal
5. Negotiations
- 6. Property is Sold**

# Foreclosure?

## **URGENT MESSAGE**

**If you are scheduled for a foreclosure sale date, be sure that your agent is immediately aware and provide them with any foreclosure paperwork you have.**

# The Benefits of Short Sale?

- ✓ NO Foreclosure on Credit
- ✓ Generally NO money needed to close
- ✓ NO repairs necessary – Sell AS-IS
- ✓ NO taxable event for those that qualify
- ✓ NO deficiency judgment if negotiated
- ✓ Out from underneath your mortgage debt
- ✓ NO need to file bankruptcy
- ✓ A positive step towards home ownership in only 24 months

# Why Your Agent is Best?

- ✓ They Know this Market
- ✓ Has The Required Disclosure Forms
- ✓ They Know how to get your home SOLD
- ✓ They work with a team of Short Sale Experts
- ✓ They are Ethically Obligated to Protect Your Interests

# FAQ

## **How much time do I have? Do I have to start now?**

It is best to begin a short sale when you realize you can no longer afford the mortgage, so that your property can be marketed properly and you can receive a high offer. The earlier you start, the higher our likelihood of success. Remember that your lender requires a purchase offer to review your eligibility for a short sale and it take a few weeks to get a solid offer.

## **Do I need to be in default to qualify for a short sale?**

NO, more and more lenders are considering short sale requests from homeowners who are not in default. However, you must be experiencing a financial hardship that points to imminent default if you are unable to sell.

## **What will happen If I do nothing?**

If you do nothing and are not making your mortgage payments, your lender will foreclose. You will have a foreclosure on your credit report, be liable for any deficiency, and/or subject to a taxable event.

# FAQ

## **Will I get any money when the property sells?**

NO, for the majority of loan types you are not allowed by your lender to receive any proceeds from the sale of your home. If you have an FHA loan, you may qualify for their pre-foreclosure sale program that does have a selling incentive.

## **What if I file bankruptcy?**

Filing bankruptcy will not stop the foreclosure process, just delay it. The property will eventually be discharged from bankruptcy protection and be back in the foreclosure process where it was when bankruptcy was filed. For further bankruptcy information, please seek the advice of legal counsel.

## **What is better on my credit – Foreclosure or Short Sale?**

Please consult your own financial advisor or the credit bureaus directly for the answer to this question. From experience only, we can say that foreclosure is much more damaging to your credit. A short sale will most commonly be listed as “settled debt” and is much less harmful to your credit.

# FAQ

## **Will I be liable for my lender's financial loss?**

Depending on your situation you may or may not receive a deficiency judgment or taxable event. It is best to consult an attorney for advice regarding any debt liability.

Now, there have been recent changes in the law that reduce homeowner tax liability. The site for that information is <http://www.irs.gov/individuals/article/0,,id=179414,00.html> Most tax consequences have been done away with for primary loans on primary residences.

Regarding deficiencies – you can have your agent request in the negotiations a full release of lien and that your lender consider the debt settled or satisfied. The bank has the right to ask you to sign an unsecured note or to ask you contribute money at the time of closing. Be sure your agent negotiates the best outcome for you..

# FAQ

## **What other advice should I seek?**

Be smart. Always seek professional advice from a qualified attorney and an accountant specializing in Short Sales/Pre-Foreclosure Sales.

## **What about the federal government bailout programs?**

To determine your eligibility, please visit [www.financialstability.gov](http://www.financialstability.gov)

Please call your agent if you have any other questions.

We make no assurances or guarantees as to the information contained herein or the outcome for your property.



**"Prompt, Professional, Priority Service"!**

*Mario J Saracco*



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