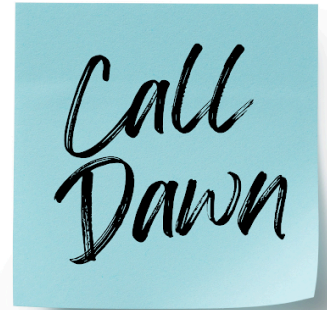




What is a Short Sale?

To successfully transfer property ownership, the seller must first eliminate any debts secured against the property. But what occurs when a seller accepts an offer that falls short of covering all selling costs and debts? If the seller has sufficient funds, they could simply write a check for the difference at closing. However, if they lack these funds, the situation leads to a **short sale**.



A short sale is a type of transaction where the seller cannot generate enough proceeds to pay off their mortgages and other debts associated with the property. In this scenario, the seller must persuade their lender to accept a reduced payoff, releasing all liens even if the debts remain unpaid.

What's the Process?

When you submit an offer on a short sale, you'll quickly discover that the "short" in short sale pertains to the bank's finances, not the timeline. The process begins similarly to a typical transaction: you write an offer and negotiate terms with the seller. The key difference arises once you and the seller reach an agreement. Before closing, your offer needs to be submitted to the seller's lender for review and approval.

The bank will evaluate two primary factors: 1) is the seller eligible for a short sale? and 2) is accepting this offer in the bank's best interest?

Financial Hardship

To qualify for a short sale, sellers typically must demonstrate financial hardship and an inability to pay their debts. Acceptable hardships include job loss, death in the family, illness, medical emergencies, bankruptcy, and divorce. Conversely, reasons like a desire to move, financial mismanagement, having a child, or purchasing another home are generally not considered valid hardships. Additionally, sellers must provide proof that they do not possess the funds to cover the shortage. If the seller is capable of payment, the bank will likely deny the short sale request.

Dawn Robbins

Senior Loan Officer, nmls 432345

dawnrobbins.com

(503) 805-7878

dawn@dawnrobbinsgroup.com

Ease Mortgage does not provide tax advice, credit counseling or credit repair services. Please contact your tax adviser for any tax related questions. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate for current rates and for more information.



Ease Mortgage. NMLS# 2273319. 637 E. Big Beaver Rd Suite 205 Troy, MI 48083 (248) 847 - 0501. All rights reserved





What's Best for the Bank?

Before agreeing to absorb a loss, banks must ensure there are no better options available. This typically requires that the loan be delinquent; after all, why would a bank approve a short sale if the seller is consistently making payments? Once a loan falls into default, the bank faces two choices: 1) approve the short sale or 2) proceed with foreclosure. Neither option is ideal, but the bank aims to select the lesser of two evils.



Time is Money (But Money is Money Too)

For banks, foreclosure is a drawn-out and costly procedure. The quickest legal foreclosure process can take around four months, though many cases extend over a year. A short sale provides banks with a faster route to resolving a defaulted loan. If your offer aligns with market value, the bank is likely to view the short sale favorably. However, if your offer is significantly low, the bank may find it more financially advantageous to pursue foreclosure and resale. Prior to accepting your offer, the bank will assess the property's value through appraisals or, more commonly, broker price opinions (BPOs).

Complications and Irrationality

When evaluating short sales, it's often assumed that banks act as rational decision-makers following a logical process. However, the reality can be quite different. Numerous factors complicate the situation.

For starters, banks often serve as middlemen rather than direct decision-makers. Many are merely loan servicers acting on behalf of the actual loan owners, who may have sold securities to finance the loans, often involving hundreds of investors. Untangling this complex web of interests can make securing a decision quite challenging.

Despite improvements in how servicers process short sale requests, the system is still imperfect. Each short sale is assigned to a negotiator, who typically manages numerous cases simultaneously and is often underpaid. These negotiators are constrained by arbitrary rules set by each servicer and investor, limiting their ability to assist effectively. Communication with negotiators primarily occurs through a web portal, commonly known as the Equator, adding another layer of complexity.

Additionally, some short sales involve multiple loans. After covering selling costs and Realtor fees, the remaining funds must be divided among various banks, requiring them to negotiate how much each party will receive.

Dawn Robbins

Senior Loan Officer, nmls 432345

dawnrobbins.com

(503) 805-7878

dawn@dawnrobbinsgroup.com

Ease Mortgage does not provide tax advice, credit counseling or credit repair services. Please contact your tax adviser for any tax related questions. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate for current rates and for more information.



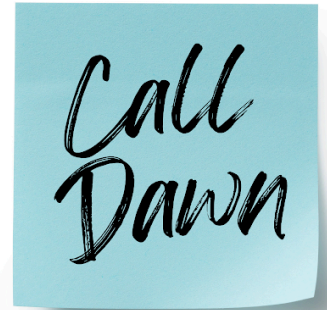
Ease Mortgage. NMLS# 2273319. 637 E. Big Beaver Rd Suite 205 Troy, MI 48083 (248) 847 - 0501. All rights reserved





Third-Party Negotiators

The mortgage crisis and subsequent decline in home values led to a surge in short sales, giving rise to a mini-industry dedicated to managing these transactions. Some real estate agents specialize in processing short sales, while others hire third-party negotiators. For a fee, these professionals handle communications with the banks, ensuring that the flow of information and documents is managed efficiently. Engaging a skilled Realtor or negotiator can significantly impact the success and speed of a short sale.



Logistics – Write, Wait... Then Hurry Up

The timing for short sales can vary dramatically. While some offers are written, submitted, and approved within weeks, others may drag on for over a year. Currently, the average response time from banks appears to be around six weeks, but not every short sale offer receives approval.

Once you receive short sale approval, be prepared to act swiftly. The bank's approval will typically include a deadline for closing—usually within 30 days or less. After potentially waiting months for a response, you may find yourself with barely enough time to close the deal. It's crucial to take these deadlines seriously, as extensions can be difficult to obtain and often come with fees. And since the seller is unlikely to have funds, the buyer usually ends up covering any extension costs.

Why Bother?

While short sales may not be ideal, they can benefit all parties involved. As a buyer, you might face less competition for short-sale properties and have the opportunity to purchase them for slightly less than their full market value.

The bank benefits by removing a defaulted loan from its books without incurring the costs and delays associated with foreclosure. For the seller, a short sale provides a degree of control, leading to a relatively swift resolution to a challenging financial situation while avoiding the negative impact of foreclosure on their credit score.

However, it's essential to understand that a short sale does not automatically absolve the seller of their debt obligations and may have tax implications. Therefore, sellers considering a short sale should seek legal and tax advice from qualified professionals.

Dawn Robbins

Senior Loan Officer, nmls 432345

dawnrobbins.com

(503) 805-7878

dawn@dawnrobbinsgroup.com

Ease Mortgage does not provide tax advice, credit counseling or credit repair services. Please contact your tax adviser for any tax related questions. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate for current rates and for more information.



Ease Mortgage. NMLS# 2273319. 637 E. Big Beaver Rd Suite 205 Troy, MI 48083 (248) 847 - 0501. All rights reserved





Nothing Ventured, Nothing Gained

When you submit an offer on a short sale, it typically includes the right to withdraw your offer at any time before the bank grants approval. Timelines for earnest money deposits, inspections, and other contingencies usually only start once the bank has approved the sale. If a short sale piques your interest, consider submitting an offer (consult your Realtor for guidance, but it's worth exploring).

Just remember not to get too emotionally attached; continue your property search. If you discover another property that appeals to you more, you can easily cancel your short sale offer, usually without any penalties or costs. However, if you keep looking and nothing else stands out, you'll feel more confident that the short sale is meant to be yours.



Dawn Robbins

Senior Loan Officer, nmls 432345

dawnrobbins.com

(503) 805-7878

dawn@dawnrobbinsgroup.com

Ease Mortgage does not provide tax advice, credit counseling or credit repair services. Please contact your tax adviser for any tax related questions. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate for current rates and for more information.



Ease Mortgage. NMLS# 2273319. 637 E. Big Beaver Rd Suite 205 Troy, MI 48083 (248) 847 - 0501. All rights reserved

