

# ***Frequently Asked Questions from Homeowners/Sellers***

## ***What is a Short Sale?***

Simply put, a short sale is used to describe the sale of a home in which the homeowner owes the bank more than the home is worth. The bank agrees to allow the home to be sold for less than what is owed (AKA "Short Sale").

## ***Would I qualify for a Short Sale?***

There are 2 main qualifications for a good Short Sale candidate...

(1) A good Short Sale candidate is a homeowner who is behind on their mortgage payment and is unable to keep up with all of their monthly obligations. Some of the reasons for falling behind on their mortgage payment may include sudden change in monthly household income, loss of job, divorce, and more.

(2) A good Short Sale candidate also has no equity in their home. They are not able to sell their home and pay off all of the outstanding loans that are secured against their property.

## ***Do you work with all banks?***

Yes, we are currently working with all banks.

## ***How long does it take to do a Short Sale?***

There are several stages that are involved with the Short Sale process...

(1) The first stage requires working with you as the homeowner to get all of the required documentation that your bank will require us to send them. This stage shouldn't take longer than a couple of days.

(2) The second stage involves us preparing the listing paperwork and scheduling an appointment with you to see your home and prepare your home to be listed for sale. This stage only takes a few days as well.

(3) The third stage entails us aggressively marketing your home for sale and producing a willing, ready, and able buyer. This stage can take as little as a few days or as long as a few months. On average we receive offers on our listings within 3-6 weeks.

(4) The fourth stage is the actual presentation of the offer to your bank. This is where our expertise and experience in negotiating Short Sales takes place. The actual negotiation/approval process can take as little as 2 weeks or as much as 3 months. On average most Short Sales take between 30-60 days from the date the offer is presented to the lender to the date of the Short Sale approval. In most cases, 60-90 phone calls and faxes back and forth between the lender and our team are required. The process is usually not described as "fast" in most cases, but with the right team working on your behalf, you can be at rest knowing that everything is being handled diligently and with much care.

(5) The fifth and last stage to the Short Sale process is the period of time between Short Sale approval from the bank and the buyer closing on the home. We prepare all of the buyers that we work with to be ready to close within 30 days from the time of Short Sale approval.

# ***Frequently Asked Questions from Homeowners/Sellers***

## ***Are there any tax ramifications to a Short Sale?***

You may have heard, "Don't do a short sale because you will get a 1099 and have to pay taxes on the difference between what you owed on your home and what you sold it for or the amount the bank wrote off." This is true, but this is not the whole story...

If you do a Short Sale you will receive a 1099 from your bank. This 1099 will be called a "1099-C." The thing that most people don't know or don't tell you is that with a Foreclosure, you will also get a 1099. In the case of a Foreclosure the 1099 is called a "1099-A."

So what's the difference between a 1099-C and a 1099-A? The 'C' stands for "Cancellation of Debt" and the 'A' stands for "Acquisition or Abandonment of Secured Property". The differences are much more than you get the 'C' with a Short Sale and the 'A' with a Foreclosure. It is important to know that while there are many differences, the tax consequences for the 'C' and the 'A' are the same. You may not even be required to pay taxes on the 'income' as shown on the 1099-C, but don't just assume that you won't have to pay.

**Before making your final decision, first consult your CPA or Tax Preparer.** While we are very good at successfully closing Short Sales, we are not tax experts. Please, consult a professional CPA or Tax Preparer before beginning the Short Sale process.

One more thing you should know is that in approximately 99% of the cases, the amount of the loss at Foreclosure is greater than that of a Short Sale. If you are going to receive a 1099 in either case, it is in your best interest to do a short sale instead of allowing your property to be sold for less at Foreclosure or as an REO (Real Estate Owned or Bank Owned Property). Now that you know this, don't allow rumors and incorrect information to influence an important decision in your life. Losing your home to Foreclosure is always the last resort and you should seriously look at all of your options before letting your home go to Foreclosure.

## ***Are there any credit consequences to a Short Sale?***

This question is asked very frequently and has many different variables involved. The first thing to keep in mind is that the moment you go 30+ days behind on your mortgage payment, your bank has the right to report to all of the credit bureau's that you are 30 days behind on your payments. When a late payment is reported to the three major credit bureaus, it does have a direct affect on your credit. After going through a Short Sale or a Foreclosure, most people have multiple 30, 60, and 90+ day late payments reporting on their credit report.

When the actual Short Sale is completed, most banks will report to your credit report that your account was "paid in full for less than the full amount." Your credit report may also be marked as "settled." It is important to keep in mind that each lender has a different way of reporting that a Short Sale was done, but this is the most common language that is seen. If your home were to go to Foreclosure you would most often see the bank report "Foreclosure" on your credit report.

It is difficult to gauge how much of a credit scoring affect a Short Sale has vs. a Foreclosure. Credit experts will agree that neither a Short Sale nor a Foreclosure is favorable to your credit or credit score, however, the impact of a Foreclosure is much worse. We strongly advise you to work with a Credit and Credit Scoring Expert for more specifics on this topic, and ways in which to improve your credit after the Short Sale is complete.

# ***Frequently Asked Questions from Homeowners/Sellers***

## ***Why exactly would a bank agree to a Short Sale?***

It is much more cost effective for a bank to do a Short Sale rather than Foreclose on a home. Banks are not interested in owning real estate. Banks make their money from receiving monthly mortgage payments. While banks will take a loss doing a Short Sale, they can often minimize their loss by as much as 10-20% over a Foreclosure.

## ***Can the bank sue me or place a judgment against me for the difference between what I owe and what the home sells for?***

This is a good question that is best answered by a qualified Real Estate Attorney. What you should know is that Arizona is what most people refer to as a “Non-Judgment Deficiency” state. What this means is that generally speaking if the bank forecloses on your home, they cannot pursue you for a deficiency judgment. For more specifics on this topic, please refer to the **Arizona Revised Statutes** and consult a qualified Real Estate Attorney.

It is also important to know that most Home Equity Lines of Credit (HELOC) are not just secured to your home, they are also personally “backed” by you. What this means is that even though your HELOC bank may agree to do a Short Sale or Foreclose on your home, they still may attempt to collect on your account – even after the Short Sale or Foreclosure is complete.

## ***I'm behind on my payments, how long until the bank forecloses on my home?***

Most notes (the “I Owe You” document that you signed with the bank when you first qualified for your loan) give the bank the right to file the “foreclosure notice” or the “notice of default” as soon as you are 30 days behind on your mortgage. While the bank has the right to file the “foreclosure notice” or set the trustee sale date (the date your home will be foreclosed on) as little as 30 days after you miss your mortgage payment, they often will not do so until you are 90 days or more behind on your payments. The bank has the sole discretion on when they want to file the sale date and all banks make this decision differently and within different time parameters.

When the official “foreclosure notice” is filed (whether it is filed after you miss 1 mortgage payment or 3 mortgage payments), there is a 91 day period of time between the filing and the actual “foreclosure sale” or “trustee sale.”

## ***When should we begin working on the Short Sale together?***

Ideally we would like to begin working on your Short Sale as soon as you recognize that you are unable to keep up with your payments and will be falling 30+ days behind. The important thing for you to know and keep in mind is that the sooner we begin working with you on the short sale process, the more you increase your chance of a successful closing. Don't wait any longer, act today by calling me or e-mailing me at [Suzanne.LeRose@kw.com](mailto:Suzanne.LeRose@kw.com).