Question: 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"). **Basically, the bank is agreeing to take less money for what is owed on the loan.**

Question: Would I qualify for a Short Sale?

Yes. Contrary to popular belief, it is not difficult to qualify for a Short Sale. A good Short Sale candidate has no equity in their home. They are not able to sell their home and pay off all of the outstanding loans/debt that are secured against their property.

If you owe more against your home than it is currently worth and want **or** need to sell it but can't **or** won't bring cash to closing to make up the difference between what you owe and what your home is worth, then you are a prime candidate.

Question: Is doing a Short Sale right for me?

We would like to say: "Yes!" But the truth is, short selling their home isn't the right move for everybody. Here are a couple of important signs that can help you determine if doing a short sale is right for you:

- You **are behind on your mortgage** payment and are unable to keep up with all of your monthly obligations. Some of the reasons for falling behind on your mortgage payment may include sudden change in monthly household income, loss of job, divorce, and more.
- You **are NOT behind** on your monthly mortgage payment **but know that you will soon be** unable to keep up with all of your monthly obligations and therefore in the near future will not be able to afford to keep your home.
- You **are NOT behind** on your monthly mortgage payment but **need or want to move**. Reasons could include a job transfer, a health reason, retirement, and more.
- You **are NOT behind** on your monthly mortgage payment and have come to the decision that staying in your home is **not a good "business decision" or "financial decision."**

If you match any of these scenarios then doing a short sale could be the perfect solution.

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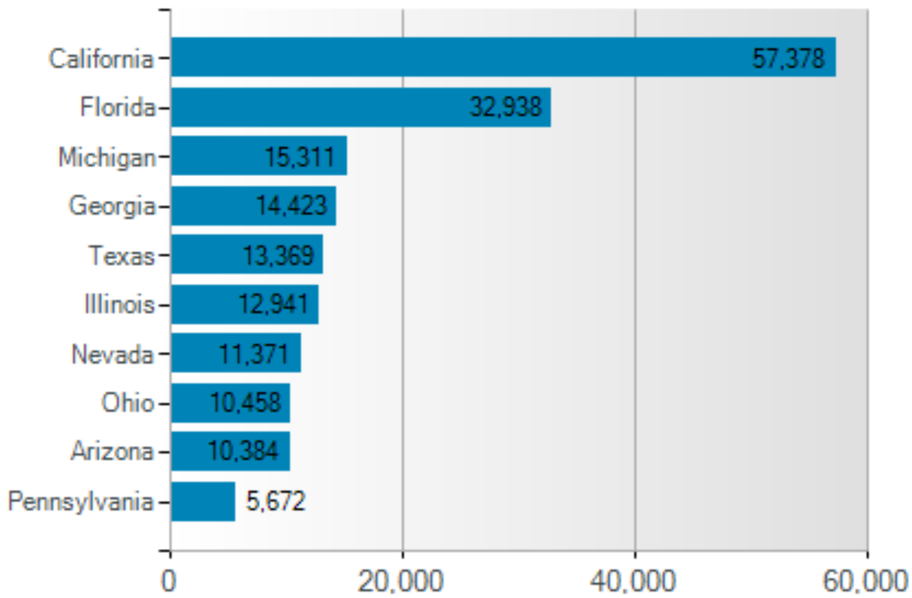
Question: Why would the bank agree to a short sale?



Foreclosures as of Nov. 2010 (Data from RealtyTrac.com)

With foreclosures on the rise, banks are looking for any way they can to decrease the amount of loss due to these foreclosures.

Basically, it is much more cost effective for a bank to do a short sale rather than a foreclosure.

Banks aren't in the business of owning real estate and collecting monthly mortgage payments, so a bank will take a minor loss in a short sale to start that payment cycle again.

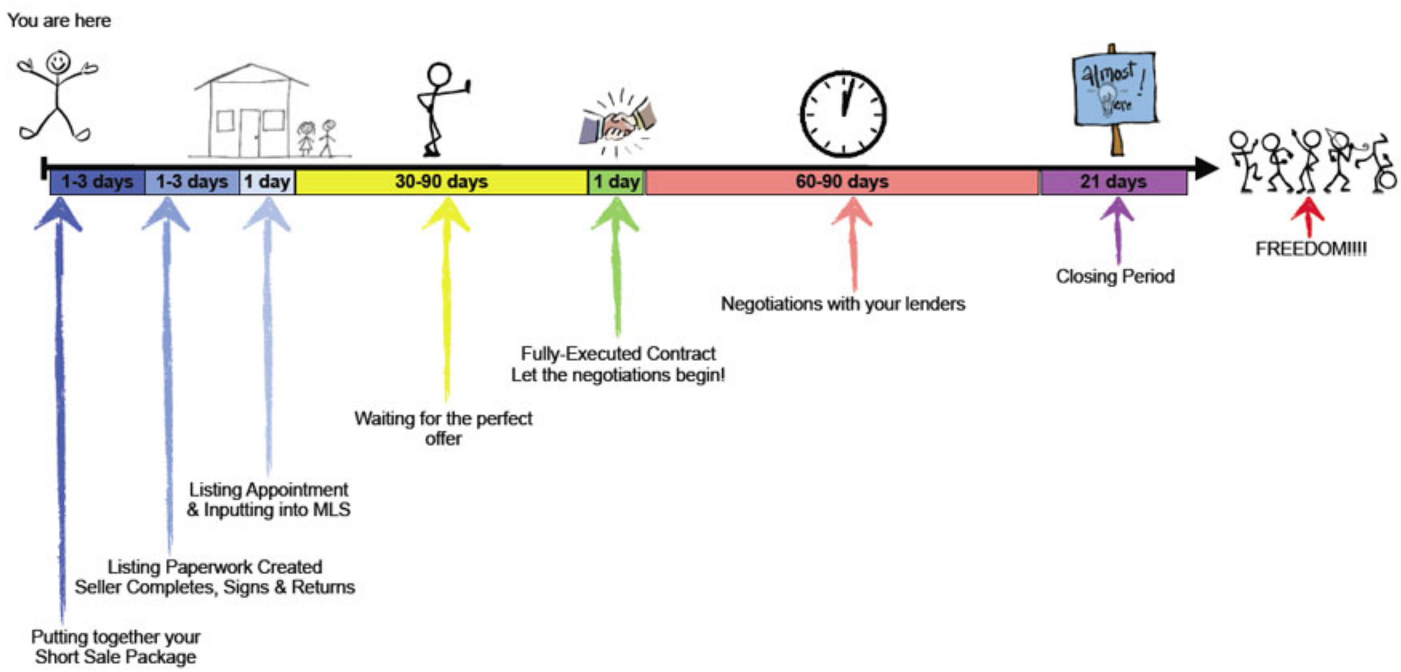
The truth of the matter is that a bank can minimize their loss by 10%, 20% even 30% in a short sale over a foreclosure.

Question: Do you work with all banks?

Yes, we are currently working with all banks. Unlike some agents and investors, we do not "selectively choose" which banks we work with and which banks we won't.

Question: How long does it take?

That depends on a number of factors, but most of our short sale listings get offers within 30-90 days and close in 5-7 months.



Question: Are there any tax ramifications to a Short Sale?

There may be tax ramifications to a Short Sale but this is a very “loaded” question. 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 may be true, but this is not the whole story… If you borrow money from a lender and the lender later cancels or forgives the debt, you may have to include the cancelled amount in income for tax purposes, depending on the circumstances.

When you borrowed the money you were not required to include the loan proceeds in income because you had an obligation to repay the lender. When that obligation is subsequently forgiven, the amount you received as loan proceeds is normally reportable as income because you no longer have an obligation to repay the lender.

The lender is usually required to report the amount of the canceled debt to you and the IRS on a Form 1099-C, Cancellation of Debt. 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. While we are very good at successfully closing Short Sales, we are not tax experts.

Before making your final decision, first consult a CPA or Tax Preparer.

The Mortgage Debt Relief Act of 2007 provides relief to many, many homeowners. For more information on the Mortgage Debt Relief Act, how it works, who it applies to, and more, please read more directly from the IRS website.

Question: 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 bureaus 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 reported 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.

Many clients are able to Short Sale their homes without ever missing a payment, therefore, they do not have any late payments reporting to their credit. When there are no late payments on your mortgage, your credit score is generally not affected. It is possible to maintain a high credit score by completing a Short Sale without missing payments on your mortgage and other bills. Please be aware though, that your lender will still report that a Short Sale was done so while you may not see your credit score drop if you continue to make payments through the completion of the Short Sale, you'll still likely have your account marked as "paid in full for less than the full amount" and/or "settled."

Question: 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. The laws that govern North Carolina non-judicial foreclosures are found in North Carolina General Statutes, Chapter 45 (Mortgages and Deeds of Trust), Article 2, Article 2A as referenced in §45-4 to §45-21.38

http://www.ncga.state.nc.us/gascripts/Statutes/StatutesTOC.pl?Chapter=0045

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.