

Listing Short Sales

Making them A Success
for Everyone!

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Why Are You Here?

- Help a client
- Grow your business
- Develop and refine your skill set for a niche market.
- **THIS IS OUR MARKET!**
 - 8/29/07: **1,799**
 - Today: **18,314**
 - **SS Today: 13,595**
- **What do you need from our time today?**

We'll Talk About...

- Foreclosure Timeline
- Short sale – What is it?
- Who is a short sale candidate?
- What other options exist?
- How to handle a short sale?

The 3 Phases of Foreclosure

1

Preforeclosure

2

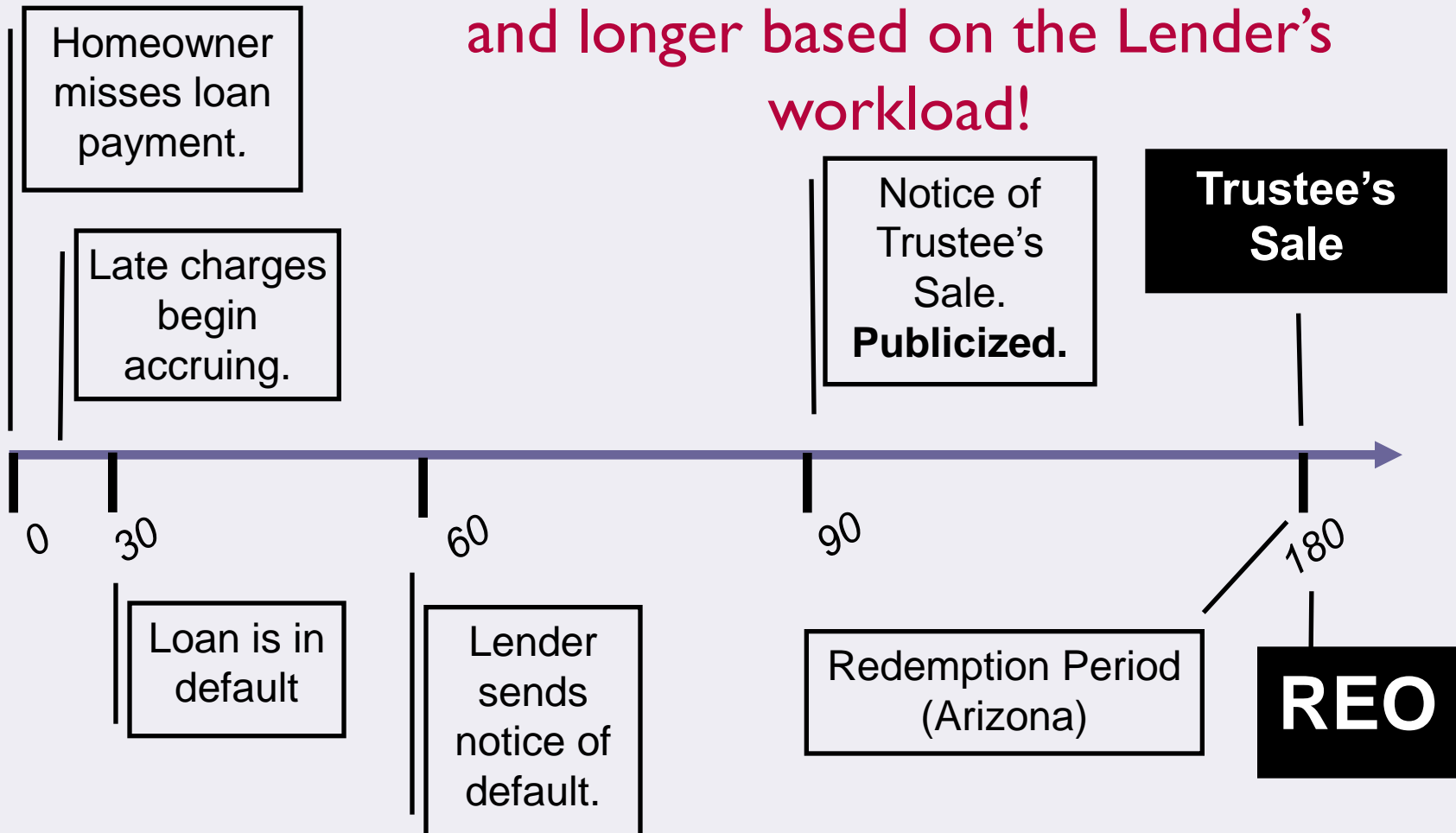
Trustee's Sale

3

**Real Estate
Owned (REO)**

Arizona (DOT) Foreclosure Timeline

These timeframes are getting longer and longer based on the Lender's workload!



Where is Your Opportunity?

***Short Sale Opportunity
ONLY exists here...***

1

Preforeclosure

What is a Short Sale?

The sale of a
property for less
than what is owed.

WHY would a Lender Consider A Short Sale?

- Lender's LEND, not OWN
 - The more they own, the less they can lend
- Foreclosure costs a lender TIME and MONEY.

The Cost of Foreclosure

Legal fees to foreclose

Possible eviction costs

Taxes

Insurance

Maintenance

HOA dues

+

Realtor Fees

\$ _____

❖ PLUS...the
“**short**” on the
loan (including
penalties,
interest, late fees,
etc.)

Other Options

- Loan Modification
 - Interest Rate – permanent vs. temporary
- “Principal Reduction” Programs (“Short Re-Fi”)
- “Hope for Homeowners” – HUD Program
 - www.HUD.gov
- Liquidate other assets
- Bankruptcy
- Professional Tax & Legal Advice

Who is a Candidate for a Short Sale?

- Undisclosed assets
- Hardship
- Financially insolvent
- Seller is delinquent or can document impending delinquency. **CAUTION!**
- Cooperative – this is sometimes the hardest.

Worth Noting

- Arizona Anti-Deficiency Statutes – A.R.S. §33-729(A) and A.R.S. § 33-814(G)
 - Purchase Money
 - Qualified Re-fi
 - “Cash-out” Re-fi
 - Home Equity Loans & Home Equity Line of Credit (HELOC)
 - VA Loans
- Tax Implications - 1099A / 1099C
 - December 20, 2007 – Mortgage Debt Forgiveness Act – Primary Residence ONLY
 - Taxable Income on Investment Properties
 - SB 1271 – it’s not over yet!

Step 1: Gather Information

- Lender's Short Sale Packet (if available)
- Authorization
- Paystubs / Documentation of Income x 2
- Bank statements x 2
- W2s and Tax Returns x 2
- Financial Statement
- Letter of hardship

Step I: Gather Information (cont.)

- Mortgage Statements (for all loans)
- Liens (HOA, Tax, Personal Judgments, etc)
- Foreclosure Date
- CMA
- Property Condition w/ Photos
- **ANYTHING** else the Lender requests

Step 2: Listing Agreement & Disclosures

- Exclusive Right to Sell
 - Commission – what will you charge?
 - Additional Terms
- AAR Short Sale Addendum (to Listing Contract)
- All other required AAR/ARMLS/Broker forms

Step 3: Pricing & Listing Strategies

- Pricing Strategies
 - Lender pricing requirements
 - Starting price & regular reductions
 - “Fire Sale” or “Auction” pricing.

Step 3: Pricing & Listing Strategies (cont.)

- Cooperating Agent Strategy
 - “Short sale” verbiage in REALTOR® Remarks vs. Public Remarks
 - Use Addendums:
 - Short Sale, As-Is and Buyer Disclosure
 - Commissions – don’t expect to negotiate co-broke commissions after an offer is received.
 - Sharing information if permitted by your sellers regarding competing offers.

Step 4: Starting the Process

- Send authorization and listing notification directly to Loss Mitigation
- Question ALL policies if they don't make sense (you're dealing with "gate-keepers")
- Follow up, confirm and resend as needed.
- **Note ALL contact and conversations**

Step 5: Submitting an Offer

- Seller's signature
 - MLS Requirements (Active vs. AWC-I)
- Pre-audit (HUD-I)
 - Re-verify HOA delinquencies and liens
 - “pad” all estimates
- Managing Multiple Offers
 - First, “low-balls”, highest net, etc.

Step 6: The Lender's Process

- File complete?
- Negotiator/Closing Agent (voicemail or email)
- Order Broker's Price Opinion (BPO)
 - BPO = liquidated value as if it were REO
- Submit to Investor & Management for review and approval
- Negotiate response w/ Buyer's agent and/or Seller
- Call twice a week!
- Keep Buyer's Agent/Buyer informed!

Step 7: Negotiations

- 1st Lienholder
 - 80% or more of loan balance
 - Min NET 88% of BPO value
 - Fannie Mae/Freddie Mac - \$3000 max to 2nd
- 2nd Lienholder
 - 10% of loan balance if HEL or HELOC
- PMI/MIP (Lender paid MI)
 - Cash at close
 - Unsecured Promissory Note (“Soft Note”)

Step 8: Closing the Short Sale

- Agreement for Sale vs. Approval Letter
- Verify lender's acceptance – all terms
- Have lender approve pre-audit prior to closing
- Utilities
- Last minute surprises/“Commission-ectomy”

Kayte's Commentary

- Communicating w/ the lender
 - Complimentary relationship
 - Don't expect them to contact you
- Postponing Trustee's Sale
- Third party “short sale negotiators”
- Fear – let it be your motivator
- Additional Education

Thank You
for
Being Here!

(Don't forget to complete your evaluation!)