



THE SHORT SALE: Don't Rule This Option Out Until You Understand It!

Do you feel like you're drowning? Like many good folks today, you may be upside down on your mortgage...

Maybe you've missed a mortgage payment. Maybe two. Or more. Late fees and back interest are rising fast. Your lender is calling. Your bank accounts and credit cards are exhausted. Your nerves are tattered. And you are thinking one thing: foreclosure.

But did you know that foreclosure CAN BE avoided – through viable options!

All is not lost.

We can walk you through 10 alternatives to foreclosure, including **eight** ways you can remain in your home. (We can also alert you to three foreclosure scams to watch out for). Just call or e-mail and ask for our Foreclosure Alternatives report.

But ... the fastest way out of this mess – and maybe best way to salvage your credit – is a simple strategy that many homeowners know very little about.

It's called ... the SHORT SALE.

Here's the bottom line: most lenders love the short sale concept.

Over the past several months, short sales have helped thousands of American homeowners escape from the tough spot you now occupy. And, unlike falling into foreclosure, a short sale keeps you eligible to buy another home – very soon – if that's your goal.

Short sales also allow families to relocate on a more humane schedule versus the hasty (even degrading) moves that can follow a foreclosure eviction.

And best of all, a short sale can erase that massive mortgage debt.

Just what is a short sale? Let's put it in quick numbers...

Say you are facing foreclosure with an existing mortgage of \$400,000. But the current market won't pay \$400,000 for your home. A buyer writes you a \$250,000 offer. The short sale (the difference) is \$150,000. The lender gets the proceeds and discharges your remaining debt. Done.

How long will it take you to go from the brink of foreclosure to a zero mortgage balance? Five steps. And here's the roadmap:

STEP #1: Calculate the current value of your home. A real estate agent can do that. If you don't have one, check websites like Cyberhomes.com for an instant price estimate for your home and for comparable homes near you.

STEP #2: Tally up the expenses of selling. Once more, this is much easier with the help of a real estate expert. But if you are without one, call a title company and ask for the closing costs associated with your property. They may include: title fee, escrow fee, attorney fees, unpaid property taxes, notary fee, reconveyance fee, delivery, transfer and documentary fees. Don't forget to include your monthly interest, which accrues until the sale is final.

STEP #3: Check your mortgage statements to see what you owe against the property. After you've done the math, you'll have a ballpark figure for the short sale.

STEP #4: Call your lender. Start with customer service and ask for a supervisor – or a “foreclosure prevention department” if they have one. **Your lender must agree to a short sale.** A real estate agent can negotiate on your behalf and gather the documentation a lender requires. But, if you are going it alone, you should know the two keys to convince your lender that a short sale is the best option:

- A) Establish that you have no other financial means to pay the mortgage.
- B) Validate that a fair market price is lower than what you owe against the house.

You will have the lender's attention. They want to avoid foreclosure, too, because they face a larger loss if you default. Still, most lenders have specific criteria for approving short sales – and those have to do with your ability to repay the existing debt.

So... ask your lender to give you their rules and procedures for a short sale. **Some lenders are even willing to reduce the balance owed on the loan. *But be aware:*** there are lenders who will reject a short sale and say your debt is your responsibility.

STEP #5: Find a buyer and make the deal. If possible, allow 90 days to complete a lender-approved short sale. Take note: there are lenders that require the buyer to pay the difference between the sales price and the amount still owed on the mortgage.

**Once the process is finished, your mortgage debt disappears.
But! The IRS often treats that as income so remember that at tax time.**

As you pack your boxes, take heart in the fact that the short sale kept your credit rating largely intact. Where **a foreclosure can shed 250 points or more from your credit score** – and cause you to wait three years to again land a reasonable mortgage rate – **a short sale will reduce your score by 100 points or fewer.** And you probably will only have to wait 18 months or so to qualify once again for a decent mortgage rate. Now THAT is a great alternative!

The short sale process is much less stressful if you have a real estate problem-solver (familiar with short sales) working on your side. If you need your real estate problems solved, give our Housing Advocacy Team a call and we can help you.

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