

What To Consider When Making A Short Sale Offer

- The lender is not a party to the contract(s) (listing or purchase). The lender does not control the Buyer's offer price. The lender does have control over how much they are willing, or able, to accept as a payoff. Once Buyer and Seller have signed and dated the contract, it is ratified.
- Most short sale listings are not pre-approved. In the case of a Seller who has an FHA mortgage, there may be a preapproval of the Seller to participate in a FHA Preforeclosure Sale. In these cases, the lender has been required by FHA to have a full fledged appraisal done on the property. Once that appraisal is complete, FHA will advise Seller and Listing agent of a suggested list price and will describe the "minimum net proceeds" that FHA will accept as a short pay off.
- Other cases of approved short sale prices would involve certain VHDA short sales. VHDA follows a similar process as FHA.
- If the Seller is qualified for HAFA, there may be guidance concerning the list price or acceptable offer price.
- Chase is being very proactive in the short sale arena and may have programs in which they give guidance for list price.
- Beginning in June 2012, Bank of America will roll out short sale programs for certain of their qualifying homeowners, which may give guidance to list price. Bank of America also offers a Cooperative Short Sale in some cases and when this is the case, Bank of America gives guidance on the list price and gives the Seller 120 days to get a contract.
- Multiple Offers. Although we are required by law to present all Purchase offers to our Seller and will do so, the Seller cannot "accept" or sign more than one contract at a time. Therefore, no additional contracts will be presented to the 3rd party unless or until a previous contract has been cancelled or the Seller has authorized. When submitting a contract to the lender, we submit to all lenders at the same time to minimize delays.
- The junior lien holders get the short end of the stick and are paid to release their liens by the 1st mortgage. This often is a small percentage of what is owed on the second mortgage. In the case of a HAFA short sale, the junior lien holders can be paid up to \$8500 to release the lien. In some cases, the first mortgage will approve the short sale but the junior lien holders will not because they are unhappy with their pay off.
- It can take a MINIMUM of 60 - 90 days to get a response from the 3rd party lender. In some cases, there are 2 mortgages on the property and there may also be mortgage insurance. It will require negotiation with all lenders and possibly with the MI company in order to get a decision. If the Buyer is not willing or prepared to wait this long then this property will probably not work for him or her. This timeline is very likely to improve with the big banks' settlements with the government, but for the time being, it can still take this long.
- We will require a minimum 1% earnest money deposit to be placed once the contract is signed by the Buyer and the Seller and not when the 3rd party lender approves the short pay off. Once under contract, the Buyer cannot just walk away without forfeiting the earnest money deposit unless the Buyer decides to have a Home Inspection prior to 3rd party approval and uses the Home Inspection clauses to cancel the contract.
- Make your highest and best offer. Our Sellers are discouraged from accepting a lowball or very low offer just to get a contract. It is our responsibility to get the best possible price to minimize the deficiency between sales price and mortgage balance because our Seller might be required to pay that difference sometime in the future through a deficiency judgment filed by their lender that could occur up to 6 years from the date of closing.
- Property Condition and Repairs. The seller does not have any money to make repairs so the property is sold "as is" and "where is." The lenders will not pay for any repairs either, so please don't ask.
- Home Warranty. The Seller will not pay for a Home Warranty nor will the Seller's lender. If the Buyer wants a Home Warranty, it will be up to the Purchaser to buy it.
- Inspections and Utilities. The cost for all inspections are to be paid by the Buyer. If the property is now or later becomes vacant, the utilities may or may not be on. If they are not on, the Buyer will be responsible for payment of having them reconnected for any inspections the Buyer chooses to perform.
- Closing Costs. If the mortgage on the property is an FHA mortgage and the Buyer is getting an FHA, VHDA, or VA mortgage, FHA will not approve any more than 1% of the sales price in closing costs. We can ask for a "variance" but that adds an additional 3 weeks or more to the approval process and in the end, FHA might not approve the exception.