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## **Short Sales: Frequently Asked Questions for Homeowners**

### **Is a Short Sale right for you?**

If you owe more on your mortgage than the current value of your home, you may feel you have no choice but to let the bank foreclose. You may have attempted to get a loan modification with no success, or maybe your lender wouldn't even talk to you. Some people just give up and let the bank have it back. But many people who can't get a loan modification often qualify for a short sale.

### **What is a short sale?**

A short sale is a transaction in which the lender agrees to accept less than the mortgage amount owed by the current homeowner. In most cases the difference is forgiven by the lender, and in others the homeowner must make arrangements with the lender to settle a portion or all the remainder of the debt.

### **Why is the number of short sales rising?**

Due to the recent economic crisis, including rising unemployment and drops in home prices in communities across the nation, the number of short sales is increasing. And many lenders have speeded up and streamlined their process to meet the demand. Since a short sale generally costs the lender less than a foreclosure (about 20% versus 40%), it can be a viable way for a lender to minimize its losses. For the homeowner, the impact on their credit can be diminished and they can get on with their life sooner.

### **Who qualifies for a Short Sale?**

A homeowner must have a *hardship*, as defined by their lender. Many circumstances can create this kind of hardship: A temporary or permanent job loss, a significant cut in pay, a divorce, unexpected medical expenses, or an increase in payments due to an Adjustable Rate Mortgage (ARM) resetting – these are examples of verifiable hardships.

### **What are some advantages of a Short Sale?**

A short sale can be the best option for you if you are “upside down” on your mortgage because a short sale may not hurt your credit history as much as a foreclosure. As a result, you may find it easier to get back on your feet financially. In contrast, the impact of a foreclosure on credit history can make it tough to buy anything on credit for several years – a vehicle, furniture, insurance – and can make it harder to rent, affect your security clearance, or restrict your future job opportunities. The impact of a short sale can be less severe and not last as long on your credit history. And in most cases, the forgiven debt is not counted as taxable income like it was prior to 2007.

## What will it cost me?

Usually the costs associated with a short sale are paid by the lender at closing, and the homeowner pays little or nothing. Of course, the seller cannot receive any compensation from a short sale. It is strongly suggested that homeowners stay current on property taxes, homeowner association dues, and any such costs that are a lien against the property. Otherwise, the sale may not be able to close until these are paid off. In a few cases, lenders may try to collect debt payments after closing. You should consult a real estate attorney and your tax advisor for further information.

## How long does it take?

Short sales in the Reno-Sparks area are averaging about 130 days from contract to close. Often, a house can be marketed for sale even if the lender has begun the foreclosure process. When an agent lists a home for sale, lenders may postpone the foreclosure process. In some cases an attempted short-sale is unsuccessful and the home eventually goes to foreclosure. However, as the saying goes, “nothing ventured, nothing gained.”

## If I want to try a Short Sale, who can help?

I can! I will go over ALL the options available to you, so you can decide if a short sale is right for you. Keller Williams’ agents in Reno-Sparks have successfully closed more short sales than any other brokerage in the last few years. We have the track record, superior training programs, and the best systems in the business.

## You are not alone!

The Reno-Sparks area is fourth in the U.S. for upside-down home values. Many of your neighbors are facing similar situations. If you’ve been unable to modify your mortgage loan and feel like the debts just keep piling up, consider a short-sale option. You may feel like giving up, but why give the house away to the bank? It will eventually be sold anyway, no matter how much the market value has declined. Don’t let discouragement and disappointment prevent you from getting help and planning your financial rebound. Your decision to sell now can positively affect your future.

## Contact me today.

My services are free for the homeowner in a short-sell transaction. You can be assured of complete confidentiality in the entire transaction. I have experience as well as specialized training in short sales and foreclosure avoidance.\* You have little to lose, and much to gain. Act now. Call me. I’m here to help.

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