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Avoiding the Dirty Dozen Barriers to Short Sale Success

Posted By susanne On February 20, 2013

Now that the fiscal cliff deal is behind us, it's safe to say that short sales will continue to increase in the year ahead. That said, short sales can still take up to three times longer than a traditional transaction and often fall apart. By avoiding these top dozen short sale barriers, however, you will be pleasantly surprised at how profitable short sales can be.

1. Poor short sale candidate. Establish objective criteria up front, conduct an extensive interview with the buyer, and make sure the seller is motivated and cooperative.

2. Unfamiliar with lender's short sale requirements and procedures. Be sure to harvest and maintain lender and investor guidelines, and secure the individual forms required for each lender/servicer.

3. Title exam not obtained at the start. This must be done up front in order to identify all individuals on deed and mortgages, and determine all lien holders.

4. Incomplete package submitted. Take the time necessary to focus on the quality of the package at the time of submission. Detail is critical and all documents must be completely executed.

5. Short sale not begun prior to receiving a contract to purchase. The lender never looks at a buyer contract until the seller candidate is approved and market value has been determined. Making this mistake adds 30-60 additional days to the process.

6. Complete package not maintained throughout the short sale process. You must keep all required homeowner financial information current and forwarded to the servicer every 30 days.

7. Lack of communication with the lender. Most negotiators are overwhelmed by the number of cases they are working on. Misunderstandings, loss of documents, and/or lack of familiarity with files are common. You must continue to follow-up with the servicer twice a week to reduce unnecessary delays.

8. Poor record keeping/documentation. It's not uncommon for processing personnel at the lending institution to change, and every new person has to rely on the quality of the notes on file. You must be prepared to fill in the gaps.

9. Professional relationship with negotiator never established. In this high-stress process, it's essential to build rapport with your contact at the lender in order to establish mutual respect and trust. This simple step can be a game changer.

10. Failure to meet BPO/appraiser at the listing. Without a detailed inspection of the property, the value will be distorted. Make sure you're present during the process in order to share information.

11. Fair market value dispute. Negotiators often lack current relevant information on most markets and are, therefore, forced to make decisions based on the data provided by BPO and information in the lender package. You must be able to provide additional information that can have an effect on value.

12. Failure to "escalate" to higher authority when communication breaks down. Remember that upper levels at every lender's short sale department are working toward one goal—avoiding another foreclosure.

Avoiding these dozen pitfalls will increase your odds of success while reducing everyone's time and stress.

For more information about shadow inventory or short sales, go to www.shortsalecampus.com

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