



SHORT SALES UNCOVERED

Sharing First Hand Experience of Today's Real Estate Market

Brought to you by April Rager, Realtor® Certified HAFA Specialist, CRS, CDRS, WCR



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Thank you for taking the time to join us as we discuss and uncover the secrets and misconceptions associated with today's mysterious real estate industry. This seminar is specifically tailored towards the Short Sale process, but will include information regarding Foreclosures and traditional selling as well as how it is seen and effects both buyers and sellers. We will break down the process from listing to closing and identify areas that are variable and those that are absolute. The following documents and statements are to educate and inform, they are deemed to be correct and up to date per their print and assembly date, but we recommend and must disclose that we are not responsible for any information that is outdated or has been modified. Each person is responsible to speak to a qualified professional with regards to their specific situation and is advised to speak to an accountant regarding any financial implications or an attorney for any and all legal advice.

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Attachments:

* Bank of America—”Traditional Short Sale”

I. Definitions

I. Definitions

What is a short sale?

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

In most cases the existing lender pays virtually all of the sales costs, including commissions, escrow and title fees and repair costs.

What is a foreclosure?

The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

Florida is a judicial foreclosure state, which means that foreclosure proceedings must go through the judicial system.

II. Who is Eligible for a Short Sale?

Mortgage lenders are increasingly willing to work with borrowers faced with financial hardship to accept discounted payoff on a mortgage. If you are faced with a hardship that makes it likely you will be unable to meet your obligation on your mortgage, your lender would prefer to settle the matter with you as opposed to taking the property through foreclosure. As you considered the option of pursuing a Short Sale, remember your lender is looking to limit any potential loss on your loan. By completing a Short Sale, your lender has arrived at a solution that is, for them, much better than foreclosure. Bottom line, your lender wants to work with you.

Reasons for a short sale:

Here are sample types of a hardship. Lenders will consider the following conditions, and they don't have to have happened personally to you. It could be a family member who supports you -- financially or emotionally or both -- or on whom you rely for support who has suffered a hardship such as:

- Unemployment
- Reduced income (furloughs, new job, partner's loss of job, pay cut)
- Illness or medical emergency
- Job transfer (voluntary or involuntary)
- Divorce, separation or marital difficulties
- Exotic mortgage terms (an adjustable-rate loan)
- Military service
- Death in the family
- Incarceration
- Increased expenses and excessive debt
- Unexpected repairs or home maintenance
- Adjustment in mortgage payment

III. Pricing Your Short Sale

I. Strategy is determined by the specific time frames for each seller's specific needs and goals. Are you behind? Have you received a lis pendens for the Foreclosure proceeding to begin? Are you in a financial position right now indicating it would be in your best interest to do this now?

II. Market Value: Determine the market value. This can be achieved by hiring a Realtor or a licensed appraiser. Normally, a Realtor can give you a Comparative Market Analysis (CMA), finding and evaluating comparable properties, to give an educated estimate on competition in the market.

III. Price to sell. In a short sale, the seller does not benefit financially. There are no net proceeds on the sale. The Short Sale definition indicates that the seller's are selling for less than the amount owed and so the bank is taking a loss on the mortgage note in the transaction. So, the key is pricing the property to produce a buyer with a reasonable purchase offer.

IV. Your bank may be willing to offer a preapproved list price. If this is the case, certain documentation is required for processing. Often times the lender or servicing company will request comparables to determine the listing price. This is often times done by the listing agent and in conjunction with listing a property. Some banks will offer a preapproved list price, while others will not. It is dependant on many variables unique to your situation.

IV. HAFA : Home Affordable Foreclosure Alternatives Program

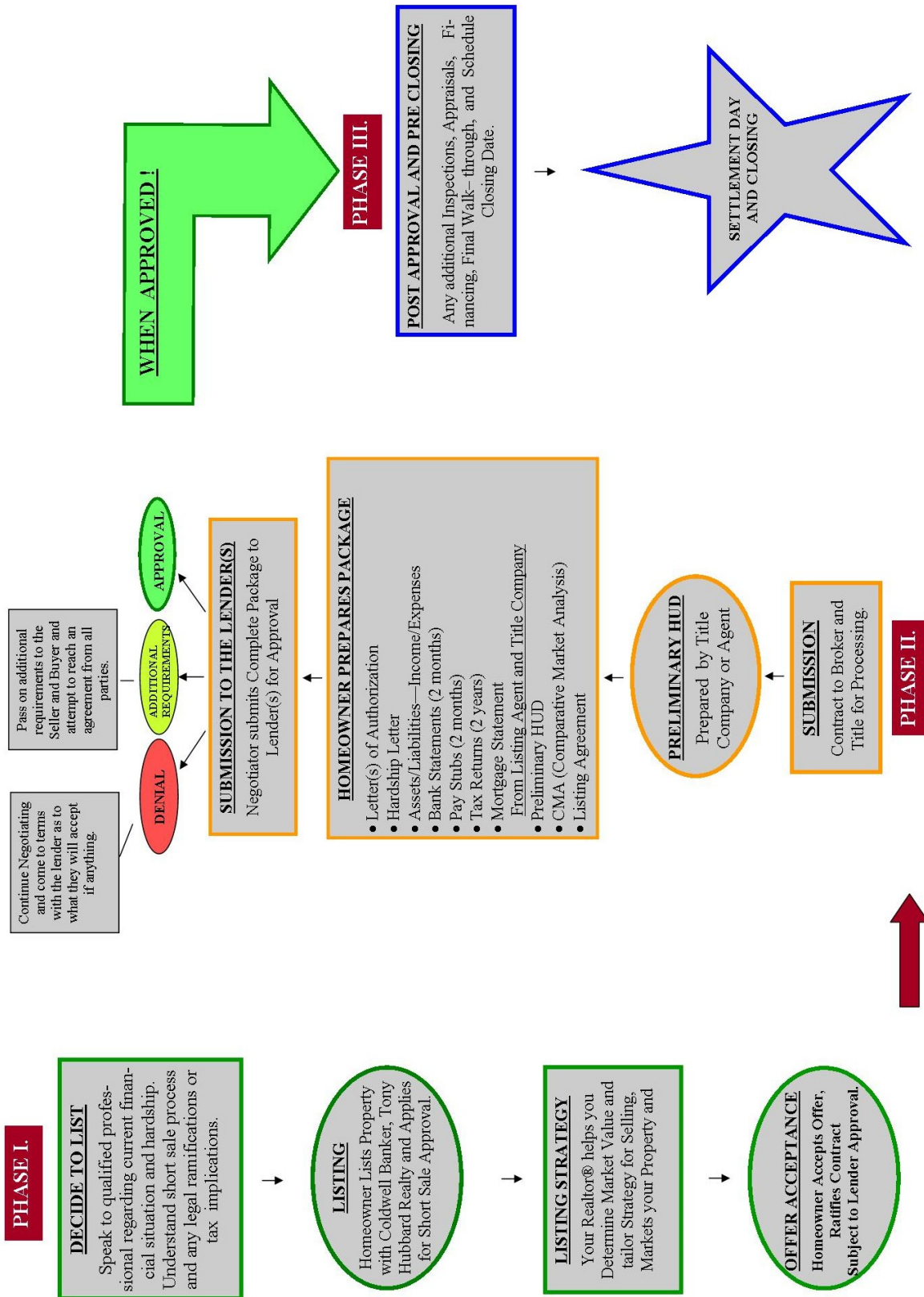
HAFA:

To help homeowners who are unable to keep their homes under the Home Affordable Modification Program, (HAMP) the HAFA program may make a short sale or a deed-in-lieu of foreclosure a viable option to help them avoid foreclosure. The HAFA Program, which took effect April 5, 2010, provides servicer, seller and junior lien holder incentives for these transactions and is designed to simplify and streamline use of short sales and deeds-in-lieu of foreclosure.

HAFA Provisions: Complements HAMP by providing a viable alternative for borrowers (the current homeowners) who are HAMP eligible but nevertheless unable to keep their home.

- Uses borrower financial and hardship information already collected in connection with consideration of a loan modification.
 - Allows borrowers to receive pre-approved short sales terms before listing the property (including the minimum acceptable net proceeds).
 - Requires borrowers to be fully released from future liability for the first mortgage debt (no cash contribution, promissory note, or deficiency judgment is allowed).
 - Uses standard processes, documents, and timeframes/deadlines.
 - Provides the following financial incentives:
 - \$3,000 for borrower relocation assistance;
 - \$1,500 for servicers to cover administrative and processing costs;
 - Up to \$2,000 for investors who allow a total of up to \$6,000 in short sale proceeds to be distributed to subordinate lien holders, on a one-for-three matching basis.
 - Requires all servicers participating in HAMP to implement HAFA in accordance with their own written policy, consistent with investor guidelines. The policy may include factors such as the severity of the potential loss, local markets, timing of pending foreclosure actions, and borrower motivation and cooperation.
-

V. The Short Sale Process Outlined



Short Sale Participating Lenders

Short Sale – Lender Contacts – Banks and Lenders - Nationwide

Short Sale Department Phone Numbers

The phone numbers below are deemed reliable. They are subject to change without notice. If you discover an updated number, please contact us and we will update the list item. You can always look on your mortgage statement page and find a phone number to contact your bank. Make sure you have the loan number in front of you as well as any other information the lender may need to confirm that you are the home owner.

Please see the following pages for details.

1st American Home Mortgage 800-756-5573
 1st Federal of Michigan 800-482-0662
 1st Federal Savings Bank 800-422-3372
 1st National Bank 800-854-7715
 Alliance Funding 800-426-1143
 Allied Home Mortgage Capital Corp. 888-898-3326 American Mortgage Company
 888-991-6400
 Ameriquest 888-251-1313 Ameritrust Company 800-422-2442
 APX Mortgage Services 800-843-1279
 Astoria Financial 800-278-6742
 Bank and Trust Company 800-423-3955
 Bank of America 800-301-3744
 Bank of Florida 239-254-2100
 Bank of New York 212-495-1784
 Bank of the West 925-942-8300
 TheShortSaleDepartment.com – 909-895-4074 Short Sale Listing Services – Steve
 Linnin - Real Estate Broker - Calif dre: 01091692
 Short Sale – Lender Contacts – Banks and Lenders - Nationwide
 Bank Plus 800-542-7587
 Barnett Banks 800-468-1810
 BB&T Bank 800-226-5228
 Beneficial 800-340-7866
 Bridgeview Bank Group 800-794-2070
 Capital Funding 800-837-6661
 Capital One Bank 888-497-6278
 Carteret Mortgage 888-980-8806
 Central Jersey Bank 800-369-2500
 Champion Mortgage 800-252-5502
 Charter Oak Federal Savings 800-832-3452
 Charter Pacific Bank 800-272-2265
 Chase 800-935-9935 List of Lenders
 Chemical Mortgage Company 800-848-9136
 Citi Mortgage 800-667-8424
 Citizens Bank 800-676-6276
 Citytell 800-762-2489
 CMA Mortgage 800-557-1513
 Compass Bank 800-239-4357
 Countrywide Home Loans 866-670-5274
 Crestar Bank 800-273-7827

Ditech 800-939-6879
Dollar Bank 800-242-2265
East Boston Savings Bank 847-952-3700
eLoans 888-533-5333
Emerald Funding 888-963-3436
Fidelity Federal 800-232-2309
Fifth Third Bank 800-972-3030
First Fiduciary Inc. 800-653-2600
Heartland Mortgage 800-552-0344
Home Savings 888-822-4751
Homefed Bank 800-824-3533
HSBC North America 847-564-5000
Huntington National Bank 800-480-2265
Indiana Federal Bank 800-342-5760
Indiana Federal Savings Loan 800-851-4859 of Lenders
Key Bank 800-539-2968
LaSalle Bank 866-904-7222
TheShortSaleDepartment.com – 909-895-4074 Short Sale Listing Services – Steve
Linnin - Real Estate Broker - Calif dre: 01091692
Short Sale – Lender Contacts – Banks and Lenders - Nationwide
Lending Tree 800-461-0117
Liberty Federal Bank 888-323-1776
Louvenia Banks 800-638-8214
M&T Bank 800-724-2440
Mellon PSFS 800-362-5510
Meridian Mortgage 800-327-2374
Michigan National Bank 800-622-6864
Mid America Mortgage 800-462-6288
Midwest Mortgage Finance 800-925-9725
Midwest National Mortgage Corp. 800-225-8894
National City 800-913-1621
National First Mortgage 800-336-2966
Nationwide Mortgage Buyers 800-562-5795
NBD Bank 800-225-5623
Newsome Mortgage 888-639-7663
North Fork Bank 877-694-9111
Ocean City Home Savings Loan Association 800-311-1398
Ohio Bank 800-843-9991
Ohio Citizens Bank 800-752-3430
Ohio Savings Bank 800-852-1938

Progressive Mortgage Corp. 800-334-8512
Park National Bank 800-762-2616
Pennsylvania Capital Bank 800-642-3586
People's Bank 203-338-7171
People's First Federal Credit Union 800-446-5598
Pinnacle Bank 800-545-7188
Pioneer Bank 800-622-1889
PNC Bank 888-PNC-BANKList of Lenders
Quicken Loans 800-251-9080
Raffensperger Hughes 800-338-2195
Regions Bank 800-REGIONS
Ryland Mortgage 800-786-8638
Signet Bank 800-233-7193
Sky Financial Group 866-759-2265
Society Bank 800-451-6513
Sovereign Bank 877-768-2265
Summit Bank 800-541-1365
Suntrust 800-786-8787
TFC Bank 800-823-2265
Third Federal 888-THIRD-FED
Trust Corp. Bank 800-348-2243
U.S. Bank 800-872-2657
Union Bank 800-547-5375
Union Center National Bank 800-UN-CENTER
TheShortSaleDepartment.com – 909-895-4074
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Short Sale – Lender Contacts – Banks and Lenders - Nationwide
Upland Mortgage 800-875-2631
US Bancorp 800-872-2657
Valley Federal Savings Bank 800-225-5409
Valley National Bank 800-225-5859
Wachovia 800-922-4684
Washington Mutual 800-788-7000
Wells Fargo 800-869-3557
Whitney National Bank 800-844-4450

VI. Necessary Documentation for Processing

I. Short Sale Checklist

- ✓ Authorization to Release Information Form
- ✓ Hardship Letter
- ✓ Financial Worksheet
- ✓ Listing Agreement
- ✓ Copies of Tax Returns (last 2 years)
- ✓ Copies of All Bank Statements (last 2 months for all borrowers)
- ✓ Copies of Pay Stubs (last 2 pay periods for all borrowers)
- ✓ Application for Pre-Foreclosure Sale Program (if FHA, HUD for 90038)
- ✓ Homeownership Counseling Form (if FHA, HUD Form 90038)
- ✓ Purchase Offer (if there is one yet)
- ✓ Estimate HUD-1 Settlement Statement (if submitting a Purchase Offer)
- ✓ Comparable Market Analysis (of submitting a Purchase Offer)

Note: The above list includes the basic forms required by just about every lender we have worked with. Some banks require that this information be submitted on their own personal forms. Check with your Realtor, or bank to determine which documentation and forms are required by your lender(s).

VII. Tax and Credit Implications

<h1>Short Sale Vs. Foreclosure</h1> <h2>How It Impacts Your Credit & Ability To Buy Again</h2>	
Foreclosure	Short Sale
<ul style="list-style-type: none">•Can Lower Credit Score by 200–300Points•Foreclosure Stays On Credit Report & Public Record for 7 years•24-72 Months Before You Can Buy Again <p><small>*Information is general and approximated. Based on various reporting agencies.</small></p>	<ul style="list-style-type: none">•Credit Score Will be affected•May Only Lower Score by 40-135 Points•Post Short Sale lender may report as:<ol style="list-style-type: none">1.Paid As Agreed,2.Paid Settled3.Paid Unrated4.Paid Less Than Owed•As Soon as 24 Months To Buy Again

Tax and Credit Implications (cont'd.)

General Rules of Forgiveness: (Information from Florida Realtor Mag., Aug 2011, Pg. 25)

1. Debt Forgiveness on Principal Residence:

The Mortgage Debt Relief Act of 2007 allows nonrecognition to certain debt that was forgiven on your customer's principal residence. To qualify, all the following must be met:

- The debt must be forgiven during the period 2007 through 2012
- The property must be the customer's principal residence
- The exception must not exceed the \$2 million cap (\$1 million for singles) on forgiven debt
- The write-off must be done because of a decline in the home's value and/or the taxpayer's financial condition, which means from loan modification or foreclosure.
- The debt must have been accrued by the home (not unsecured loans); must have been used to buy, build or substantially improve the principal residence; or must be refinance debt used for such purposes. Second mortgages taken out to pay debts, take vacations, etc..., do not qualify for this exclusion.

2. Insolvency Exception:

- The debtor can avoid taxable income on the forgiven debt to the extent that he or she is insolvent. "Solvency" is measured by subtracting the amount of all debt from the fair market value of all assets. Assets include those that are both exempt (homestead equity, IAs, life insurance policies) and nonexempt. This exclusion is limited to the extent of the insolvency. Continuing with the debtor who has \$150,000 of 1099 income: assume he has \$100,000 of other debt, IRAs worth \$40,000 and other miscellaneous assets of \$10,000. The assets total \$50,000, and the debts total \$250,000, so he has a net worth of negative \$200,000. The forgiven debt (\$150,000) is excluded to the extent of the insolvency (\$250,000) so the entire amount is tax free.

3. Bankruptcy Exception :

- Income recognition can also be avoided if the debt obligation were discharged in a bankruptcy. Many debtors don't qualify for exclusion under the insolvency exception due to the existence of exempt assets that render them insolvent. So they must file bankruptcy to avoid income recognition while keeping the exempt assets.
- If a debtor, solvent due to the existence of exempt assets, wants to file bankruptcy to avoid income recognition, does the bankruptcy filing have to precede the Form 1099 issuance? It's pretty unclear. To be safe, the prudent debtor should file for bankruptcy protection prior to the Form 1099 issuance. Fortunately, many people don't have to fear forgiveness-of-debt income because they're insolvent and/or they file bankruptcy to discharge their obligations under the loans. Only customers who have substantial exempt assets and do not file bankruptcy before the Form 1099 is issued or those who have substantial built-in tax gains in their surrendered properties have serious concerns.

This article is not to be considered a rendering of legal advice. Because each person's situation is different, your customer should seek competent legal help in this area of law.



VIII. Buying a Short Sale—It's a GREAT Time to Buy!

A. What to expect: Short Sales can take some patience to get through to closing. The process is much simpler for the buyer than the seller. Buying a short sale is a fabulous investment as long as you have time and patience and know exactly what you are getting into.

**Time, Appraisal, Passing inspections, Approval of the seller's bank, and your lender.

B. Time frame of contract to close:

* Anywhere from 2 weeks to 6 months. Average 3 months.

* There are many variables that dictate the time expected to close.

Including, but not limited to:

1. Number of lenders (First Mortgage or First and Second?)
2. Who are the lenders (each have different policies)
3. Is it a homestead property for the seller's?
4. How fast are all parties involved at getting documents in, responding, communicating? (Including the bank)
5. How good was the offer? Will it be countered by the bank?
6. What type of payment are the buyers offering? (Cash, Conventional loan, FHA, VA, etc...)

C. Submitting the "right" offer:

Some properties go so quickly that you never even have a chance to see them... while others are on the market for a year and never sell. The right offer begins with consider the motivation of the sellers, what their strategy is, and have a trusted professional you are working with to help you determine the actual market value.

- If they are motivated the property will be "priced to sell" quickly, to a buyer that doesn't mess around.
- They may entertain offers to a certain date and then collectively choose the best one to present to the bank.
- Or they may get a fair offer in and sign right away to get the negotiations started with the bank.

It is ultimately up to the bank to decide what terms they will offer acceptance of the short sale and forgiveness of the deficiency between sales price and the current amount owed on the mortgage and note. A fair offer at the current market value is your best bet to getting the home that you want.

D. Submitting a low offer:

By submitting a low offer, you are leaving a chance for another offer to come in and be more attractive than yours. You are rolling the dice. If you are just looking for the best deal and know your budget, then submitting whatever offer you are comfortable with is fine. Just be careful that you are not wasting your time and your agent's. So the question is, How much do you like the house? How much do you think it is worth? The appraisal contingency and loan approvals hinge on the appraisals etc... coming back at or within a percentage of the asking price.

Thank You

It has been my pleasure to share with you the knowledge and experience I have accumulated over the recent years as an active buyer and seller's Realtor. Nothing compares to the skill gained by hands on experience of the drastic changes in the way we do business in real estate. The first and most important steps for you as a home owner, seller, and/or home buyer are to do exactly what you have done in coming to this workshop and educating yourselves.

Keep in mind that each situation has it's own set of circumstantial variations. If you are wondering if selling your home as a short sale is right for you, please stay after to speak with me or one of my associates directly, or feel free to contact me at your leisure by email or phone. I am happy to assist you in any way I can. I am confident that if you are in need of a Realtor, or need to speak with another professional about your current situation, I can help guide you through and make any transitions as smooth as possible.



Thank you for your participation,

April Rager, Realtor®
Certified HAFA Specialist,
CRS, CDRS, WCR



This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on the right side, suggesting it's resting on a surface. The top edge of the paper is slightly irregular, like a torn piece of paper.

