

Short in Name Only



Good to Know:

- The success rate of short sales is about 50 percent, according to anecdotal reports from lenders and REALTORS®. That percentage should increase as lenders streamline the process.
- A short sale does not involve a foreclosed property. However, the owner of a property can fall into default—and foreclosure—during a lengthy approval process.
- Find a REALTOR® experienced in short sales. He or she can save you a lot of aggravation.

When a lender allows a property to be sold for less than the remaining balance on the mortgage loan to facilitate a sale by a financially distressed owner, it's called a short sale.

A short sale can be a winning situation for a buyer looking for a house listed below market value. Mortgage companies typically want to work with buyers and sellers to prevent foreclosures. That's why, if a seller is current on the loan and the value of the property has fallen, a lender may consider a discounted payoff.

However, here's what you need to know before jumping headlong into a short sale: Lenders have a deluge of foreclosed properties and short sales on their books and, consequently, it can take several weeks to three months for a lender to agree to a short sale offer. Short sales can be frustrating, especially if the lender refuses your bid, pushes back with possible renegotiations, or receives a higher bid. In the event that a second or third lien holder (i.e., entity holding a form of security interest granted over the property to insure the payment of a debt) is not being cooperative, it helps to have a little extra cash on hand to meet unanticipated demands for a larger payoff balance and expedite the process.

A REALTOR® experienced in short sales can protect your interests, guide you through each step, check important details, and provide advice when you encounter a speed bump.

One Buyer's Story

▶▶ William and Mary Ellen Veitschegger submitted an offer in July 2008 for an invest-

ment property in Folsom, and their escrow closed in September.

"It is important to research your market. Buyers need to realize the short sale price is only a baseline figure," adds Mary Ellen Veitschegger. "Our patience was tested during the last stages of the deal when the lender learned there was a second mortgage [a loan holder behind a senior first loan] on the property. They [the second lien holder] wanted us to pay \$8,800 more to satisfy them. We were so upset and declined at that point. Fortunately, our real estate agent and the seller's agent lowered their commissions in order to make the sale happen. We ended up paying \$3,000 instead of \$8,800."

Working with a REALTOR® who knew the current housing market was an advantage, says Veitschegger. He explained the pros and cons of the process. "We feel he had our best interests at heart," she says.

Was the short sale worth it?

"I think we got a slightly lower price, but only 'time' will tell," says Veitschegger.

Resources

▶▶ For more information, see the NATIONAL ASSOCIATION OF REALTORS®' *Field Guide to Short Sales* (www.realtor.org).

▶▶ The National Short Sale Center: While this group focuses on the needs of homeowners, it provides resources on the process, especially under the heading "Press." See www.shortsalecenter.com. ♦

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