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## Understanding Short Sales

### **What is a Short Sale?**

A negotiation process which permits a homeowner to sell their home for less than what is owed.

### **Will the bank pursue me for the deficiency?**

It depends. Some of the factors that can determine if a bank will pursue a deficiency can include the character of the loan and where the property is located. We negotiate with our client's best interest in mind and seek a release of future deficiency liability in writing from the lender.

### **Does a "hardship" have to be present for a Short Sale to occur?**

Yes, a Short Sale is for people suffering financial and/or personal hardship(s). A Short Sale is not simply an escape from a bad investment or an ill-suited loan, a true hardship must exist. Some lenders place a heavy emphasis on whether a sufficient hardship exists while other lenders take a more fiscal approach. We help our clients submit a compelling hardship letter to demonstrate the difficult hardships that exist for our clients.

### **Why do I have to submit a Short Sale package?**

Simply because all lenders require it. A Short Sale package includes tax returns, bank statements, paystubs and a financial statement, among other documents, which are required to demonstrate that a genuine hardship exists. We help take the guesswork out of what lenders want and helps clients submit a complete Short Sale packet to avoid unnecessary delays.

### **Can I sell my property for any price?**

No, lenders research comps in the area and will generally not accept an offer that is below the market value. In general, if your lender believes it is better off financially to foreclose, it will do so. A lender can also proceed to foreclosure if the borrower does nothing, submits an incomplete Short Sale packet, or submits unreasonable low offers. We work closely with you and the Buyer's Agent to ensure all parties have the information they need to close the Short Sale as quickly as possible.

### **What are the tax implications of a Short Sale?**

The tax implications of a Short Sale can be significant. The Seller could receive a 1099-C (cancellation of debt) from their lender for the amount of debt that was cancelled as a result of the Short Sale. Cancellation of debt relief may be available from the Mortgage Debt Relief Act of 2007 and other state legislation. We recommend that anyone contemplating a Short Sale seek the advice of a knowledgeable accountant and/or attorney to understand the tax implications of a Short Sale.

### **How long does a Short Sale take?**

It depends on your lender(s). Some sales have closed very quickly while others have been delayed by unresponsive banks. The only way to know is to begin the process. We work diligently with professionalism and dedication to ensure your file is not forgotten or at the bottom of the pile. We also provide an on-line tracking system which allows for monitoring of the file by our clients.

### **Will a short sale hurt my Credit?**

When a Short Sale is completed the words "Short Sale" do not appear on your credit report. Lenders can report the sale in a variety of ways, including "Paid Settled". However, if you are late with your payments, your lender may report this and your credit can be affected.