

START HERE

- 1 KNOW THE PROPERTY.**
Be brutally honest in your analysis of its value and marketability.
- 2 KNOW THE EFFECT OF A SHORT SALE ON THE SELLER.**
Will there be forgiveness of the deficiency? If so, will there be a tax consequence?
- 3 TALK TO THE SELLER—AND LENDER—EARLY ON ABOUT SELLER'S LOAN STATUS.**

You need to know: What's the seller's payment status? What's the seller's loan balance (all loans)? Was the seller honest in his loan application? How long will approval take? What are the lender's requirements?

Putting 1-3 above together allows you to...

Short Sales TIPS

A REALTOR'S® quick reference to thinking, advising, and closing.

By Lem Marshall, VAR Special Counsel

MARKET

ESTABLISH YOUR MARKETING STRATEGY.

Your strategy will be determined by answering these questions: How close is foreclosure? How much time do you have? How aggressive should you be on price? How will aggressive marketing—and a low price—affect seller?



LIST

KNOW YOUR MLS RULES AND CLIENT DUTIES.

Are you sure you know the MLS rules? Here's a quick test. Must you disclose it's a short sale? Is there a way to inform participating brokers that they must share in any lender-mandated fee reduction? What client consents must you have? Is your listing agreement enough?

ADVISE

KNOW YOUR BUYERS, AND PREPARE THEM FOR WHAT'S COMING.

Bring them to the table knowledgeable, prepared, and pre-approved.

- Tell them how long it might take to get approval: what did the lender tell the listing agent?
- Prepare them to make loan application with the payoff lender—it will want to know whether the borrower can really get the loan.
- Prepare them for the competition.
- Prepare them to reap the benefits of being prepared...and patient.



CONTRACT

PREPARE AN ATTRACTIVE CONTRACT. HERE'S HOW:

- Minimize seller concessions – lower net price is better.
- Minimize contingencies, and front load them (no post-approval inspections).
- Be realistic about deadline contingencies.
- Be sure the seller's obligations are contingent.

LAW

KNOW THE LAW REGARDING RATIFIED CONTRACTS.

Contracts signed by buyer and seller and sent to lender for approval are ratified, but contingent. Earnest money must be deposited. But subsequent superior offers may be accepted and submitted (caveat - will this start approval process over?).



FEE

KNOW THE LENDER'S MOTIVATIONS, AND STAND UP FOR YOUR FEE.

Lenders don't want foreclosures - they murder the balance sheet. Fannie and Freddie won't require you to reduce your fee (if you're not above 6%). Other noteholders won't either, if you just stand firm on your fee.



OFFER

BE PATIENT, BE FLEXIBLE, AND BE OPEN-MINDED.

The short sale is an excellent alternative to the foreclosure. Make the lender an offer he can't refuse (good price now, no cash drain, no adding to reserves, immediate help to the balance sheet).



SHORT SALE

FINISH LINE

USE THE SHORT SALE, BUT KNOW HOW TO DO IT COMPETENTLY.

For a more detailed overview of short sales and loss mitigation, common transaction questions and answers, and consumer resources visit www.VARealtor.com/ShortSales.