



Guaranty Title Agency's SHORT SALE Q & A

What is a Short Sale? A short sale is one of several other alternatives to foreclosure proceedings for homeowners who can no longer afford to make their mortgage payments. More specifically, it is the process by which a homeowner can sell a house for less money than actually owed on the mortgage(s).

How Long Does a Short Sale Take? On average, the process can take between 45 to 90 days but sometimes may take as long as 6 months. Many lenders are reconstructing their process to make them more efficient but there are still many challenges.

What all is involved in the Short Sale Process? A short sale begins with a listing agreement signed with an agent subject to selling the property as a short sale and with third party approval. Once a buyer is found, the offer price is submitted to the seller's lender along with a "Hardship Package". This hardship package consists of supporting documentation proving financial hardship. Required documentation for this "Hardship Package" varies slightly with every lender. The seller is given a short sale negotiator who will then go over all of the submitted documentation and either accept or counter the initial offer. Once the lender has agreed to the purchase contract with an official "Approval Letter" escrow can then be opened on the property.

What are the qualifications for a Short Sale?

A Dramatically decreased Market Value on a home: This must be substantiated by comparable sales.

A Mortgage that is in or Near Default: Many lenders are beginning to accept short sales even if the loan payments a current to reduce potential default and future problems/cost

The Homeowner has Experienced a Legitimate Hardship: The homeowner must submit a letter of hardship that explains why they can not (or will not be able to) make their payments or pay the difference due upon sale. Examples are: Unemployment, Death, Divorce, Medical reasoning, Bankruptcy

The Homeowner Has No Assets. The lender will most likely require a copy of the homeowner's tax returns and financial statements to make sure that the homeowner does not have the assets available to aid in paying their loan.

Why would a lender agree to a short sale? By accepting a Short Sale, a lender can save considerable time and money. It has been estimated that the average foreclosure cost to a lender is between \$65,000 and \$85,000 and the time it takes to get rid of the property is around 18 months. Because of these drastically high numbers, lenders are generally discounting their loans up to 30%.

Why would a lender reject a Short Sale? The typical reason that a lender will reject the Short Sale request is an unacceptable offer (i.e. low offer, secondary lender refusal). Many people believe that you should start with a low price and negotiate up. This is not the case in a short sale. Sales must be realistic to begin with. Remember that all lenders must also answer to their own investors who are continually monitoring their performance.

What are the benefits of a short sale to the homeowner? The homeowner is saved the stress of going through a foreclosure, being hounded by the lender and eventually evicted. In a Short Sale, the homeowner takes part in deciding how and when to leave. Once the property is sold, the homeowner can start fresh and begin thinking of buying a home again in only two years according to *Housing Assist*. Although a short sale does show up on a credit report, it proves to creditors that you were an active agent in fixing your difficult financial situation.

Am I able to do a Short Sale if I have a second mortgage? Yes, in most cases a short sale can occur on a property with multiple loans; however the successful closing of a short sale is dependant on acceptance of a settlement by the secondary lien holders of record. All lenders must be notified and included in the process from the beginning.

How does Guaranty Title fit into this process? Guaranty Title does not take part in negotiations. Rather, we help facilitate communication between all parties, determine the required documentation for each lender and for each specific case, and help collect and distribute all information. Our short sale department maintains constant contact with the lenders to make sure the process is completed in a smooth and timely manner. We can also refer your customers to our strategic legal partners who, at an additional cost, can review all necessary documentation for language to prevent any future legal disputes.