

Short Sale Guide

Fast Track To Financial Freedom

YOU Have OPTIONS!!



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Who We Are. And Who We Are Not.

I am a local licensed real estate agent who specializes in helping people avoid foreclosure through means of a short sale. We are not accountants or attorneys. We do not work for the bank and only have your best interests in mind.

This guide is only meant to be an informative guide and not legal advice in any manner. Before pursuing any of your options below, it is always best to speak with local qualifying professionals in order to guide you appropriately.

What Are Your Options

The following options in no way indicates a specific order to follow. Obviously you want to ensure you are making the right decision based on your personal circumstances.

1. **Get Current** - You might be facing a temporary scenario where you may be able to get all your payments current. If you can speak with your lender direct and find out the delinquent amount. Keep in mind you may be able to negotiate any late / attorney fees. Just be sure to get any agreement in writing and signed first.
2. **Short Sale** - The Short sale will be explained below and throughout the remainder of this book.

3. **Bankruptcy** - This will depend on the state and type of bankruptcy. Some bankruptcies may not include the real estate. It may be ideal for you to speak with a bankruptcy attorney. Ideal for borrowers who have other types of delinquent debt like credit cards, car payments, etc.

4. **Repayment Plan / Forbearance** - Designed so borrowers can pay back delinquent mortgage payments over a specified time period. Usually ideal for a borrower who has had temporary hardship, on their way to recovery and has a desire to stay in their home

5. **Loan Modifications** - Are essentially how it sounds. It is when the borrower and lender work together to come up with a compromise and modification of their loan so the borrower can continue paying the mortgage and in good standing. This could include an extension of an amortization schedule say from 30 years to 40 years. Or extension of a balloon payment. Or change in the interest rate in order to lower the monthly payments. And... In an ideal scenario for the borrower, all of these including a principal reduction.

6. **Deed In Lieu Of Foreclosure** - This is when the borrower voluntarily deeds the property back to the bank. This option the bank could still go after a deficiency judgement. So if a borrower decides to go this route, then be sure they get it in writing they will not pursue a deficiency judgement.

7. **Foreclosure** - This is when the bank takes the property back. The bank can still pursue their rights in many states to a deficiency judgment. Meaning come after the borrower on the difference in the amount owed after the lender sold off the property. This could include closing costs, attorney fees and back interest.

Strategic Default

This is when a borrower purposely stops making payments on their loan. Usually those in a strategic default have the financial capability to pay the loans. This many times is used by real estate investors who got over leveraged by not knowing what they were doing. Or certain partnerships went bust. Many investors will run the long term numbers to figure if the ROI (Return On Investment) is worth keeping the asset (or bad asset) in their portfolio. They maybe so underwater or the market may have dipped so low that it may make more financial sense to do a strategic default.

More Difficult - In our experience they are much more difficult as the lenders still want to review financials and hardship.

However, many times their personal financial statement looks ok and there is no real hardship. And... They have to 100% be honest and disclose all accurate reportings regarding tax returns, profit and loss, bank statements, etc.

What Is A Lis Pendens?

A Lis Pendens is a pending legal action and or formal notice. This is usually the first step in the foreclosure process. Meaning the bank is initiating moving forward with a foreclosure. If you are in default already and haven't been served this by the courts, you likely will. So time is of the essence.

What Is A Short Sale?

Simply put. A short sale is when a lender(s) agrees to accept less than what is owed to them through by means of a real estate sale to a new buyer.

What Is The Process?

1. You meet with our team to talk in detail any and all questions that you have.
2. We will provide all paperwork to you that will need to be completed prior to starting the process. The paperwork may seem a little overwhelming but it is very comparable to all information that you submitted when you were originally getting a loan.
3. The short sale package must be completed in its entirety. Additional and sometimes redundant material may be needed throughout the short sale process.
4. The package includes the listing agreement which allows the broker to list the property for sale, subject to the lender's approval.
5. The property will be listed and marketed on the open market to draw in an acceptable offer.
6. The release form will be sent to the lender to show who is working on behalf of the seller and allows us to communicate direct with the lender as well.
7. The offer will be executed but "subject to the short sale lender's approval as well as the seller's review and approval of the short sale lender's approval letter and terms"
8. The entire package with the sales contract will be sent to the lender. Our team will follow up weekly in order to expedite this process that usually takes 2-4 months (more or less). Everyone must be patient during this time.
9. The lender will review the package and / or ask for additional information at this time. The lender will also higher a third party to provide a valuation in the form of an appraisal or BPO (Brokers Price Opinion) which you will need to allow access.
10. The lender will counter offer the buyer's offer or if the value is close to the BPO, they may accept it as is.

11. Once agreed and accepted by all parties, the lender will issue a short sale approval letter which will break down the closing date, purchase price, buyer's names and any additional terms. This is also where we will know if the lender will waive any deficiency judgments for the borrower.

12. Assuming the letter comes back suitable, we move forward to closing with the title company. Buyers and sellers will have paperwork drafted for signatures and the closing will take place like a traditional real estate closing. You will have to prepare for move out, etc.

13. We can assist you in finding housing here locally if you wish.

What Are The Costs?

A short sale traditionally doesn't cost you anything. This of course depends if we need to hire an attorney to represent you and help to expedite this process. This can depend on state laws as some states require an attorney to handle this short sale procedures. This to be discussed when we meet in person.

How Does A Short Sale Impact Credit

The short sale has a much lesser effect than a foreclosure. A foreclosure can drop your credit as much as 300 points and remain on your report for 10 years showing future lenders that this was indeed a foreclosure. Late payments are what really hurts in the short sale process where you score can drop by 135 points for over 90 days late. Most times when a short sale has been completed it will state the following on your report as "settled for less than owed" "paid as negotiated" or "paid in full"

Will I Get A Deficiency Judgement For The Balance? Possibly. However, in our experience many lenders will relieve you of deficiency judgements.

Is This A Guarantee?

No. The short sale process does not stop the foreclosure process. In many cases, these two departments do not communicate with each other. As mentioned above the Lis Pendens is the beginning of the short sale process. Time is of the essence. So starting a game plan sooner than later will only help you. If the foreclosure process is nearing its end, you may be able to hire an attorney to delay it in order for the short sale to take place.

However, the foreclosure department at these banks do not care and will proceed in anyway possible to move it through the foreclosure process.

Will I Get A Deficiency Judgement For The Balance?

There is always that possibility depending on your state and the bank. In tens of thousands of cases, the banks have waived their rights to a deficiency judgement. However, we can talk in detail when we meet pertaining to your specific bank and our experience with them.

Will I Be Taxed On The Balance If There Is No Judgement?

You will need to speak to your accountant regarding this question. Many times people who show insolvency are relieved of any taxation. But again, your accountant is going to know best. If you do not have an accountant, it is best to hire one (fairly inexpensive) to review your past returns, current employment / payroll, etc.

I Have Two Loans. Can This Still Be Done?

Yes. Some properties were purchased with two loans. In order for the second lender to play ball, they want something out of the deal. Usually we have the first lien holder pay the second lien holder a small stipend at closing for them to proceed with the short sale. Most cases, the second lien holder will do so. Because if the property goes into foreclosure they usually will not get anything.

How Can We Help?

It will not cost you anything to meet and talk about your specific scenario. We can meet at your house or our office. Completely up to you. There is no obligation to proceed in any fashion. We just ask for the opportunity to answer all questions you might have as well as maybe give you some peace of mind. You are not alone and we have the team and experience to assist.



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