

# The Four **R**'s of Short Sales...and More

The Transparent Approach to a Real Estate-Related Crisis

*How **homeowners** can **RECOVER***

*How **lenders** can **RECOUP***

*How **home buyers** can **REAP***

*How **professionals** can **RENDER***

## Wikipedia Definition

Short sale (real estate) - In real estate, a short sale is a sale of real estate in which the proceeds from the sale fall short of the balance owed on a loan secured by the property sold.



*Editors Note: Although this publication focuses primarily on the subject of Short Sales, it is important to note that a potential Short Sale outcome represents only ONE possible resolution for homeowners facing a mortgage-related crisis.*



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We recommend that homeowners consider all options when seeking a resolution to mortgage-related financial challenges. The short sale is just one possible outcome that homeowners should evaluate when facing a distressed mortgage situation.

A short sale takes place when one or more lenders who hold liens that secure a property agree to release their lien(s) upon receipt of less money than the total amount owed as defined by the mortgage.

**A**s we approach the second decade of the new millennium, we are experiencing a global real estate-related crisis of epic and historic proportion. Specifically, the subprime lending crisis continues to adversely impact homeowners, financial institutions, lenders and society at large.

Leaving to historians the task of chronicling all of the causal factors of this pervasive and devastating financial downturn, we can all agree that an acute lack of transparency played a catastrophic role by inciting unrealistic and unsustainable real estate purchasing decisions.

Accordingly, mindful of the need for greater real estate-related transparency, RISMedia's Top 5 in Real Estate Network® is now making *The Four R's of Short Sales* available to homeowners, lenders, financial institutions, buyers, attorneys and real estate agents...all prospective participants in a short sale transaction.

*The Four R's of Short Sales* is distinguished from other professional publications on the subject by our effort to concurrently examine the interests of all potential stakeholders to a short sale—not just one. Within this publication, we reveal the specialized information that uniquely applies to each individual party.

The importance of our full-transparency approach acknowledges that the interests of lenders and home sellers can be divergent. Moreover, the interests of buyers and real estate agents representing homeowners are not always congruent with the interests of a loss mitigation executive or a financial institution in general. And clearly, the fiduciary responsibilities of an attorney pertaining to short sale resolutions also depend upon whom they are representing.

Therefore, *The Four R's of Short Sales* is not solely written for financial institutions, home sellers, buyers, real estate agents, attorneys or clients, but instead has been created for all interested parties, including the general public.

For the purpose of presenting complex information in as practical and simple a fashion as possible, we have segmented the information we believe to be edifying for all potential parties in the short sale process into four distinct categories, each beginning with the letter, **R**:

We suggest that a real estate agent's role regarding short sale-related decisions be limited to providing real estate information and not to dispensing tax, legal, investment or financial advice. The information agents provide should be limited to their real estate-related marketing, sales and pricing expertise.

#### **The Four R's of Short Sales:**

**RECOVER:** Homeowners have the need to “recover” and move on.

**RECOUP:** Lenders have the need and right to “recoup” as much of their loan balance as possible.

**REAP:** Buyers have the right to expect to “reap” the benefits of their decision to buy in this market.

**RENDER:** Attorneys and real estate agents need to know how to best “render” their suitable and appropriate skills and services for the betterment of their clients and the community.



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## ***HOMEOWNERS... RECOVERING AND REGAINING CONTROL***

**M**illions of homeowners are being challenged on how to best proceed when the value of their property becomes less than the loan amount they owe—compounded by their inability to pay their mortgage or stay in their home.

homeownership. Regrettably, the burgeoning short sale marketplace is attracting hordes of unscrupulous individuals who are seizing any and all opportunities to prey upon beleaguered and unsuspecting homeowners who are not aware of the range of options available to them when experiencing the growing challenge of “upside-down homeownership.”

One example of this reprehensible, if not predatory-like behavior is when a self-proclaimed short sale expert professes great concern over how a homeowner’s dignity will forever be tarnished should they make the wrong decision regarding how they resolve their troubled mortgage-related challenge. Ironically, and unsurprisingly, the concept of “dignity” is often less likely to be introduced when the decision relates to the self-interest of the so-called expert.

It is imperative that any homeowner seeking to determine if a short sale is in their best interest, be able to distinguish between their own interests and the interests of lenders, buyers, investors, and real estate-related professionals, and how these different interests may influence their decision. We have compiled a series of questions that will serve as an important precursor for homeowners to consider prior to their pre-foreclosure decision.

Faced with such dire circumstances, rightfully concerned homeowners are advised to meticulously evaluate all of their options before making a decision; especially a decision that may have both short- and long-range consequences.

A short sale describes an agreement by a lender (or lenders) to accept the sale of a property in which there is a shortage of funds necessary to pay off the outstanding loan balance along with a number of the lender-stipulated criteria being met. It is vital for homeowners to not only seek the advice of a trusted pre-foreclosure professional, but to also be wary of “Pre-foreclosure Predators.”

At all costs, homeowners must ensure that they are not exploited or manipulated during this most vulnerable period of

*“The Stand  
One Takes on  
Short Sales  
Depends on  
Where  
One Sits.”*

-Allan Dalton,  
President, Top 5



# WHAT HOMEOWNERS NEED TO **ASK AND LEARN** REGARDING **SHORT** **SALES AND OTHER** **OPTIONS:**

*While this publication, by its definition, focuses more on a short sale resolution than any other pre-foreclosure or foreclosure option, we emphatically suggest that any homeowner facing a potential foreclosure of their property review all options available, and preferably, with legal counsel.*

» What are my options as a homeowner when my property is in or heading toward default? What is a better or more likely outcome for me and why?

- A short sale or a repayment plan?
- A short sale or a forbearance plan?
- A short sale or a loan modification?
- In the case of an FHA loan, a short sale or a partial claim?
- A short sale or a short sale/assumption agreement?
- A short sale or a deed-in-lieu of foreclosure?
- A short sale or a bankruptcy?

- ▶▶ Within the short sale packet presented to the lender, there is a hardship letter that homeowners must provide. How important is this component in causing the lender to approve the short sale?
- ▶▶ What types of hardships would a lender generally consider favorable toward my appeal for short sale consideration?
- ▶▶ What are the tax implications of a short sale?
- ▶▶ What is the Mortgage Forgiveness Debt Relief Act of 2007?
- ▶▶ What effect will each alternative have on my immediate, mid-range, and long-term credit?
- ▶▶ How do I know if my property and I may be considered for a short sale?
- ▶▶ If a lender agrees to the short sale option on my property, can the bank still proceed with a foreclosure?
- ▶▶ How would I initiate the short sale process?
- ▶▶ Should I contact a real estate agent?
- ▶▶ Should I contact an attorney?
- ▶▶ How would multiple liens on my property impact short sale approval?
- ▶▶ Am I responsible to continue making mortgage payments if I have intentions of applying for a short sale on my property?
- ▶▶ As a homeowner, what incentive do I have to assist in the sale of my property if I am not going to receive any proceeds from the sale?
- ▶▶ Does a “Listing Agent” represent me (as the homeowner) or the bank if I have intentions of gaining short sale approval from the lender?
- ▶▶ Is there a real estate commission paid in a short sale? If so, who pays it?
- ▶▶ On average, how long does a short sale process take?
- ▶▶ Which process has a more adverse effect on my credit rating: short sale, foreclosure, bankruptcy, or deed-in-lieu of foreclosure?
- ▶▶ What is a deficiency judgment?
- ▶▶ Should I take the word of my real estate agent if he or she tells me that I probably will not have a deficiency judgment? Should I have an attorney try to have this guaranteed as a condition of the short sale agreement?
- ▶▶ Am I more likely to be responsible for the deficiency judgment under a short sale or a foreclosure?
- ▶▶ When is a bankruptcy preferable to a short sale or to a foreclosure?
- ▶▶ How important is the short sale package or kit to a lender when applying for a short sale?
- ▶▶ On my own, can I prepare a short sale package/kit, and if so, how would I go about doing it?
- ▶▶ Will lenders tell me what I need to have prepared in a short sale, or do they only make this information available to real estate agents and attorneys?

**“As a homeowner, what incentive do I have to assist in the sale of my property if I am not going to receive any proceeds from the sale?”**

- ▶▶ In selecting a real estate agent, when the prospects of a short sale are desirable, is it more important to choose a real estate agent who is very competent in overall real estate sales and marketing and not as knowledgeable in the short sale process, or is it better to select a real estate agent knowledgeable in the short sale process, but very inexperienced or ineffective in real estate sales and marketing?

# ***LENDERS... RECOUP...TO RECOVER ALL OR PART OF A LOSS***

**J**ust as homeowners do not purchase real estate with the intention to “recover,” lenders do not extend mortgages with the intention to “recoup loss”—that is certainly not the desired primary business model of financial institutions. Regrettably, many of the finest and most respected lending institutions, however, are now “working through” a period of unprecedented financial stress regarding non-performing loans.

While it would be both presumptuous and unnecessary for RISMedia’s Top 5 in Real Estate Network® members to “educate” loss mitigation specialists or financial institutions, in general, as to the financial consequences and individual strategies available regarding “distressed properties,” we do believe that, oftentimes, some of the following are under-examined.



Here are some factors financial institutions need to consider when reviewing a short sale option:

- ▶▶ When a real estate agent deems it necessary to alert cooperating real estate agents that their listed property is a potential short sale (so that the buyer does not unknowingly enter into a conditional negotiating process), how does this announcement, prior to a lender's consent, impact the marketing, property value and, ultimately, the negotiating position of the lender?
- ▶▶ Should a lender do business with a so-called Short Sales Specialist who strategically advertises "Stop Foreclosures" to homeowners—when their intended approach is either most likely or solely a short sale outcome? Does the practice of labeling properties as possible short sales before they officially enjoy short sale status undermine the value of all homes within that marketplace?
- ▶▶ How can a lender best identify evidence within a "short sale package/kit" that the listing agent has placed much greater emphasis on

supporting a lower short sale agreed-upon price than they have upon marketing for a greater selling price?

- ▶▶ How can a lender best determine how dedicated a listing agent truly is to not just "selling" a home, versus selling a home for more, particularly in a climate where almost all low offers can be justified or rationalized as being the best or the only possible offer that could be brought to the lender?
- ▶▶ What can lenders do to prevent the real estate industry from becoming a "foreclosure prevention industry" instead of an industry of "world-class marketers," dedicated to bringing back property values for both presently challenged and future home sellers?
- ▶▶ When should a lender who holds a subordinate lien on the property being considered for short sale agree to or choose to resist a short sale resolution?
- ▶▶ When properties are promoted as being distressed, or as potential "short sales," does this labeling

There is a considerable amount of information available in the public domain regarding foreclosure, pre-foreclosure, short sales, repayment plans, forbearance, loan modification, partial claims, assumption agreements, deed-in-lieu of foreclosure and other solutions for challenged properties. **Homeowners who are facing a distressed property-related decision are encouraged to research online** for answers to these questions as well as additional information. We also encourage homeowners to visit [www.top5inrealestate.com](http://www.top5inrealestate.com) for the specific answers we are providing.



**When properties are promoted as being distressed, or as potential "short sales," does this labeling stigmatize not only the subject property but all other surrounding properties?**

stigmatize not only the subject property but all other properties, and does this practice potentially damage the lender's greater loan portfolio as well as the asset value of all homeowner properties? If so, should lenders communicate their concern to the real estate industry regarding how properties they have mortgages on are being marketed given our economic climate?

- ▶▶ Since a homeowner does not stand to receive any money from the short sale, how can they best be motivated to enthusiastically support a marketing effort designed to realize an optimum sales price of their property?
- ▶▶ Should a lender be concerned when a real estate agent is representing both sides of the transaction against the backdrop of a seller desperately seeking to avoid foreclosure and a bank's predisposition toward short sales, versus the protracted, costly and legally cumbersome foreclosure/REO alternative?

# *BUYERS...REAP... CREATE REWARDS FROM THE BENEFIT OF A SHORT SALE*



**T**oday's buyers deserve to "reap" rewards. Why? Almost all media has been pummeling whatever home-buying enthusiasm American consumers might have for several years now. With prices down and inventory up in most markets today, why would a potential "short sale" property be of interest to buyers?

Today's savvy and sophisticated buyers who understand that virtually all markets are cyclical and who take action because of the enormous lifestyle choices presented by today's severely depreciated home values, stand to reap enormous benefits.

We can say with great confidence that an undeniable benefit to buyers, more than that of investors, is the lifestyle selections now available for credit-worthy and opportunistic buyers. Before buying a short sale property, however, you should consider the following:

As pointed out earlier, a short sale is not a short sale until the closing. Clearly, the investor or owner-occupier has many choices accompanied by favorable pricing in most markets today. Short sale buyers anticipate, expect, and will most likely not close on a property unless the reward eclipses the risk of purchasing a short sale property.

Financial institutions, responding to their own market experience, have generally made credit less available. In an effort to protect the asset value of the loan portfolio, large contingents of the investor and buyer markets have been deemed less than creditworthy. Fewer qualified buyers results in less demand. And because our economy is based upon supply and demand, less demand translates into lower prices.

# Where do you see **my opportunity** to reap a reward in the purchase of a property that is hopeful of a short sale resolution?

Before buying a property marketed in a “short sale” context, consider the following:

1. How much less should I offer on a property once I learn that the real estate agent has “labeled it to fellow agents” as a possible short sale, even though the bank hasn’t yet classified the property in such a fashion?
2. Do some real estate agents representing a potential short sale situation make it a practice of building into the listing agreement pre-agreed or time-interval-based price reductions? If so, can I assume that the longer I wait, the greater the discount I will enjoy?
3. As a short sale contract is subject to third-party approval, exactly who is the seller of the property and with whom am I doing business?
4. How can I best determine whether or not the seller of a so-called potential short sale property significantly overpaid when they purchased the property?
5. Since short sale properties are expected to be purchased as-is, given the absence of financial gain for the home seller, how late in the negotiating process should I seek an appraisal, given the potential adverse effects on the value of the property?
6. How should a buyer negotiate with a lender on a short sale situation when the lender is not typically subject to property conditions disclosures, and the seller, given their financial situation, may not be a viable party regarding future recourse?
7. How will I know of subordinate liens or other claims to the property, and how will this impact my negotiations and the time necessary to close?
8. Please explain to me what options, other than a short sale, the primary lien holder has with regard to the disposition of this property.
9. Under what circumstances is a short sale a better option to the bank with regard to the disposition of the loan on this property?
10. Where do you see my opportunity to reap a reward in the purchase of a property that is hopeful of a short sale resolution?
11. Under what circumstances would the bank reject or not consider my offer to purchase this property?
12. What would you recommend we do strategically to best ensure the bank’s acceptance of my offer to purchase the property?
13. With regard to price, what would you recommend to best ensure that the bank accepts my offer—and accepts my offer at the lowest possible price?
14. What is the bank’s decision-making process in the consideration of my offer to purchase, and how long should I expect this to take?
15. What is an REO property?
16. In general, would a buyer benefit more by buying a bank-owned (or REO) property than a short sale property?
17. What would you estimate the length of time to be between the acceptance of my offer and the closing?
18. Is it worth the wait?
19. What is the benefit of buying a short sale property as opposed to buying a conventional property?
20. How do I learn about the relevant local real estate market during the last year or so, and how can I get predictive data regarding estimates of future prices?
21. Can I benefit by buying a property that was marketed as a distressed or short sale property and turn right around and sell (flip) it for more by removing the stigmatized labels?
22. If I buy a short sale or foreclosed property and want to fix it up and sell it, what could I do quickly to get the best return on my investment?

There is a considerable amount of information available in the public domain regarding foreclosure, pre-foreclosure, short sales, repayment plans, forbearance, loan modification, partial claims, assumption agreements, deed-in-lieu of foreclosure and other solutions for challenged properties. Homeowners who are facing a distressed property-related decision are encouraged to research online for answers to the questions as well as additional information. We also encourage homeowners to visit [www.top5inrealestate.com](http://www.top5inrealestate.com) for the specific answers we are providing.

# REAL ESTATE AGENTS AND ATTORNEYS... **RENDER** ...THEIR MOST NOBLE EXPERTISE TO THOSE FACING A HARDSHIP



**R** real estate agents knowledgeable in the successful execution of a short sale realize that in order for lenders to agree to a short sale, it requires that each lender's short sale application process be meticulously adhered to.

Ensure that your real estate agent can:

- 1.** Explain all options available to homeowners who are struggling to pay their mortgage.
- 2.** Apprise homeowners of the need to evaluate the potential consequences to their credit depending on which property/mortgage resolution option they choose.
- 3.** Facilitate the presentation of the information listed above (short sale kit) on behalf of the homeowner.

Remarkable real estate skills, demonstrated results and experiential knowledge are required if both the homeowner and the lender, along with their respective needs, are to be placed first. Appreciable talent or skills are not required to merely comply with the administrative short sale paperwork required by lenders. However, it does require unique talent to maximize a home's value in a challenging marketplace so that the homeowner can recover as capably as possible, so that the lender can recoup as much of their outstanding loan balance as possible.

*(continued on page 10)*

## General Requirements for a Short Sale Kit

Each lending institution has unique requirements for the submission of a Short Sale Kit or Package. Anticipate that you will be required to submit the following documents with your Short Sale Kit or Short Sale Package submission:

▶▶ **Documents that memorialize your relationship with the homeowner and the proposed short sale transaction**

- Completed lender-supplied Short Sale Form (as/if required)
- Signed authorization to represent the homeowner
- Signed homeowner disclosure statement regarding the nature of a short sale transaction (advisable even if not required by lender)
- Letter signed by homeowner agreeing to accept the terms of the proposed solution

▶▶ **Documents that define the proposed short sale transaction**

- Signed listing agreement
- Signed contract to purchase
- Evidence of buyer funds, mortgage commitment letter or both
- Preliminary HUD-1
- Escrow instructions
- Preliminary title report (if required in the jurisdiction)

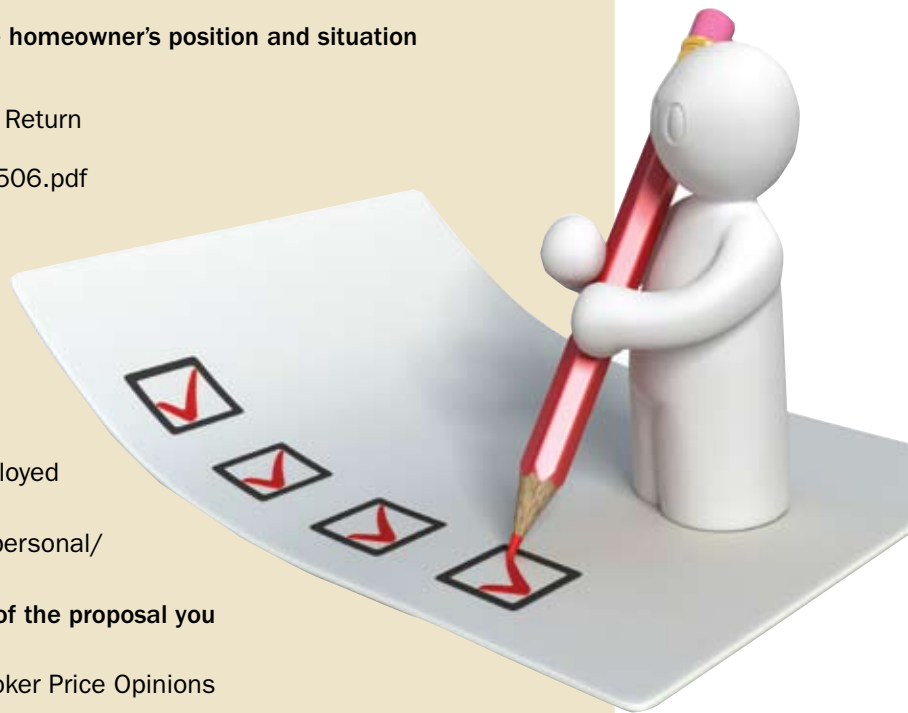
▶▶ **Documents that define/establish the homeowner's position and situation**

- Hardship letter
- Completed request for Copy of Tax Return (IRS Form 4506)  
<http://www.irs.gov/pub/irs-pdf/f4506.pdf>
- Copies of past two (2) annual tax returns
- 1099's and W-2's
- Paycheck stubs for the past two months
- Bank statements for the past two months
- Profit/Loss statement for self-employed homeowner
- Personal financial worksheet and personal/family budget

▶▶ **Documents that define the premise of the proposal you will present**

- Competitive Market Analysis or Broker Price Opinions
- Analysis of local market conditions
- Description of your marketing effort as well as a description of your results and your findings

*The tasks here, while vital, should not be confused with the real estate agent's primary challenge and responsibility to market said property to the best of their ability on behalf of the homeowner and to the benefit of the lender, in exchange for the professional fee being charged, and not to merely lower the price in order to preempt foreclosure and guarantee a commission.*



**Merely reducing prices and then justifying a lower price as a reflection of a troubled marketplace should not be the mindset of any professional real estate agent seeking to become a part of a solution.**

*(continued from page 8)*

Remember that the higher the ultimate sales price, the more likely it is that a bank will grant short sale approval for a homeowner. Higher prices are a result of optimum marketing. Merely reducing prices and then justifying a lower price as a reflection of a troubled marketplace should not be the mindset of any professional real estate agent seeking to become a part of a solution. It is for that reason that within this publication we provide homeowners and lenders with key questions they should concern themselves with regarding what type of real estate agent is best suited to handle the needs of a financially challenged homeowner—an agent who can maximize the value of the property for sale, while remaining administratively vigilant in meeting the documentation requirements of each particular lender/lien holder.

In the spirit of transparency, we would be remiss not to point out the acute difference between professionals and predators regarding the subject of financially-challenged homeowners and their respective properties. Professional predators are actually callous regarding their indifference to the ultimate sales price, as they are in a race to gain compensation from a short sale of which they would otherwise be denied through a foreclosure. Such agents will justify their underwhelming effort as a consequence of their client, the homeowner, not being able to monetarily gain through a higher sales price.

We hope that the following questions will help all those involved in the short sale transaction determine the depth of the service rendered by agents and attorneys.

### **If you are a homeowner... ask your agent:**

- ▶▶ Do lenders agree to a short sale only after there is a short sale packet delivered to them that includes a sales contract, or can they agree in advance of a sales contract? If so, is the property promoted as a short-sale approved home?
- ▶▶ How will the agent send the lender the short sale package: overnight, hand-deliver, fax or e-mail?
- ▶▶ If you market my property at the lowest legitimate price, will that lower price adversely impact the lender's willingness to agree to a short sale?
- ▶▶ If I provide you with authorization to contact my lender, can you explain how you will present my offer to the lender? Since you will be representing our interests in a critical situation, could you role play the process with me?

- ▶▶ Do you have examples of hardship letters that other homeowners have included in their short sale package/kit?
- ▶▶ Will you try to secure the best price for our home or the best short sale price?

### **If you are a buyer...ask your agent:**

- ▶▶ Can you tell me what the list-to-sales price ratio is for homes that became short sale properties versus other homes in the same price range within this market that were not short sales?
- ▶▶ What percentage of the properties in my price range would you classify as distressed properties?
- ▶▶ What is the 60- and 90-day mortgage delinquency rate in our county/town?
- ▶▶ Will a lender accept an offer within a short sale packet if there is a contingency that I first sell my present home, and if you don't know right now, can you ask the lender on my behalf?
- ▶▶ Everything I've heard suggests that a lender will only review a short sale kit when a signed sales contract is included. Are there instances where lenders, with obvious stipulations, suggest a willingness to agree to a short sale even before there is a sales contract? In other words, is it possible to get a reading on the lender's inclination regarding short sales within my price range and particular marketplace?
- ▶▶ What qualifications, beyond your ability to comply with the specific docu-

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mentation requests of the lender, do you possess that would make you the ideal real estate agent to represent me and impress the lender?

### **If you are a homeowner... ask your attorney:**

- ▶▶ What are the many options that are potentially available to me, and which ones do you recommend for my situation?
- ▶▶ Tell me about your experience in writing, reviewing or negotiating contracts, dealing with the release of loan balances, or with lien releases.
- ▶▶ If a short sale is not consummated, what can you do as an attorney regarding other options, including foreclosure, pre-foreclosure, short sales, repayment plans, forbearance, loan modification,

Who is going to handle the negotiations for my short sale proposal to the lender?



partial claims, assumption agreements, deed-in-lieu of foreclosure and other solutions for challenged properties?

- ▶▶ Who is going to handle the negotiations for my short sale proposal to the lender?
- ▶▶ Do you have malpractice insurance, and will it cover a short sale contract?
- ▶▶ Can I be held liable for the difference between the outstanding loan balance and the amount of money the home is sold for? How has my particular state ruled regarding deficiency judgments?
- ▶▶ Can you ensure me that there will not be a deficiency judgment before I sign an agreement?
- ▶▶ Are deficiency judgments an available remedy to lenders in this jurisdiction?
- ▶▶ How can the resolution of my mortgage negatively impact my credit score based upon the option I have taken? And for how long can they help prevent as much credit damage as possible?

### **If you are a buyer...ask your attorney:**

- ▶▶ Can what ordinarily would be considered seller concessions be assumed by the lender as part of the negotiations even though short sales are supposed to be “as-is”? (buyers should also ask the real estate agent representing them this question)
- ▶▶ What risks am I exposed to as a potential buyer of a short sale property?
- ▶▶ Are you familiar with all of the federal, state and local provisions that protect homeowners regarding troubled properties? Can you explain how each provision would impact each option available to me?
- ▶▶ What is the difference between a recourse and a non-recourse loan?
- ▶▶ What is the possibility of reclaiming your property after a foreclosure sale by the lender?

- ▶▶ Do I have any recourse against the seller for property conditions disclosure?
- ▶▶ Do I have any recourse against the lender for property conditions disclosure?
- ▶▶ What can we do to ensure that I do not have liability from any future title defects or claims?
- ▶▶ What inspections and contingencies should we incorporate into the agreement to best protect my position?
- ▶▶ Do I have to physically occupy the property?
- ▶▶ How long do I have to own the property before I can sell it, and what factors influence this decision?
- ▶▶ Can the legislation change with regard to how long I can own a property before I can sell it?
- ▶▶ Can the lender(s) proceed with foreclosure while we are awaiting the lender(s) agreement to our short sale contract?
- ▶▶ How long would you estimate the lender will need to reach a decision?
- ▶▶ How long after the lender agrees to our short sale proposal should I expect to close on the property?

### **If you are a lender...ask the seller's agent:**

- ▶▶ Did you price the property in order to guarantee a sale at any price to beat the foreclosure, or did you price it at market value?
- ▶▶ How did you or do you market properties differently when they are intended for a short sale resolution versus a non-short sale property for sale?
- ▶▶ Did you promote, market, or label the property as “distressed” either within the industry or to the general public, even though it is not the property that is distressed? After all, this property is not a short sale transaction until the lender agrees to the terms.

## **CHECK LIST FOR HOMEOWNERS: WHAT TO CONSIDER BEFORE PURSUING A SHORT SALE**

As a homeowner, before moving forward with the short sale process, challenge yourself to make absolutely sure that you have exhausted all other options available. Educate yourself regarding the other choices that might serve your particular situation better. Make sure you are fully versed on the details of the following options:

<b>Homeowner Options</b>	<b>Researched and Considered</b>	<b>Possibility</b>
Traditional sale		
Rent property		
Repayment plan		
Forbearance plan		
Loan modification		
Partial claim (for FHA loan)		
Assumption agreement		
Deed-in-lieu of foreclosure		
Short Sale		
Foreclosure		
Bankruptcy		
Other		

(optional) "I have reviewed all of the above options and I intend on contacting an attorney and a real estate agent to pursue: \_\_\_\_\_"



**Remember that the best possible service agents can render to their financially challenged clients is to advise them to consult an attorney before proceeding with any of the options suggested in this list.**

## ***DISTRESSED PROPERTY RESOURCE LIST***

**R**ISMedia and the Top 5 in Real Estate Network® offer the following list of recommended informational resources as a further example of our belief that no one company, program or individual possesses the complete or definitive expertise regarding a subject as vast and complex as distressed property and/or mortgage-related resolutions. Therefore, it is both our recommendation and our hope that in addition to the legal and financial counsel you receive from various professionals, that anyone reading this publication will also diligently research additional information to ensure that any and all decisions are made only after all options are fully vetted.

While we hope everyone facing a distressed property decision and/or seeking short sale information will benefit from this brochure, our greatest hope at RISMedia's Top 5 in Real Estate Network® is that homeowners, first and foremost, take every possible opportunity to stay in their home. For that reason, we urge you to investigate all of the following resources and stay abreast of sweeping reform, such as the government's TARP (Troubled Assets Relief Program) and Hope Now programs. These government initiatives—and many others—are constantly emerging and changing. We enthusiastically encourage you to find out if any of these programs can be of significant assistance to you and your family.



### **Annual Credit Report**

<https://www.annualcreditreport.com>

Created by the three nationwide consumer credit reporting companies—Equifax, Experian and TransUnion, this site provides consumers with the means to request and obtain a free credit file disclosure, commonly called a credit report, once every 12 months in accordance with the Fair and Accurate Credit Transactions Act (FACT Act). You may order your credit report by visiting the above referenced website or by calling (877) 322-8228.

*Be advised that businesses that market "free" credit reports and request a credit card number may actually be marketing services that can include subsequent monthly credit reports for which your credit card will be regularly charged.*

### **HUD - U.S. Department of Housing and Urban Development**

<http://www.hud.gov/foreclosure>

HUD's website offers a wealth of information for those concerned about foreclosure. This site offers:

- **Contact information for HUD-approved housing counseling agencies for each state**
- **Information to help you discuss your situation with your lender**
- **State and local foreclosure resources and information**

HUD's brochure, entitled "How to Avoid Foreclosure," discusses what happens when you do not pay your mortgage, deficiency judgments, several alternatives to foreclosure and much more.

### **Department of Justice**

The Department of Justice offers a list of DOJ-approved credit counseling agencies at the following link: [http://www.usdoj.gov/ust/eo/bapcpa/ccde/cc\\_approved.htm](http://www.usdoj.gov/ust/eo/bapcpa/ccde/cc_approved.htm)

### **Federal Trade Commission**

The Federal Trade Commission website offers information on "foreclosure rescue scams" at the following link: <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre42.shtm>

### **Federal Reserve System**

The Federal Reserve System offers a great deal of information on the topic of preforeclosure/foreclosure and consumer credit available by visiting: <http://www.federalreserve.gov/consumerinfo/foreclosure.html>

### **Federal Trade Commission**

The FTC presents information on "credit repair scams," including how you may protect yourself and how to recognize a credit repair scam. The FTC also presents an overview of your rights regarding credit repair at the following link: <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre13.shtm>

### **Internal Revenue Service**

The IRS presents basic information on the relationship between income tax liability, home foreclosure and debt cancellation, the Mortgage Forgiveness Debt Relief Act of 2007 (together with questions and answers regarding cancellation of debt), the relationship between the cancellation of debt upon income tax liability and much more: <http://www.irs.gov/newsroom/article/0,,id=174022,00.htm>

### **Office of Comptroller of the Currency**

The OCC offers important information on foreclosure rescue scams and goes into specific detail on lease-back or repurchase scams, refinance fraud, bankruptcy schemes and how to find legitimate lenders. For details visit <http://www.occ.treas.gov/ftp/ADVISORY/2008-1.html>

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