

# The Short Sale Process

The short sale process can vary greatly, depending upon the lender or lenders involved. The following is a general idea of the process:

1) The lender is contacted to discuss the possibility of a short sale and to determine the lender's process for completing the sale. You may need to make several phone calls before you find the person responsible for handling short sales. You do not want to talk to the "real estate short sale" or "work out" department; you want the supervisor's name, the name of the individual capable of making a decision.

2) The seller issues a letter authorizing the release of personal information. Lenders typically do not want to disclose any of your personal information without written authorization to do so. If you are working with a real estate agent, closing agent, title company or lawyer, you will receive better cooperation if you write a letter to the lender giving the lender permission to talk with those specific interested parties about your loan. The letter should include the following:

- Property Address
- Loan Reference Number
- Your Name
- The Date
- Your Agent's Name & Contact Information

3) The seller will complete a "hardship letter" which will detail and explain all financial difficulties. The sadder, the better! This statement of facts describes how you got into this financial bind and makes a plea to the lender to accept less than full payment. Lenders can understand if you lost your job or were hospitalized, but lenders are not particularly empathetic to situations involving dishonesty or criminal behavior.

4) Lenders will also want to validate the seller's financial situation by looking at bank statements, investment accounts, along with examining pay stubs and other financial records.

## Proof of Income and Assets

It is best to be truthful and honest about your financial situation and disclose assets. Lenders will want to know if you have savings accounts, money market accounts, stocks or bonds, negotiable instruments, cash or other real estate or anything of tangible value. Lenders are not in the charity business and often require assurance that the debtor cannot pay back any of the debt that it is forgiving.

### Copies of Bank Statements

If your bank statements reflect unaccountable deposits, large cash withdrawals or an unusual number of checks, it's probably a good idea to explain each of those line items to the lender. In addition, the lender might want you to account for each and every deposit so it can determine whether deposits will continue.

5) The lender may wait for an offer on the property before looking at your file. Or, the lender may review a settlement statement (also known as a HUD). This is an estimated closing statement that shows the sales price you expect to receive and all the costs of sale, unpaid loan balances, outstanding payments due and late fees, and real estate commissions. Your closing agent should be able to prepare this for you.

6) The lender will then look to an independent third-party broker to provide a Broker Price Opinion (BPO) by examining the condition of the house and the market value of comparable properties. Sometimes markets decline and property values fall. If this is part of the reason that you cannot sell your home for enough to pay off the lender, this fact should be substantiated for the lender through the Broker Price Opinion. Your real estate agent can also prepare a Comparative Market Analysis (CMA) for you, which will show prices of similar homes:

- Active on the market
- Pending sales
- Solds from the past 3-6 months

7) The lender will then want to scrutinize the purchase agreement to determine if all amounts are reasonable and the real estate commission is acceptable. When you reach an agreement to sell with a prospective purchaser, the lender will want a copy of the offer, along with a copy of your listing agreement. Be prepared for the lender to renegotiate commissions and to refuse to pay for certain items such as home protection plans or required repairs.

8) Now, if everything goes well, the lender will approve your short sale. As part of the negotiation, you might ask that the lender not report adverse credit to the credit reporting agencies, but realize that the lender is under no obligation to accommodate this request. Credit report status is not always negotiable.