

Things to consider before pursuing a short sale:

1) Sellers Probably Paid Too Much.

If a home sold for \$500,000 a few years ago and is now for sale at \$400,000, that doesn't mean the buyer is picking up \$100,000 of equity for free. It means the seller paid too much in a rising market and now the market has fallen. It means the seller has no equity.

2) Sellers Borrowed Too Much.

Banks that were eager to lend money in appreciating markets sometimes allowed borrowers to over-mortgage the home, meaning the borrower's loan balance exceeded the value of the property. Appraisals are subjective, and not all appraisers will place the same value on a home.

3) Stringent Qualifications.

Inexperienced real estate agents might push a seller into considering a short sale when the seller does not qualify for a short sale. Sellers must prove a hardship and submit evidence of the hardship to the lender for approval. Some agents list homes as short sales without ever talking to the lenders or pre-qualifying the sellers.

4) Homes Sell "As Is".

Lenders ask buyers to purchase the home in its present condition. Lenders typically will refuse to pay for:

- Suggested repairs disclosed on a home inspection.
- Roof certifications or roof repairs.
- Home protection plans for the buyer.
- Deferred maintenance.

5) Length of Time to Close.

Depending on when the Notice of Default was filed, the lender's back-log of foreclosures and how much paperwork the seller has already submitted, it could take anywhere from two weeks to two months or more to get a response on a purchase offer from a lender. In addition, if two lenders are involved because there are two loans secured to the property, it could take longer to satisfy the demands of the second lender.

6) Loss of Control in the Transaction.

A short sale home closing process takes an indefinite amount of time. The seller's lender calls the shots, not the buyer nor the buyer's lender. If you are trying to close escrow concurrently with the sale of your home, it might not happen.