D.L. JONES & ASSOCIATES
REAL ESTATE PROFESSIONALS

Frequently Asked Questions About Short Sales

What is a Short Sale?
In the world of Real Estate, a short sale refers to the sale of real property for an amount less than the amount owed on the property. In the short sale scenario, the bank agrees to accept less than the full balance due on the debt, and usually 'forgives' all or a large portion of the difference.

How will the Short Sale affect my credit?
Banks have the option of submitting the short sale to the credit bureau as "Paid in Full" or "Settled for less than full balance". The way the bank reports the settlement of your loan to the credit agencies will determine the effect on your credit score. It is possible that a short sale will have a negative effect on your credit score.

Who benefits from the Short Sale?
Short sales can be a win-win situation. Lenders and Mortgagees can benefit from a successful short sale. Mortgagors get the majority of their money back, and avoid having to foreclose and sell the property as "Bank-Owned" which often means selling for less than the short sale price. Mortgagees get the relief they need and are able to sell their property and avoid foreclosure.

Why would banks forgive the difference?
To mitigate their losses, banks often accept a settlement of less than what is owed on the property. When faced with the option of getting the property 'back' through foreclosure, a short sale often makes a much wiser business decision for the bank.

How much commission does the short sale cost me?
Your lender will pays all broker commissions.

This sounds too good to be true!?
Not really. Things that are 'too good to be true' usually don't make good economic sense. The short sale makes good common and financial sense for the banks who grant them. The fact of the matter is, Mortgage companies and banks are NOT in the real estate business. They are in the LENDING business. The last thing they want is that property back.

Can FHA, Conventional or VA loans receive a short sale?
Yes!

Why does my property have negative equity?
Here are a few common reasons:

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1. Person bought at the height of the market and the market has now declined or paid more than the property was worth.
2. The area has become less desirable for any number of reasons, so property values have declined.
3. Person purchased the home with little or no money down and wants to sell within a few years of purchase… and the property value has not increased during that time. Therefore, costs associated with selling the property may create a balance due at closing.
4. Person refinanced the home (with a high appraisal value) and now has little or no equity.
5. Person bought in a brand new subdivision or recently developed area that has not been fully developed or has not appreciated (or has depreciated) in value.
6. The market is soft because there is too much builder (new home) inventory or too many existing homes on the market (buyer's market).

What is Negative Equity?

Also known as being "upside down" negative equity is the difference between the value of an asset and the outstanding portion of the loan taken out to pay for the asset, when the latter exceeds the former. For example, if your car is worth $10,000 and you owe $15,000 on it, you would have a negative equity of $5,000. Negative equity can result from a decline in the value of an asset after it is purchased.

Some areas decline in value. In other areas, prices may remain flat so that the properties in that area do not appreciate. If a seller wants to sell within 2-3 years of purchasing their property, they may be in a situation where they have negative equity.

What if I owe what my home is worth?

Even if you owe exactly what your home is worth, you may still need to do a short sale in order to pay for the costs of the sale (Realtor fees, Title Policy and other seller closing costs).

Why not just let my lender foreclose?

NO! The first thing banks do when they foreclose on a property is hand it over to a real estate agent to get rid of it! The foreclosure process is a legal process. It involves attorneys and it costs money. Once they get the property back via foreclosure they must often sell it for MUCH LESS than market value and pay broker commissions and all customary closing costs.

What if I'm not behind on my payments?

Short sales work – even if you've never missed a payment! Yes, I know… short sales have gotten a stigma of being only available for folks who are in foreclosure. But we have successfully negotiated short sales for folks who have never missed a mortgage payment! They just happen to be in a negative equity position and need the short sale in order to sell their home.

How long does it take?

While some short sales can be completed in as few as 45 days, most will take 60-120 days.

What if my home is already in foreclosure?

Your foreclosure sale will usually be suspended during the short sale process. That's why it's imperative that you contact us right away!