



“Short Sale Essentials”

*Know The Facts...
Get The Help You Need!*



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Introduction

Short Sale Option

Know Your Options

The short sale option provides you the opportunity to sell your home and reduce, or eliminate, your mortgage debt.

- In this e-book we will outline in greater detail the short sale option.
- Please note there may be tax consequences when selling your home through the short sale process. For more information on this please read Chapter 2.

Chapter 1

Short Sale Option

Chapter 1

Your Short Sale Option

Why Consider A Short Sale?

A short sale offers the opportunity to sell your home and to eliminate, or reduce, your existing mortgage obligation.

What Is A Short Sale?

It is the sale of a home for less than the amount outstanding, currently remaining, on your mortgage. A short sale is also called a pre-foreclosure sale. Your mortgage company must agree to a short sale. If it does you can sell your home and pay off all, or a portion, of your outstanding balance with the proceeds from the sale.

Is A Short Sale An Option for You?

Yes it very well may be if...

1. You are unable to refinance or qualify for a loan modification.
2. You are behind on your mortgage payments.
3. You are facing a financial hardship.
4. You owe more than your home is worth.
5. You cannot sell your home at a price greater than your mortgage debt.

What Are The Benefits of A Short Sale?

You will enjoy the following...

1. You can eliminate, or reduce, outstanding mortgage debt.
2. You will repair your credit sooner as compared to a foreclosure.
3. You may qualify for relocation assistance.
4. You may be able to qualify for another mortgage sooner, around 2 years, as compared to 7 if you went through the foreclosure process.

How Does The Short Sale Process Flow?

The sale is similar to a traditional home sale. You will hire a real estate agent. The agent will provide an up-to-date opinion of value. Based upon this value you will put your home up for sale.

Please Note

You will require approval from your lender before you can sell your home as a short sale. For this reason your lender will work with your agent to:

- Determine current market value.
- Set the asking price based upon current market value.
- Collect additional mortgage information with other lien holders on your home.
- Review all offers and make a determination of offer acceptance.
- If offer is accepted, to work with all lien holders to finalize sale.

How Do You Apply For Short Sale?

You will...

1. Submit an application with your existing mortgage company.
2. They will review your situation and recommend the best mortgage option for your current financial needs.

Take Action Today!

A short sale is not a quick sale. It takes time to receive the approval required from your lender to begin the sales process. You can expect a short sale to take as little as 30 days to as much as 1 year before your home is official sold and closed.

Simply follow these steps to begin a short sale.

1. Before Contacting Your Mortgage Company

- Gather your mortgage statements.
- If you have a 2nd mortgage include this as well.
- Include all monthly debt obligations such as car loans, credit cards, etc.
- Provide proof of current income.

2. Now Contact Your Mortgage Company

- Call to book an appointment with a loan officer.
- Explain you are interested in a short sale.
- Ask what information they want you to bring.
- Bring any additional information they have requested.

3. Include Financial Hardship Statement

- Draft a to-the-point letter outlining the reasons for your financial issues.
- Explain why you are unable to honor your debt.
- Explain you prefer to short sale your home to avoid foreclosure.
- Ask for their understanding and assistance.

4. Contact A Licensed Real Estate Professional

- Inform the agent you are interested in selling your home as a short sale.
- Fully disclose all pertinent financial information on your home.
- Disclose all mortgage holders and lien holders.
- Request a CMA of your home.
- Price your home at current market value.
- Make the sale process as easy as you can by following your agent's advice at all times.

Chapter 2

Tax Consequences

Chapter 2

Possible Tax Consequences

Please Consult An Expert

Your real estate agent is NOT an expert when it comes to the tax consequences of a short sale. For this reason you must consult an accountant or seek legal advice to fully understand all tax considerations.

The Mortgage Forgiveness Debt Relief Act of 2007

The US government has updated tax laws with respect to foreclosures. Here is a brief summary of the December 11, 2007 update.

- The Mortgage Forgiveness Debt Relief Act of 2007 generally allows taxpayers to exclude income from the discharge of debt on their principal residence. Debt reduced through mortgage restructuring, as well as mortgage debt forgiven in connection with a foreclosure, qualify for this relief.
- This provision applies to debt forgiven in calendar years 2007 through 2012. Up to \$2 million of forgiven debt is eligible for this exclusion (\$1 million if married filing separately). The exclusion doesn't apply if the discharge is due to services performed for the lender or any other reason not directly related to a decline in the home's value or the taxpayer's financial condition.

Recommendation

We urge you to consult with a legal advisor and/or accountant with respect to the tax implications of a short sale and foreclosure.

Chapter 3

Your ‘Must Have’ Qualifications

Chapter 3

Your 'Must Have' Qualifications

Do You Qualify For A Short Sale?

Most lenders require 3 factors to be existing before they will qualify you for a short sale of your home.

Factor 1:

- **Financial Hardship**

Definition

- An event, or events, having taken place after you have secured a mortgage which render you unable to pay.

Examples

Financial hardship are issues such as:

- You are too heavily in debt.
- Personal business failure.
- Job loss.
- Death of major income earner.
- Mortgage payments too high.

Factor 2:

- **Inability To Pay**

Your lender will require you to prove financial hardship. There must be evidence to back up your request to short sale your home. For this reason you will need to include a financial worksheet, most real estate agents will provide this to short sale clients, in your application to your lender. This worksheet is basically a monthly profit and loss statement.

Factor 3:

- **Insolvency**

You must prove to the lender of your inability to pay down, and/or to pay off, your mortgage. You must prove you owe more money than you have in cash.

Note

Your lender is not requesting you to be totally broke and on the verge of living on the street. They simply want to determine your inability to meet your mortgage obligation. You are permitted to have money available for living expenses and this does not disqualify you from a short sale.

Chapter 4

Summary & Recommendations

Chapter 4

Summary & Recommendations

Seek Additional Help

1. About Your Finances

- Have you given thought to credit counseling?
- Have you sought advice from your bank?
- Have you a contacted your accountant?

2. About Your Legal Options

- Have you contacted an attorney?
- If so, did you discuss other legal ways to maintain your home?

3. About Your Home

- Have you contacted a real estate professional?
- If so, have they provided you with an opinion of value for your home?

Consider Contacting An Agent

The real estate professional providing this informative E-book can assist you during this difficult process.

At the very least you ought to request a CMA to discover the value of your home in today's market.

Such service is free and without obligation.