# TOP TEN DO'S AND DON'TS OF SHORT SALES

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# 1. SALES PRICE

***DO*** care about a sales price that falls within ten to twenty percent of market value. Lenders will focus upon recent sales of comparable properties to make sure that your deal nets them the right number.

***DON'T*** care about getting a sales price that covers all you owe or one that nets the highest number. Your priorities should lie in finding a buyer who can hang in for four to six months, without losing patience or losing his ability to close.

# 2. REAL ESTATE BROKER

***DO*** choose a broker with lots of experience in getting short sales done, not one who stands on the sidelines and complains about how long they take or who talks about deals that other folks do. Lenders will not consider a short sale unless you have a licensed real estate broker, so choose your broker wisely. Ask about recent deals that closed. Those in contract. A few war stories to show he's ready for the rough and tumble and he's not one of those who may take comfort in politely standing back once a contract's done, hoping and praying that everything will fall into place without him. Only the most proactive can survive in the world of short sales.

***DON'T*** get caught up in the amount your real estate broker may charge for a sales commission. Sellers may sometimes feel shortchanged by commissions and fees on the one hand and the almost universal rule that prohibits any cash to sellers, on the other. Three things to keep in mind. First, lenders allow the normal and customary fees of doing a sale since they recognize that nobody works for nothing and short sales will often lie in a lender's best interest. Second, the fees being paid will come from your lender, not you. Third, your lender will have the final word on all fees no matter what you do.

# 3. ATTORNEY

***DO*** choose an attorney with lots of experience and know how in getting short sales done. Anyone can slap a contract together and show up at closing – and that often works well when it comes to seller representation on a conventional house sale where no negotiations are required to reduce the outstanding mortgage. Short sales are different. They require something more. More from the standpoint of staffing to constantly handle the day to day as lenders lose what you send and they turn simple into days and days of back and forth.

**DON'T** worry about any fees from your pocket. Attorney fees normally get paid from the net proceeds of sale, just like other closing expenses. No advance retainers, please.

# 4. BUYER FINANCING

**DO** make sure that your buyer can pay the purchase price and close. Take nothing at face value. Look for a lender pre-approval on his mortgage and bank statements to show that he's got the cash. Often, a lesser sales price may work best when you've got a buyer who can easily come up with the cash to close.

**DON'T** go with paper thin finances just because a bid comes out to a few dollars more than someone with substance who can close without a hassel.

# 5. CLOSING DATES

***DO*** plan a closing that's four to six months after the date of contract.

***DON'T*** assume that you can accelerate the date of closing by pushing to make your deal a greater priority. Unrealistic goals almost never work.

# 6. FIXING UP

***DO*** maintain your property to keep everything in reasonably decent shape. Heating, electricity and plumbing preferably in working order. Roof free of leaks.

***DON'T*** make any improvements or major repairs with an eye towards increasing the market value. Values rarely change much, unless the living space goes up. And a greater sales price will only mean a bigger payoff to your lender – not you.

# 7. MORTGAGE PAYMENTS

***DO*** pay your lender what you feel comfortable with, to protect your credit standing.

***DON'T*** worry about missed payments since it will likely not affect your ability to get the short sale done. You'll address the question of credit repair after your close.

# 8. BANKRUPTCY

***DO*** consider bankruptcy if your debts are out of control or if you have no other way to address a foreclosure sale that's about to take place.

***DON'T*** automatically file for bankruptcy if you can sell your property in a short sale. Most lenders will voluntarily put aside a foreclosure sale if you provide a signed contract and proof that your buyer can close. Plus, the new rules from Treasury may allow you to qualify for a "short sale agreement" that would prohibit a foreclosure sale from going forward.

# 9. FORECLOSURE PROCEEDINGS

***DO*** keep track of a foreclosure proceeding since that can ultimately result in the loss of your property and other bad stuff like a deficiency judgment, good for twenty years, and a low credit score that may take years to reverse.

***DON'T*** panic over a foreclosure proceeding or spend crazy money on defending. It often takes two years or even more, till a sale can occur – so don't sweat the timing. And a foreclosure proceeding won't stop you from getting a short sale done.

# 10. DEFICIENCIES

***DO*** sell your property in a short sale if you want to avoid a deficiency judgment for any shortage your lender may claim after the foreclosure sale takes place. Lenders may or may not pursue a deficiency following the foreclosure sale. A short sale will usually eliminate the risk.

***DON'T*** sign a promissory note to your lender for a deficiency unless you've consulted an attorney that specializes in short sales. New rulings from Treasury will often prohibit lenders from seeking a deficiency on short sales. Plus, in other situations not addressed by Treasury, lenders will often waive a deficiency for cents on the dollar.