



Question: What is a “short sale” and would that help me sell my house?

Answer: A short sale in real estate takes place when the lender (e.g., bank, mortgage company) agrees to accept less than the remaining balance on the mortgage owed by the current owner of the property. We hear more about these types of sales today as a result of stressful economic conditions including a drop in the value of housing prices in many cities across the country.

Why would a lender agree to accept a short sale? In most cases the lender will save money over the costs of foreclosing on the property even though they will still lose money. For the owner of the property, who is likely behind or “upside down” on the mortgage, meaning what is owed on the property is greater than its current market value, a short sale may be less damaging to their credit rating and the seller may qualify more quickly for a new loan. If the property goes to foreclosure, it may be harder for the former owner to find a willing lender on another property.

In order for your property to qualify for a short sale:

- You must demonstrate, through comparisons with similar properties, that the value of your property has dropped;
- You must show that you are close to having to default on your mortgage payments;
- You must attest, in writing, that you have “fallen on hard times” through such things as unemployment, divorce or medical emergency;
- You must not have any assets (e.g., investments, cash, other properties) that the lender could point to as a source for meeting your mortgage payments.
- You have a qualified buyer willing to accept the short sale;
- The lender must agree to the short sale. Lenders may agree to the actual short sale price or offer an agreement for you to make up the difference at some later date.

The real estate industry was caught somewhat unprepared for the volume of short sales that have occurred over the last 18 months. The Obama administration, recognizing some of the challenges of these conditions, has proposed guidelines that would increase the incentives to sellers and lenders to work out a short sale and to speed up the process.

Before agreeing to list your home for short sale, be sure to check with an attorney or accountant to determine legal or tax issues you need to know about before acting.

Short sales are a specialized form of a real estate transaction. Work with a qualified and knowledgeable REALTOR® with experience in short sales to make sure all of the elements of the transaction take place properly.

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