

## Short Sale FAQ's

**Q: What is a short sale?**

A: A **short sale** in real estate occurs when the outstanding obligations (loans) against a property are greater than what the property can be sold for. Short sales are a way for homeowners to avoid foreclosure on their homes and still be able to pay off their loan by settling with lender.

**Q: How long does it take?**

A: From 3-5 months typically.

**Q: What is the procedure?**

A: First you list the property with us and we market it just like a normal listing. You complete a hardship package and we do whatever it takes to get an offer.

**Q: What are some possibilities of occurrences that may happen as we work through the process?**

A: Notice of default (NOD). This will come certified mail and means, in most cases, that your home may be auctioned in 120 days from the date of the notice. Call us immediately (however, don't panic!! We still have lots of time!).

**Q: What is a Notice of Default?**

A: Notice to a borrower with property as security under a mortgage or deed of trust that he/she is delinquent in payments. If the delinquency (money owed and late), plus costs of preparing the legal papers for the default, are not paid within a certain time, foreclosure proceedings may be commenced. Other people with funds secured by the same property are usually entitled to receive copies of the notice of default.

**Q: Will I receive phone calls and letters from my lender?**

A: Yes, they will be demanding payment or partial payment. Remember that these people are getting paid specifically to collect debts. They probably have no idea what is going on between you and the short sale department. They just want to make a buck. Politely inform them that you are working on a short sale and cannot make the payment. (If that is the situation with your particular lender).

**Q: Do I need to be behind on my mortgage payments?**

A: Yes, because the lenders require that you be behind in your payments before they will consider negotiating the possible short sale terms.

**Q: Will it ding my credit?**

A: Yes, and it will keep you from being able to purchase a home for a minimum of one possibly even two years after the short sale property has closed.

**Q: Will I be able to buy a home again?**

A: Yes. Once your credit has been cleared of late mortgage payments and as long as you can qualify in other ways, you should be able to purchase a new home within a 1-2 year timeframe.

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**Q: What if I have more than one loan against the property?**

A: The holder of the second deed of trust may ask that you sign a promissory note or do partial or complete payoff in exchange for their release of their second deed of trust against the property. The second deed of trust must release in writing or the first deed of trust cannot close your escrow...even if they've agreed. If you want them to cooperate, you may need to do this. Ultimately it will be your decision, but the alternative is foreclosure in most cases. Your signature at the bottom of this page means you agree to sign the note, if reasonable.

**Q: What is the worst case scenario?**

A: Of course, the worst scenario is an actual foreclosure on your property. If we are unable to negotiate the lower payoff and you are unable to bring in enough money to make up the difference, the bank will eventually foreclose.

**Q: How can I avoid foreclosure?**

A: These are ways of avoiding the foreclosure by bankruptcy filing (though that is merely a temporary fix) or perhaps an extension of the auction date.

**Q: What is the The Mortgage Forgiveness Debt Relief Act of 2007**

A: President Bush Signs H.R. 3648. The bill I sign today will help this effort by ensuring that refinancing a mortgage does not result in a higher tax bill. Under current law, if the value of your house declines and your bank or lender forgives a portion of your mortgage, the tax code treats the amount forgiven as money that can be taxed. And of course, this makes a difficult situation even worse. When you're worried about making your payments, higher taxes are the last thing you need to worry about. So this bill will create a three-year window for homeowners to refinance their mortgage and pay no taxes on any debt forgiveness that they receive. And it's a really good piece of legislation. The provision will increase the incentive for borrowers and lenders to work together to refinance loans -- and it will allow American families to secure lower mortgage payments without facing higher taxes.

