The Long and Short of *Short Sales*

A Short Sale has been referred to by more than one real estate professional as a dignified solution to a financial crisis. The reality is that many homeowners today owe more on their homes than they are worth and don't know what to do. If you have exhausted other options like a mortgage modification or a refinance or simply can no longer afford your home due to the loss of a job or other hardship, a short sale may be the solution for you.

Short Sale Qualifications

There are three simple qualifications almost every lender will want to see to qualify you for a short sale:

1. *Financial Hardship*—your mortgage company will want to see that you have a verifiable material hardship that is affecting your ability to pay your mortgage. Hardships can be issues such as a payment increase, job loss, income decrease, medical expenses and any other issue that is truly affecting your ability to pay.

2. *Monthly Shortfall*—your lender will want to see that on a monthly basis your hardship is causing you to have a monthly shortfall. This means that they want to see that your monthly income is less than your monthly expenses. This is a simple calculation that can be done by adding up all your expenses and comparing them to your total income. If your expenses are higher than your income, you have a shortfall.

3. *Insolvency*—your lender or servicer will want to see that you are insolvent prior to approving a short sale. Simply translated this means they want to see that you do not have the ability to pay down the balance of your mortgage in liquid funds.

Monthly Income Shortfall Calculation

Total Monthly Income
-
Total Monthly Expenses
=
Total Monthly Shortfall

How will my retirement be treated in a short sale?

There is a common misconception that in order to qualify for a short sale you can't have any assets or savings. This is not normally true; in fact, in many cases banks are disregarding retirement accounts that would otherwise be protected in a bankruptcy. Don't assume that you will have to withdraw funds from these accounts to qualify.

Don't Delay

Each day is important when you are exploring options on your mortgage—don't wait one more day that could be spent working with your mortgage servicer or lender on finding a solution to your specific issue.

Short Sale Process— How do I get this done?

In order to successfully sell your property through a short sale, you will need to fully cooperate with your real estate professional. Your assistance in this process will give you the highest likelihood of a successful outcome, a sale and, most importantly, a foreclosure avoided.

Here is a simple list of items you can take care of immediately:

- Prepare your property for sale. This includes: remove all clutter, make sure all lights work, clean out your property and make it as presentable as possible. Your agent will have additional suggestions for you. However, there is no reason not to get started now.

- Gather the required paperwork and documentation that your agent will need in your first meeting you have. See the list below.

- If you believe a short sale is the right option for you, list your property with the qualified CDPE professional that provided you with this information. They will help guide you through this process.

Paperwork Needed for a Short Sale

(Start Now)

In order to demonstrate to your lender that you qualify for a short sale, your agent will need the following documentation:

- Two months' most recent mortgage statements (all mortgages)

- Two months' checking account statements (all borrowers if separate)

- Two months' saving account statements (all borrowers if separate)

- Two months' other account statements (all borrowers if separate)

- Last two paycheck stubs (all borrowers)

- Two years' tax returns

- Hardship Letter (see samples)

- Financial Worksheet (provided)

- Any other documentation to help your agent prove your hardship

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