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What is a short sale?

A short sale, negotiated settlement, or short pay occurs when a lender agrees to accept less than the amount owed to the payoff a home loan as an alternative to foreclosure. The lender usually agrees to a short sale because they know if they take the property back through foreclosure they are going to take a much larger loss.

How Long Will it Take?

The short sale negotiation process is a lengthy one. It may take several weeks to months before a lender and homeowner can agree on acceptable terms. Many lenders have layers of bureaucracy, insurers and investors that we will have to maneuver through in order to get your short sale approved. We will keep you informed of the progress throughout the entire transaction.

How does the REALTOR® get paid?

We will negotiate directly with the bank for all real estate agent commissions. In most cases, the bank will offer the listing agent a smaller than average fee for performing the marketing and negotiation responsibilities associated with representing a seller.

But My House is going to Foreclosure, Will I have Enough Time?

Starting a short sale will not automatically stop the lender from starting the foreclosure process. However, we have successfully convinced lenders to postpone a foreclosure while we negotiate a short sale. While there are no guarantees, we will be doing everything that we can to get your home sold before the lender follows through with their foreclosure and we are successful over 90% of the time.

Can I Stay In the House?

The purpose of a short sale is to get the property sold. So, you will be moving. This is not a program that can stop a foreclosure and allow you to keep the house indefinitely. It is a lengthy process and you can stay in the home until the sale is completed.

Will This Have Any Impact on my Taxes?

On December 20, 2007, President Bush passed "The Mortgage Forgiveness Debt Relief Act of 2007" which allows California Homeowners a (3) year window to avoid paying taxes on the loss the lender takes. Before this act took effect, "If the value of your house declined, and your bank or lender forgave a portion or your mortgage, the tax code treated the amount forgiven as income that can be taxed." According to the "The Mortgage Forgiveness Debt Relief Act of 2007" if you sell your home as a short sale by December 20, 2012, the loss the lender takes will not be considered taxable income by the IRS.
The IRS often gets involved with short sales because they are seen as a relief of debt and may be treated as income. Please check with your accountant and let them know about "The Mortgage Forgiveness Debt Relief Act of 2007."

What type of paperwork do I need?

The lender will require a financial package that usually includes:

- Two to three months bank statements
- Two months paycheck stubs
- Two years IRS tax returns
- Profit and Loss Statement (if self-employed) or current financial statement