

SHORT SALE EXPLAINED

What is a short sale?

A short sale is when a lender accepts a discount on a mortgage to pay-off the loan to avoid a possible foreclosure auction or bankruptcy. While the property is still being purchased, the Lender's approval of the contract and terms becomes necessary as they must approve the discounted pay-off. For example: A homeowner, who is facing foreclosure, has an existing first mortgage of \$300,000. The Buyer writes an offer for \$220,000, which is accepted as full payment for the loan. This is a **SHORT SALE**.

It is best to do a short sale when the property is in the pre-foreclosure state because the banks do not like excess inventory and add loans on their books.

What happens to the seller's credit rating when they allow an investor to short sell their property?

What typically happens is that the loan will show as "paid" on their credit report; however there will be a notation that says "settled for less than original owed" or something along these lines. It is more favorable for a homeowner to short sell than to have a foreclosure on their credit report.

Can an owner profit from a short sale?

The seller cannot profit (monetarily) from a pre-foreclosure short sale.

How do bankruptcies affect the possibility of doing a short sale?

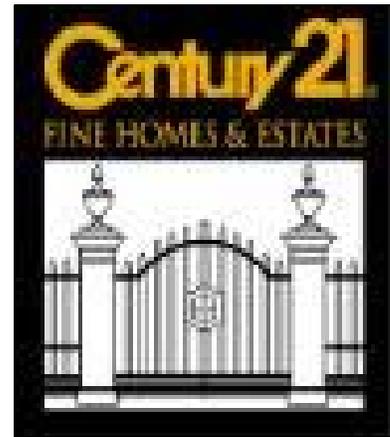
Most mortgages won't consider a short sale if the homeowner is in bankruptcy because negotiating a short sale payoff is considered a collection activity. Collection activities are prohibited in bankruptcy.

How late in the pre-foreclosure process can you start a short sale?

Try to allow a window of at least 90 days to effectuate a mortgage approved, pre-foreclosure Short Sale.

*\$300,000 (Loan) - \$220,000 (Offer) = \$80,000 Short Sale

*Always contact your accountant for possible tax liabilities



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Please contact me at any time - I look forward to assisting with your sale and or purchase