

Munson Realty-Los Angeles Short Sale Agents

# How to get started on a short sale

By Stephen Munson



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# How to get started on a short sale

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## **First let's begin with the basics. "What is a Short Sale?"**

A short sale is when the sale of a home's net proceeds does not fully pay off the existing mortgage loan(s) and the Lender is willing to accept a discounted payoff. The closing costs that are typically paid by the Seller are paid out of the proceeds from the sale, including but not limited to, commissions, escrow and title fees and any negotiated Buyer's cost. Your home is sold and you avoid foreclosure.

## **"Why would your lender accept less than what is owed on your mortgage?"**

Lenders are in business to lend money, not to own real estate. They do not want the expense of the foreclosure process and/or the holding and maintaining of the property if it does not sell at foreclosure. The foreclosure process is very expensive and time consuming, so many lenders will agree to what seems a loss on the mortgage when they will actually save money by not completing the foreclosure and holding the property in their portfolio.

## **"How do I get started on a short selling my home?"**

Really most of the work lies upon the shoulders of your short sale agent. Once you decide that you want to avoid foreclosure through a short sale you will need to find a short sale agent (Realtor) to market your home and negotiate with your lender. Your bank will not let you do this on your own! Of course if you are in the Los Angeles area, Munson Realty will be happy to help you out. If you are not in the Los Angeles area, we have a strong referral network of short sale specialist throughout the country that extremely skilled at closing short sales. And besides, why wouldn't you use a short sale specialist since your lender is paying their commission?

A good short sale agent will know exactly how to deal with your lender, and will take complete control over the process, but besides being competent at negotiating with your lender, they must know how to market your home and bring you a buyer quickly.

## FAQs- Frequently Asked Short Sale Questions

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Here are some Answers to frequently asked questions regarding short sales.

**“Can I live in the property during the entire process?”**

Absolutely, this is a great time to start saving the money you would have used to pay your mortgage and build up your cash reserves so you get started on the right foot after you successfully close your short sale.

**“Are there relocation incentives offered by the banks?”**

Yes, many banks offer around \$3,000 to help you with relocation expenses. And of course there is the HAFA program that offers \$3,000 to borrowers who choose to short sale.

With HAFA the home owner is eligible if all the following conditions are met:

- Property is borrower’s principal residence
- Loan is a 1st lien mortgage
- Originated before Jan 1, 2009
- Mortgage is delinquent or default is reasonably foreseeable
- Current unpaid balance is equal to or less than \$729,750
- Borrower’s total monthly mortgage payment exceeds 31 percent of borrower’s gross income

(Information taken directly from HAFA)

The banks that offer their own incentives are much less restrictive.

**“If I do a Short Sale, how much will I have to pay to sell my home?”**

In most cases, you will not pay any sales costs if your Lender approves the Short Sale. All commissions, title and escrow fees, and some repair expenses are paid by the Lender, Investor or Mortgage Insurance company, if applicable, as part of the Short Sale approval.

**“Can I simply deed my property to someone else and avoid the hassle?”**

Deeding your property to someone without paying off the mortgage loan does not forgive you of the debt, and the property is still encumbered by a lien. Always check with your attorney to verify all the options available to you.

**“What sort of hardship would my lender consider legitimate?”**

To some extent, that will depend upon the Lender considering your Short Sale request.

Below you will find a list of common “hardships” that may be accepted by Mortgage Servicers:

- Family illness or injury
- Job relocation
- Job loss or significant income loss
- Divorce or split of domestic partners
- Death of a spouse
- Adjustment in mortgage payment or unforeseen increase in living expenses
- Too much debt
- Military service

**“I am current on my mortgage, so will my Lender consider a Short Sale?”**

The short answer is, “maybe”. Some Lenders will consider a Short Sale offer on mortgage loans that are not delinquent. Other lenders will not consider a Short Sale offer until the loan is delinquent. We will work with you to put your Short Sale offer together and submit it for approval (remember, there is no charge for this). That is the best way to determine if your Lender will accept a Short Sale offer on a loan that is current.

**“Do lenders approve all Short Sales?”**

No. That is why it is critical to work with someone that has extensive experience at getting Short Sales approved, and has direct contact with Mortgage Servicers.

**“I have a second mortgage on my property, so can I still do a Short Sale?”**

Yes. We can also work with the Mortgage Servicer or lender that holds the second mortgage, (many times the same Mortgage Servicer holds the 1st and the 2nd loans) to put together a Short Sale transaction. It is very important however, that you let us know if you have a second mortgage, home equity line of credit (HELOC), or any type of lien against your property such as a Home Owners Association lien, tax lien or mechanics lien.

**“My property is in rough shape and needs work; can I still do a Short Sale?”**

Absolutely, Lenders often take into consideration repair costs, as a factor, when determining whether to approve a **Home Short Sale** offer.

**“I am concerned about my credit, so how will a Short Sale affect my credit?”**

Lenders tend to look more kindly on applicants who have “short sold” their homes. It’s very clear that by rebuilding your credit and avoiding foreclosure and/or bankruptcy many borrowers are able to obtain another mortgage in about 24 months. (See Bonus Material-“Life after a short sale”

**“Can I receive cash from a Short Sale?”**

No, **Home Short Sales** are only designed to get you out of your mortgage debt rather than going through the entire foreclosure process. It is not a refinance option and you will be vacating the property, as you would, if you were going through foreclosure.

**“What if my home is not worth what I purchased it for?”**

This is the typical scenario for a short sale, when you can only sale it for less than it is currently worth.

**“Can I short sale discreetly?”**

*Your neighbors do NOT need to know you are doing a short sale.*

*In fact, **there is no need:***

- For a Sign in your yard
- For the words “Short Sale” to be displayed in any public marketing materials.
- For an open house.

How to get started on a short sale

Your short sale status will only be seen in the private remarks seen by other Realtors, not in public remarks. Not all short sale agents offer this service so check first. This is Munson Realty's preferred method of marketing short sales. We attract a large enough of a buyer pool within the first few days of the listing to have multiple offers and stop the showings quickly.

**“What if I have filed bankruptcy?”**

You will need to check with your Bankruptcy Attorney to verify if you can proceed with a Short Sale.

## Considering a short sale?

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A short sale can be a good solution for homeowners who need to sell, but owe more on their mortgage than the home is worth. In the past, it was rare for a bank or lender to accept a short sale. Now, however, due to overwhelming changes in the market, banks and lenders have become much more flexible when it comes to approving short sales.

**Getting the short sale process started now can stop foreclosure:** If your intention is to stop foreclosure through a short sale then it is important that you start the short sale process sooner rather than later.

**Our Los Angeles short sale agents and their services are at NO Cost to you!**

Contact us to schedule a free evaluation. **We will never ask you for a single dollar to short sale your home.** Your lender, not you, pays our fees. In fact, there is a very good chance we can negotiate \$3,000 in relocation expenses on your behalf.



Call our **Los Angeles short sale agents** now at **323-216-9671** if you are ready to avoid foreclosure through the short sale process. Our consultation is free and confidential.

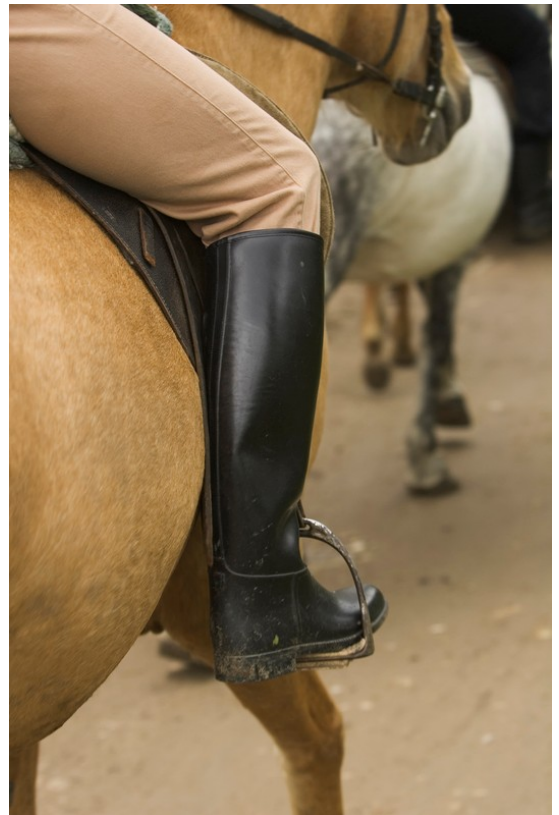
# Life after a short sale-

## Rebuilding Your Credit after a short sale

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**Get back up on the horse!** You may feel like you never want to own home again but that will pass sooner than you think. In fact the next couple of years will likely remain a strong buyers market. Interest rates remain at record lows, and home prices have dropped to an affordable level that makes it almost silly not to own when your payment is about what you would spend in rent every month.

Many home owners, who successfully “short sale” their home, and start rebuilding their credit now, may be able to buy another home in as little as two years and jump back into a more reasonable market.



## So how do you begin rebuilding your credit after a short sale?

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**Review your credit report:** It's not easy but you got to get your head out of the sand and see where you stand! Go get a free credit report at [creditreport.com](http://creditreport.com), and review it to make sure everything is correct. (Creditreport.com is an official government web site, and the only one that's free.)

Make sure that the information in your file is only about you. Be aware there could be information about someone who has a similar name or a similar Social Security number. If you find mistakes, dispute them. If you discover old debts that haven't been paid off, take care of them as soon as you can.

**Beware credit-repair scams:** You do not need to pay for something that you can do on your own! By simply disputing the negative items on your report and constantly following up, you can do what they "claim" to do but better. Often the scammers can remove the damaging items temporarily. Frequently the negative items will reappear in two or three months. Don't waste your money!

**Check the status of your short sale.** If your lender accepted a payoff for less than what you owed, make sure that the account reflects a zero balance rather than the difference between the outstanding balance and the sales price.

**Checking and savings accounts:** If you don't one go get one! Your future lender will want to see two or three months of bank statements, so having these accounts work to your advantage.

**Apply for credit:** If you have any credit card accounts still open, keep them clean and make payments right on time.

It won't be long until credit card issuers will start sending you "pre-approved" accounts with small balances. Apply for a couple of those and keep on top of them. Eventually they will raise your credit limit as your credit score rises. In fact a raise in credit limit is a good indication your credit is improving. Having two or three revolving accounts (credit card, card loan), will improve your score, as long as you make your payments on time.



**Not getting pre-approved credit card offers?** Consider a secured credit card, one backed by a deposit you made with the institution issuing the card. These cards often have higher fees and interest rates, but the account activity is reported to the credit bureaus each month. Eventually, the issuer will often offer you an unsecured card.

*(To research the various credit card agencies, go to [CreditCards.com](http://CreditCards.com) or [Bankrate.com](http://Bankrate.com).)*



**Take out a small loan or even a car loan:** A personal loan from a bank or credit union can serve to re-establish your credit. You will likely be asked to put up collateral, but it will be well worth the effort to build your credit score back up.

It's also likely that you will pay a higher interest rate but you can consider this the cost of rebuilding your credit.

**Be cautious!** Applying for too much credit too quickly will have a negative impact on your score.

## When can you buy again?

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**Bankruptcy & Foreclosure**-A bankruptcy has a huge impact on your credit score because it typically involves more than one credit account, whereas a foreclosure involves just your mortgage. Either way, there's nothing you can do about these extremely big hits to your credit score.



**Bankruptcies and foreclosures will remain on your credit report for seven years (10 years for a Chapter 7 bankruptcy).**

**Short sales:** Lenders tend to look more kindly on applicants who have “short sold” their homes. It’s very clear that by rebuilding your credit and avoiding foreclosure and/or bankruptcy many borrowers are able to obtain another mortgage in about 24 months.

In fact, FHA permits loans to borrowers whose credit history indicates a short sale, provided borrowers not have had a previous bankruptcy or foreclosure. *\*other qualifications apply.*

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## Resources:

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### **Credit Cards**

Bankrate.com.

CreditCards.com

### **Credit Scoring**

Creditreport.com

### **Short Sale Specialist-Munson Realty**

**877-636-0444**

**Or**

**Los Angeles**

*Phone:*       **323-216-9671**

*Web:*         **[www.LosAngelesShortSaleAgents.net](http://www.LosAngelesShortSaleAgents.net)**

*Email:*       **[losangelesshortsaleagent@gmail.com](mailto:losangelesshortsaleagent@gmail.com)**

**San Gabriel Valley**

*Phone:*       **626-376-9732**

**San Fernando Valley**

*Phone:*       **818—824-4941**

## Useful Links

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Fannie Mae Area Median Income for HUDs Emergency Home Loan Program:  
[www.efanniemae.com/sf/refmaterials/hudmedinc/](http://www.efanniemae.com/sf/refmaterials/hudmedinc/)

### **Mortgage Modification Resources**

#### **The Home Affordable Refinance Program**

[www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)

HOPE NOW

[www.HopeNow.com](http://www.HopeNow.com)

Fannie Mae Loan Lookup

<http://loanlookup.fanniemae.com/loanlookup/>

Freddie Mac Loan Lookup

<https://ww3.freddiemac.com/corporate>

### **HUD Approved Counselors**

Catholic Charities USA©

[www.catholiccharitiesusa.org](http://www.catholiccharitiesusa.org)

Citizens' Housing and Planning Association, Inc.

[www.chapa.org](http://www.chapa.org)

HomeFree-USA©

[www.homefreeusa.org](http://www.homefreeusa.org)

Homeownership Preservation Foundation©

[www.995hope.org](http://www.995hope.org)

The Housing Partnership Network©

[www.housingpartnership.net](http://www.housingpartnership.net)

Mission of Peace Housing Counseling Agency©

*Life After A Short Sale-Rebuilding Your Credit After A Short Sale*

[www.missionofpeace.com](http://www.missionofpeace.com)

Money Management International, Inc.©

[www.moneymanagement.org](http://www.moneymanagement.org)

National Federation of Community Development Credit unions

[www.cdcu.coop](http://www.cdcu.coop)

National Foundation for Credit Counseling©

[www.nfcc.org](http://www.nfcc.org)