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Short Sales Experts

Top 10 Frequently Asked Short Sale Questions



1. What is a real estate short sale

A real estate short sale is a form of agreement between the seller of a home in the beginning stages of foreclosure and their lender, allowing the home to be sold for less than the existing loan balance outstanding. The mortgagee would accept less than the loan amount in order to avoid a foreclosure proceeding. This short sale would result in a substantially discounted purchase price for the buyer of the home. The buyer would then proceed with the purchase of the home much the same as in any conventional realty transaction.

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

Depending on individual state law and regulations, a foreclosure can proceed as quickly as 35 days from the date the notice to the borrower is filed. For that reason, time is of the essence and you should allow a window of no more than 60 days to effectuate a lender approved short sale.



3. Will a lender allow a real estate short sale when the seller has equity?

If the home has a considerable amount of equity, the lender may choose to continue with a traditional foreclosure proceeding to regain title to the property and sell it at market price.



4. What documents are necessary to proceed with a short sale?

The individual documents necessary to proceed with the short sale will depend on the lender. Typically the lender will require an explanation of any financial hardship in the form of a letter detailing the circumstances behind the short sale, signed, valid purchase and sales contract and settlement statement. There may be additional requests for more detailed information on the financial condition of the seller, ie; pay check stubs, bank statements, a personal financial statement amongst other items.



5. Will the seller's credit rating be affected if they allow a short sale on

their property to occur?

This will depend on the individual lender and credit reporting bureaus. Many individuals prefer and find it more advantageous to have a short sale referenced on their credit report rather than a foreclosure.



6. Will a lender allow the seller to make a profit on a short sale?

By the nature of the transaction, the seller is not going to make a profit on the short sale. They may have extracted equity from a previous refinance of the home, but their current loan balance will be higher than the selling price of the home.

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7. If a seller is in bankruptcy, will that affect the short sale of the property?

Absolutely, as most lenders would not consider a short sale if the homeowner is in the process of a bankruptcy proceeding. Please consult with an attorney for more information.



9. Are there tax implications in the short sale of real estate?

Much like the issue of credit reporting, the circumstances are individual and should be considered on a case by case basis. Please consult with your legal or accounting representative for more detail information.



10. Why would a lender allow a short sale to occur?

Quite simply, it may benefit all the parties involved in the transaction. The seller is relieved of the home they cannot afford. A costly foreclosure proceeding by the lender is avoided and the buyer purchases the home at an attractive price.

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