

The 7 Most Dangerous Short Sale Myths

A short sale can be an excellent solution for homeowners who must sell and owe more on their homes than they are worth. Unfortunately, a number of myths about short sales have developed, and it is important to understand the reality of this process should you find it meets your current needs.

Myth #1 - The Bank Would Rather Foreclose than Bother with a Short Sale

This is one of the most common misconceptions. The reality is that banks do not want to foreclose on your property because the foreclosure process is incredibly costly. Banks, investors, and even the federal government have all publicly stated that if a person is qualified for a short sale, the deal needs to be considered. Overwhelmingly, banks receive more on their investment through a short sale than a foreclosure.

The qualifications for a short sale include:

1. **Financial Hardship** - There is a situation causing you to have trouble affording your mortgage.
2. **Monthly Income Shortfall** - *"You have more month than money."* A lender will want to see that you cannot afford, or soon will not be able to afford your mortgage.
3. **Insolvency** - The lender will want to see that you do not have significant liquid assets that would allow you to pay down your mortgage.

Myth #2 - You Must Be Behind on Your Mortgage to Negotiate a Short Sale

While this may have previously been the case, today lenders are looking for verifiable hardship, monthly cash flow shortfall, or pending shortfall and insolvency.

If you meet these three requirements and believe that you soon may be unable to afford your mortgage, act immediately. Any delay could limit your options. Do not wait until the countdown clock to foreclosure has started and you have even less time left.

Myth #3 - There is Not Enough Time to Negotiate a Short Sale Before My Foreclosure

This is a myth that probably hurts homeowners the most. Many do not realize that foreclosure is a process, and that there is time to make decisions that may result in better outcomes.

The foreclosing party—in most cases a lender—can stall a foreclosure up to the final day of the process. Today, many lenders will stall a foreclosure with as little as a phone call from you explaining that you are trying to sell, and almost all lenders will stall a foreclosure with a legitimate contract. For real estate professionals who understand foreclosures and short sales, there is time available until the foreclosure process is complete.

Myth #4 - Listing My Home as a Short Sale is an Embarrassment

It is understandable to have reservations about letting the world know that you owe more on your home than it is worth. However, according to recent estimates, more than one out of eight homeowners in the U.S. is in the same situation. You are to be congratulated for admitting you need help, taking action, and finding a professional who can work with you toward a solution.

With recent estimates showing 40-60% of U.S. sales will be short sales or foreclosures, you are not alone.

Myth #5 - Short Sales are Impossible and Never Get Approved

This is a complete falsehood. Are short sales more difficult to execute? Yes. Do you, as a homeowner, need to learn about a new process? Yes. Are they impossible? Absolutely not.

For example, agents with the Certified Distressed Property Expert® (CDPE) Designation receive thousands of short sale approvals on a monthly basis. These professionals have undergone extensive training in methods to help homeowners in distress and process short sales. While there are no guarantees in any transaction, more and more short sales are being approved regularly. This is far from an impossible process.

Myth #6 - Banks are Waiting on a Bailout and Not Accepting Short Sales

You may have heard this, but the reality is that banks (and the U.S. government) are trying to do anything they can, within reason, to avoid foreclosing on properties. It is preposterous to believe they would deny a short sale in hopes that some future legislation would pass and pay them for losses.

Today, more banks are aggressively pursuing short sales and working with agents who understand how to process them. Freddie Mac recently hosted a national training Webinar for real estate agents where they expressly stated the organizational goal of "eliminating distressed assets through modification or short sale."

Myth #7 - Buyers are Not Interested in Short Sale Properties

This is a myth that potential sellers hear all the time. Thankfully, this is just not true. In fact, many agents are getting calls from buyers who say they only want to look at foreclosure and short sales.

For buyers, short sales and foreclosures have become synonymous with "good deals." More specifically, international buyers are targeting these properties. Listing with an experienced agent who is educated in the short sale process will provide you with a great chance of quickly seeing a contract on your property.

In conclusion, Agents with the CDPE Designation have been trained in all aspects of the short sale process, and know how to deal with the parties involved in foreclosures. Finding a CDPE can explain what options you have, and get you on the path to recovery.