



## SHORT SALE FREQUENTLY ASKED QUESTIONS

**For More Information on Short Sales or  
If You Are Interested in a Short Sale of Your Home,  
Call an Gore and Associates Short Sale Specialist at 858.229.9212**

### **What is a Short Sale?**

A short sale, also called a "Short Pay" or "Pay Off" is a process in which a lender agrees to receive a lower amount of an owed debt in exchange for the sale of the property to a third party usually at no cost to the borrower.

### **Why a Short Sale?**

There are many ways to lose a home when the homeowner is in financial troubles. Losing a home through foreclosure or bankruptcy often times destroys credit, embarrasses the family, and strips an owner of dignity. For owners who can no longer afford to continue making mortgage payments, there are alternatives to bankruptcy or foreclosure actions. A short sale is one of those options. When lenders agree to do a short sale, it means the lender is accepting less than the total amount due. This option has many advantages over foreclosures or bankruptcy as discussed below.

### **Are there any benefits to a Short Sale?**

Yes, there are several benefits to a Short Sale:

1. **Avoid foreclosure and eviction:**  
By attempting a short sale, you may be able to avoid foreclosure and eviction proceedings.
2. **Protect and minimize credit damage:**  
Other methods of ridding yourself of your home including foreclosures and bankruptcy will damage your credit for at least 7 years. The affect of a short sale on a seller's credit report is much less damaging. The ding on credit will likely

show up as a pre-foreclosure in redemption status which will result in a smaller credit score drop than a foreclosure or bankruptcy would.

3. **Controlling costs:**

If property is sold at a discount in a foreclosure or bankruptcy sale, you may owe taxes to the IRS, deficiencies in the amount equal to the discount, and other expenses to the lender. With a short sale, you have more control over the sales price of the property and you can negotiate many of the terms of the sale to limit deficiencies or taxes. It is best to consult your accountant and lawyer for the consequences of a short sale.

4. **Benefit of a liaison:**

A short sale expert acts as a middle man between the homeowner and the lender to ensure that all parties work together toward a successful solution.

## **Are there any disadvantages to a Short Sale?**

There are a few disadvantages to a short sale. The selling homeowner may be required to recognize income in the amount of the discount of the loan by the bank. You should consult your accountant for the tax ramifications of a short sale. Fortunately, a Short Sale gives the homeowner some control over the structure and terms of the sale. This may allow the homeowner to minimize any downside to a short sale.

## **How do I qualify for a Short Sale?**

Since banks must approve a short sale, the requirements to qualify for a Short Sale vary. In general, the borrower needs to prove that they are experiencing an acceptable hardship. To determine the exact requirements, one must speak with the appropriate person at the bank. This is best done by an experienced Short Sale professional.

## **What is hardship?**

A hardship is a life changing situation that affects the borrower dramatically and results in an inability to pay the mortgage debt. Some examples of hardship include:

- Separation or Divorce
- Medical Bills
- Inability to work due to health reasons or illness
- Death of a Spouse
- Job Relocation
- Reduced Income or Unemployment
- Business Failure
- Unemployment
- Reduced Income
- Too much debt
- Payment Increase
- Damage to property
- Incarceration

## **How do I qualify for a hardship?**

To qualify for a hardship, the owner must be able to prove one or more of the above hardships. The lender must be willing to accept the short sale proceeds as full payment of the debt. Thus, it is best to involve a short sale representative to speak with the bank concerning your particular circumstances.

## **What should I do to increase the chances of a Short Sale?**

There are several things you can do to help increase the chances that your bank will agree to a short sale of your home. The following are just a few:

1. Prepare the necessary documentation including:
  - Two years tax returns
  - Current paycheck stubs
  - Unemployment benefit statement (if unemployed)
  - Last two bank statements
2. Sign a listing agreement with the realtor
3. List the property for sale
4. Cooperate with access, showings, offers, and realtor
5. Vacate the home following the close of title
6. Be responsible to maintain the home in "show" condition
7. Cooperate with bank and bank negotiators and provide all requested documentation

## **Who should I contact if I am considering a Short Sale?**

Contact a Gore & Associates Short Sale Specialist at **1-858-229-9212**.