

# Frequently Asked Questions about Short Sales



## What is a short sale?

A short sale is an agreement with the lender(s) to accept less than the amount owed by a borrower via a sale of the property to a non-related third party. When a borrower is faced with a hardship, has fallen behind (or is likely to fall behind) in the mortgage payments and the home cannot be sold for the amount owed to the lender(s), a short sale may be an alternative for distressed homeowners.

## Why would a lender agree to accept less than what is owed?

Whether the lender chooses to go through with a foreclosure or agrees to a short sale, they will be taking a loss. However, lenders are not in the business of owning and managing properties; in many cases they would take less of a loss with a short sale and resolve the matter in a shorter timeframe. A short sale gives the lender the ability to cut its losses upfront and avoid a potentially greater loss through the expense and time of a foreclosure.

## Do I qualify for a short sale?

Qualifying for a short sale is dependent on individual circumstances; you must be able to prove to your lender(s) that you are a victim of a "hardship" and therefore be unable to continue making payments on your mortgage.

## What are some examples of "hardship"?

A hardship situation is one that is the result of some extenuating circumstance that leaves the borrower unable to afford their mortgage payments. While each situation varies, some frequent examples of hardship include:

- Divorce or Separation
- Health issues or medical bills
- Job Loss or reduction of income
- Death of spouse or wage earner
- Adjustment in Mortgage payments
- Employment relocation
- Failure of Business

## When should I begin the short sale process?

Time is of the essence; short sale situations tend to be time sensitive and consuming for negotiations and the sooner SSA is able to begin negotiating, the greater the chances of a successful resolution. If you foresee trouble

in making your monthly mortgage payment, you should begin considering your options; there is no need to wait until the lender sends you a notice of default or initiates formal foreclosure proceedings.

## How will a short sale affect my credit?

In a short sale and foreclosure situation, the delinquency of the mortgage will likely have a negative impact, but it is generally understood that a foreclosure will have more serious effects on your credit. Some mortgage and credit experts suggest that a foreclosure may impact a credit score up to 250 points, while a short sale may result in a reduction of 100 points or less.

## What are the tax ramifications of a short sale?

In December 2007, the Mortgage Forgiveness Debt Relief Act was signed into law by President Bush. This law eliminates potential tax liability associated with a short sale depending on the specifics of your particular situation. On a state level, a taxpayer may or may not face tax consequences, again depending on individual circumstances.

## What are the benefits of working with a short sale negotiator?

Our clients truly have an advantage to having a successful short sale and fresh start when SSA negotiates the short sale. SSA understands the requirements of various lenders. Additionally, we coordinate between all parties involved (lenders, agents, and escrow personnel) to guide a short sale from offer to approval and then to close. Our experience in working with short sales is our greatest asset and we are confident that you will find a personal advantage in working with SSA!

## Why shouldn't a seller or agent negotiate with a lender directly?

Unfortunately, loss mitigators can be very difficult to reach and when you finally do make contact, you have very little time with which to make your appeal. Furthermore, the stress of the situation makes it difficult for a homeowner to effectively negotiate their way out of foreclosure. SSA works as a neutral third-party short sale negotiator; this is truly an advantage when speaking with lenders because we seek the best outcome for all parties involved. Additionally, because we work with countless lenders, we understand how to effectively gather and present the information that lenders require. We have excellent working relationships with the Loss Mitigation Departments and we leverage our network and expertise to help resolve the current situation.



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