

# UR/Pro®

Ultimate Real Estate Professionals Inc.

## **SHORT SALE VS. FORECLOSURE**

### **Short Sale**

- Minimize impact on credit score
- Avoid potential lawsuit
- Eliminating high balance mortgage debt once and for all
- Show future creditors you are responsible
- Buy a house in approximately 2 years
- Get a fresh start
- No money out of pocket for you!

### **Foreclosure**

- High negative impact on credit score
- Can't buy house for minimum 7 years
- Risking potential law suit from creditor
- Show future creditors you are high risk
- Uncertainty in regards to creditors trying to collect after foreclosure

## **The Short Sale explained**

### **what is a Short Sale?**

According to the Arizona Association of Realtors®, The term Short Sale is used to describe a sale in a situation where there is more debt owed against a property than the property's value. In a loan default situation, (pre-foreclosure) the creditor(s) may be willing to agree to allow the property to be sold for less than the loan amount and/or accept less than (or short) the amount owed as payment in full.

### **Why do Short Sale?**

A Short Sale has lesser impact on your credit than a foreclosure has. You may also be able to purchase a home again sooner by performing a short sale over a foreclosure. Depending on what type of loan you have, your lender may also have the option to file a law suit against you after a foreclosure to collect the deficiency owed on the loan. A Short Sale will settle your account in full in most cases, which eliminates the lenders option to file a law suit after the fact.

### **Why do lenders prefer a Short Sale over a Foreclosure?**

Banks and Lending Institutions are not in the business of homeownership. All they care about is the financial aspect of the loan. They will do whatever is more beneficial to them from a financial standpoint, and in most cases a Short Sale will yield more money to the lender than a foreclosure will. The foreclosure process is a costly procedure that the banks can avoid by accepting a short payoff on your loan.

### **Do I have to be behind on payments to do a Short Sale?**

In most cases yes. There is no rule that says you have to be late for your lender to approve a Short Sale, but most lenders will need proof of hardship by you not making your payments. A few lenders will however, accept a Short Payoff if you can prove hardship, or hardship in the near future in other ways than being late on payments.

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### **The stages of a Short Sale**

#### ***Hardship***

something changed that had effect on the financial health of your household. This could be something temporary (job loss, job change, health, increase of debt, decrease of income) or something permanent (divorce, death, incarceration, deportation).

#### ***Initial Default***

Due to the hardship, you begin to fall behind in payments to your Lender. The missed payment will trigger a call from your Lender to remind you that the payment is due and to find out why you are not making your payments.

#### ***Loan workout attempted***

when you inform your Lender of the hardship circumstances, your Lender may offer a variety of workout solutions aimed at helping you retain ownership of your house. These solutions can be a revised payment plan, refinance or other solutions to help you bring your account current. If your Lender sees that the hardship is a permanent one, they often will advise you to pursue a Short Sale with a qualified Real Estate Agent.

#### ***Second Stage of Default***

after attempting a workout plan with your Lender and either defaulting from that plan or being denied the plan altogether, your options are starting to dwindle. Unless and until you bring the account current, your Lender will turn the heat up with calls and letters demanding repayment and threatening foreclosure and judgments. This can go on for several months.

#### ***Foreclosure Department/Notice of Default***

At some point your Lender will determine that you are not able to or not going to remedy the situation. The only solution for the Lender at this point is to move the file into their foreclosure department and issue an official Notice of Default which notifies you of your lenders intent to file a Notice of Trustee's Sale (foreclose).

#### ***Notice of Trustee's Sale***

Once you receive a Notice of Trustee's Sale (foreclosure), it will state a date of Auction. The Notice will come in the form of certified mail or be physically posted on to the front of the house. The name of the Trustee will be disclosed and the date and location of the sale. This date is 90 days from the notice as required by law. Nothing changes that date except the account being brought current or your Lender postponing it because they are reviewing a Short Sale offer on your house.

#### ***Trustee's Sale***

At the sale, your Lender (via the Trustee) attempts to sell the property for a price above their minimum opening bid price. This price is a percentage of value your Lender has determined they are willing to sell for instead of taking the property back into their own inventory. If the property does not sell at the

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Trustee's Sale, the property goes back into your lenders REO inventory. At this point the house is no longer yours and you will need to vacate the premises.

Anywhere between the initial hardship and the Trustee's Sale is where a Short Sale offer can be negotiated with the bank. The steps for a Short Sale are the same basic steps as for all real estate transactions. You List the property, you find a Buyer for the property and then Close Escrow. In addition your Real Estate Agent negotiates the terms of the sale with your lender, to obtain approval from them to the terms of the contract.

Take the first step today and call us for a consultation. Don't wait - The sooner you call the sooner we can get your life back on track.

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