

Patience Needed For Short Sale
February 23, 2014

Dear Dave: We are behind in our mortgage payments and owe \$295,000 on our home. Our Realtor says the home would sell between \$285,000 and \$300,000 but that leaves us in the hole with all the fees and closing costs. My wife and I have to leave Alaska because of a personal family issue. What to do?

Answer: You are 'short' on cash and need a 'short sale' of your home. That is, under certain conditions (for which you well may qualify), your lender can accept a payoff on the mortgage 'short' of what is owed. This saves the bank and yourself from taking a foreclosure.

A foreclosure hurts you because it stains your credit report. A foreclosure hurts the bank because it is a right hassle for them and they will lose money anyway managing the property and getting it sold.

Find a Realtor who has closed some "Short Sales". It isn't easy. In fact, many Realtors don't want to list a Short Sale for two reasons. First, they require a tremendous amount of work and patience and, second, they don't always close.

Provided you can prove your personal insolvency and hardship, there are Realtors willing to list your home for sale and spend the many months required to close a sale. Instead of calling individual real estate licensees, I recommend you call real estate offices and ask for a Short Sale specialist.

Not wishing to raise your hopes too high, you should also consider who wants to purchase a property subject to a Short Sale. The answer is - only descendants of the Old Testament character Job. Patience is the quality required, not only for Short Sale sellers, but for Short Sale buyers too.

The seller needs patience because the administrative divisions of the banks and lenders are so slow that just waiting for a return phone call can be frustrating indeed. The banks are not yet up to speed to facilitate Short Sales and, even if you have a contract with a buyer, it can take 3 to 6 months to finalize the conditions under which the bank will take the short payoff on your mortgage. Put yourself in the Homebuyer's shoes. They may think they are obtaining a good deal when you agree to sell your home at \$285,000 but will the transaction close, and when?

Any Realtor representing a buyer is obligated to advise them that purchasing a Short Sale property is contingent on the seller's mortgagor cooperating. Any Realtor representing a buyer is obligated to fully inform the buyer of the risk of the transaction not closing, plus the extended time that may be required before they ever step over the doorstep of their new home. Any real estate licensee representing a buyer must truthfully disclose that it is far easier to purchase a property where the seller has enough equity to pay all fees, closing costs and the balance on their existing mortgage.

If you are short, and need to sell your home, find a Realtor who has closed a minimum of two Short Sales over the last year. Be patient. It can be done. Your worst case scenario is a

foreclosure, which will make it more difficult to purchase your next home, but even bankrupts can be forgiven by lenders, and the Administration in Washington is absolutely determined to preserve home buying as it is a foundation block of the economy. New Government programs will continue to emerge that enable previous foreclosure victims to start over. Whether this is a good thing depends on your political views.

Dear Dave: We are selling our home “For Sale by Owner” and tried an Open House last weekend but nobody showed up. We had an advertisement in the newspaper and a sign out the front of our property. Is there something more we could do to attract buyers?

Answer: In a “do-it-yourself” world, there is nothing wrong with the basic concept of putting your home on the market by yourself, but you can’t become an expert overnight.

The success of an Open House is all about getting traffic through it. Ask yourself three basic questions – (1) How many people know your home is for sale? (2) Did your marketing motivate them to come and see it? and (3) Could someone find your property easily from the directions and signage?

Advertising in the local newspaper is obviously the number one place to promote an Open House – but, in a sea of advertisements, crafting the headline and text is a challenge if you want to be noticed. When calling in your ad, don’t hesitate to ask advice from the newspaper staff who, after all, are producing thousands of similar ads each week. Craigslist is also a highly effective marketing tool for real estate.

Secondly, homemade signs often show a pitiful ignorance of what can or cannot be seen from a distance. How many times have you driven past an enthusiastic teenager waving a ‘Carwash’ sign that was practically invisible? – e.g. yellow writing on a white background. Signs should be brief in text and clear in intent. Black on white is a good basic rule, with a black frame around the outside. To test your signs, and their placement, take your car and see for yourself if you can see and understand them at 35 to 40 mph.

Even Realtors must compete in creatively marketing your property, and they have the benefit of the Multiple Listing Service and the 2000 hungry real estate licensees in the Anchorage Bowl. There are many complexities in a Real Estate transaction too that you may find overwhelming (or deal killing) when it is too late. So don’t underestimate the value of hiring a professional. You can go to court without an attorney if you want. You can pull your own tooth also - but it might be painful!