**Explaining short sales to buyers**

Mr. and Mrs. Buyer share with me what you know about short sales… Allow for response. (they will usually say “they take a long time” “the seller has to be underwater” “they are the best deals on the market” etc)

Well you have some of the story . . . Mr. and Mrs. Buyer in order for you to purchase a short sale property at least 4 things have to happen. May I explain?

**The seller must owe more on the home than the current market value**. This is not difficult in today’s market, so that is usually not a problem.

**The seller must have a hardship**

Short sales are not available for people who have changed their mind and want to get rid of a house just because they feel they paid too much. This is where some pitfalls happen. If the seller’s agent did not properly counsel them, they may think they qualify for a short sale, when they don’t. **We could find this out after you have spent money on an inspection, you have spent money on an appraisal, and you have become emotionally attached to the house.**

In today’s economy it is not that difficult for people to have a genuine hardship, so that is not the major pitfall, and neither is number 3. The third thing that is required is **that the seller can have no money.** This sounds simple, but there are sellers out there that think they can hide their money. The problem is the bank will trust the seller’s documentation until the very end as they prepare for closing they will run a final background check which may discover money that was “moved” to make it seem like they qualify. The seller may also be asked to bring money to closing, which is funny because they have to have no money to do the short sale? Anyway, the seller is sometimes asked to sign a promissory note or bring money to closing. This can be discovered as late as the week or the day of closing, **after you have spent money on an inspection, you have spent money on an appraisal, and you have become emotionally attached to the house.**

The fourth thing is the major pitfall and the place where many short sales go sideways! **The bank or banks must approve of the short sale.** The more loans a seller has on their property the less likely you will be able to execute a short sale. In addition some sellers have not paid mortgage payments for over a year. This causes back taxes, delinquent HOA fees, and other liens to accrue. You may get all the way through the process which may have taken in excess of a year, only to find out the sale is being blocked by delinquent HOA fees, or some other crazy lien**. After you have spent money on an inspection, you have spent money on an appraisal, and you have become emotionally attached to the house.**

Assuming you want to move forward with purchasing a short sale remember these homes often have deferred maintenance and a seller who is unable to complete repairs, so all short sale contracts are customarily “As-Is” contracts. **So are you ready to get started?**