



SHORT SALES OF DISTRESSED PROPERTIES

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With the number of foreclosures skyrocketing across the country as well as here in Central Florida in particular, more and more individuals are buying or selling properties which are in foreclosure or those where foreclosure is imminent. While the thought of dealing with the sale and purchase of these properties may seem daunting, with a little extra effort and knowledge on part of all the parties involved, these transactions can be a profitable area of today's real estate market for buyers and a way to stop a foreclosure and prevent a deficiency judgment for sellers. This article shall provide an overview of dealing with the short sale of distressed properties.

AN OVERVIEW OF SHORT SALES OF DISTRESSED PROPERTIES

First and foremost, when you have a contract on a distressed property where approval of a short sale is being sought, the contract must be contingent on the seller's lender's approval of the short sale and you should immediately seek the advice and services of a closing attorney experienced in such transactions.

While these transactions are not difficult, they are time sensitive and require a great deal of contact and negotiation with the lender and/or the lender's loss mitigation department so it is important to have an attorney involved.

Anyone attempting to buy these properties should also obtain written pre-approval for a loan, as far in advance as possible, because even if an agreement is reached between seller and purchaser, the seller's lender is unlikely to even consider the short sale without the prospective purchaser's showing of pre-approval for a loan in an amount sufficient to make the purchase.

Typically, the short sale process can take anywhere from a few weeks to a few months and a property will need to have been actively marketed for sale for one to six months before a lender will consider a short sale; however, some lenders will make exceptions for this and other requirements on a case-by-case basis. Generally speaking, the process begins with an agreement between seller and purchaser followed by the submission of an entire short sale package to the seller's lender. Compiling the required documentation will require a concerted effort by the seller, purchaser, realtors and closing attorney involved in the transaction.

TYPICAL SHORT SALE PACKAGE

A typical short sale package is comprised of the following documents:

1. A copy of the listing agreement between seller and their realtor
2. A financial worksheet and related financial documents from the seller
3. A hardship letter from the seller indicating the

reasons for their delinquency and the circumstances supporting a short sale/short payoff of the subject property

4. A preliminary settlement statement showing the total proceeds that seller's lender will actually net from the short sale
5. A copy of the fully executed sales contract



- between seller and purchaser
6. Purchaser's pre-approval letter/loan commitment for the purchase; and
7. A Comparative Market Analysis ("CMA") from a realtor (or the lender may arrange their own appraisal/visual inspection of the property) and photos of the property condition.

Again, this represents the typical short-sale package required by a lender but the procedural requirements and required documentation will vary from

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lender to lender. As such, the lender's requirements in your particular transaction need to be determined and adhered to or the process can take even longer or ultimately fail.

After receiving the short sale package, the seller's lender then reviews the net payoff they will receive and approves or rejects the proposed offer, or makes a counter offer. If they approve the offer, then they typically require closing to occur very shortly thereafter and same is the reason why it is important for the purchaser to be approved and ready to close. If they make a counter offer, it is up to the purchaser to accept same and proceed with a prompt closing, or otherwise, reject the counter offer. If the seller's lender rejects the short sale, and further negotiation with the lender is unsuccessful, then a higher offer needs to be sought and the entire process begins all over again with the new offer.

Whether it be in an effort to cut their losses, or the threat of liability for questionable lending practices during the red hot market of years past, more and more lenders are agreeing to take \$.50 to \$.60 on the dollar, sometimes less, on the short sale of a distressed property. The key is to become knowledgeable and familiar with the general process of handling these transactions and educating all parties involved regarding the same.

For more information, please visit www.centralflrec.com.

Please note that all facts above are general in nature and that all cases are unique. Before making a decision on any legal matter on your own, you are advised to consult with an attorney.

Please send your questions to legal@citymasala.com.