

# 5 SHORT SALE MYTHS

Some people will tell you that short sale bank negotiators are terrifying, and that's simply not true. Short sales get a bad rap from agents and, likewise, sellers and buyers, due to a plethora of myths and misconceptions. For every horror story detailing a nightmare short sale, you'll also find success stories.

## Myth #1

**Short Sales take 12 to 18 Months to Close:** The fastest short sale that has been closed has been 62 days. Agents have also been able to represent buyer who were able to step into another buyer's position, after that buyer walked away prior to short sale approval, and close within 28 days. Below is a time frame for an average short sale when the loan is held by a cooperative bank (and is not a former Countrywide loan): Seven to 10 days for the lender to acknowledge receipt of the complete short sale package, which consists of personal seller documents and related real estate items, including the buyer's short sale offer. A negotiator is assigned. An additional 30 to 45 days for a BPO or appraisal. Another 2 to 3 weeks for management/investor review and short sale approval.

## Myth #2

**Short Sale Buyers Pay Too Much:** In some areas, listing agents may deliberately price a short sale below market value. It's a tactic short sale agents use to attract multiple offers. After all, a listed price on a short sale is fabricated, because you won't know how much a bank will accept until the offer is submitted. Many banks will consider a price at a minimum of 90% of market value. Some banks reject short sales because the offers are unreasonable.

## Myth #3

**Short Sale Banks Won't Accept a Severely Discounted Payoff:** Sellers are often astonished to discover that in markets where prices have fallen over a 5 year period, a home might be worth 50% or less of its original value when the seller bought it. Banks understand declining markets. Moreover, banks will conduct their own research about value and come to the same conclusion. The value of the home is not based on the amount of the mortgage; it's based on recent comparable sales.

## Myth #4

**Short Sale Sellers Must Be in Default Before the Bank Will Approve a Short Sale:** Banks approve a short sale based on the seller's hardship and the value of the home. Some sellers may struggle to make the monthly mortgage payment, yet have not fallen behind in their payments. While it is true that sellers in default receive immediate attention, a seller can also pay a mortgage payment on time each and every month and still qualify for a short sale. An added benefit for being current on the mortgage is a seller may qualify under Fannie Mae guidelines to immediately buy another home.

## Myth #5

**Short Sale Is Synonymous To Pre-foreclosure.** With the varying standards implemented by banks, especially with some enforcing time limits for the short sale prior to initiating a full foreclosure, many homeowners believe that a short sale initiative is similar to going through a pre-foreclosure proceeding.

Basically, in a short sale, homes are being sold for lesser their value in order to settle outstanding obligations to the lender.

*This is one of the five short sale myths that need further clarification. Pre-foreclosure on the other hand involves homes that are being prepared for foreclosure due to mortgage payment delays. The fact is that some short sale initiatives are pre-foreclosures simply because homeowners decide on stopping mortgage payments once the property is placed on the market. This normally happens because the homeowner no longer can afford to make payments, don't see an importance in continuing with the payments, or because they have the wrong notion that the bank will approve the short sale faster once the loan comes into default.*

