SHORT SALE

A Step by Step Process

By eHow.com

A short sale in real estate occurs when the outstanding obligations (loans) against a property are greater than what the property can be sold for.

Verify the value of your property.

• If you are selling the property through a real estate broker, your broker will provide you with an estimate of market value. If you are selling the property yourself, do your own market analysis of the area and your property.

Add up all the costs of selling the property.

• If you are using the services of a real estate broker, the broker will provide an estimate of closing costs. If you are selling the property on your own (for sale by owner), call a local title company or real estate attorney and ask, as a seller, what the closing costs will be.

Determine the amount owed against the property.

• This will be the total of all loans against the property.

Do the calculations.

• Subtract the total amount owing against the property from the estimated proceeds of the sale. On a short sale, this will be a negative number.

Contact the lender(s).

• Talk to someone in the customer service department and tell them the situation. They may direct you to a specific department. Talk to a supervisor or manager if possible; this person will have more authority.

Ask the lender what its procedures are for a short sale.

• Some lenders are willing to work with you by reducing the amount owed or making other arrangements. Others will look to the agents involved (if any) or anyone else who's making money off the transaction to see if they are willing to make concessions to make the transaction happen. Still other lenders will tell you that your debt is your responsibility, one way or the other.

Sell the property.

Tips:

• Closing costs will include title and escrow fees (if the seller is responsible for any portion of them, which will depend on your county), attorney fees, a portion of unpaid property taxes, re-conveyance fees, notary fees, delivery fees, documentary fees and/or transfer fees.

• Remember that the amount on your monthly loan statement does not include interest. Interest is accrued until the date a loan is paid off, so you may have as much as 30 days of interest on top of the balance owing, and you'll need to include this interest in the total payoff amount.

Warnings:

• If a property is sold under a short sale, the lender may require the buyer to make up the difference, either through a personal obligation or a collection.

• The IRS often gets involved with short sales, because they are seen as a relief of debt and may be treated as income. Check with your accountant.

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