

SHORT SALE

WORKING WITH YOUR LENDER



A Short Sale Can Stop Home Foreclosure & Save Your Credit.

Nothing is as detrimental to your credit rating as late mortgage payments and foreclosures. If you have fallen behind on your mortgage payments and are facing home foreclosure, you should consider using a short sale to sell your home now and avoid foreclosure.

One of the most common questions that homeowners ask is, "can I still sell my home if I am in foreclosure?" A short sale is simply selling your property for less than what is owed with the permission of your mortgage lender. It is not as complicated as many foreclosure advice experts make it sound, and is one of the best forms of foreclosure help available. There are three steps to closing a short sale: short sale pre-qualification, marketing the property, and closing the short sale.

The first step, short sale pre-qualification, is when you contact your lender and explain that your financial situation has changed and you wish to avoid foreclosure by selling your home. Most lenders have a short sale application that can be faxed or emailed. The application will tell you what documents you will need to gather and submit to your lender in order for them to determine if a short sale is an option. Common documents include paycheck stubs, tax returns, hardship letter, and bank statements. These items show your lender that you are not in a position to repay the loan.

Article provided by Loss Mitigation staff of ILMG.

Once your file has been prequalified for a short sale, you will market the property to find a qualified buyer. This means hiring a realtor and, if you can afford it, advertising your property in your local newspaper or other real estate publications. Remember, you are not trying to profit from the sale or cover what is owed to your lender. You are simply trying to stop home foreclosure and avoid having a foreclosure on your credit history by helping your lender recover as much of the money they loaned you as possible. It is also important to remember that the foreclosure process can be quite lengthy in some states, so don't give up using a short sale to avoid foreclosure just because you do not find a buyer immediately.

Lastly, once you have found a qualified buyer, you will submit your purchase contract and the buyer's credentials (pre-approval letter of proof of funds to close) to your lender. If your lender accepts the offer, then the deal is sent to a title company who will facilitate the closing of escrow. It is also important to order any city or point of sale inspections or other inspections as to avoid delaying your buyer from closing on time.

Once you have completed these steps, you will have stopped home foreclosure and your credit rating will be much better, in most cases, than if you had simply done nothing and lost your home through the foreclosure process. A short sale is a great option to anyone trying to avoid foreclosure.