The 7 Most Dangerous
Short Sale Myths

"Rumour travels faster, but won't stay put as long as the truth."
—Will Rogers

A short sale can be an excellent solution for a homeowner who owes more on their home than what it is worth and has to sell. Unfortunately a number of myths about short sales have developed and it is important to understand the reality of this process if it is a solution that meets your clients' needs.

1. SHORT SALES ARE IMPOSSIBLE AND NEVER GET APPROVED

Nothing could be further from the truth!

- *Are short sales more difficult? Yes.*
- *Do you need to learn a new process? Yes.*
- *Are they impossible?* ***No, No, No!***

Agents with the Certified Distressed Property Expert® (CDPE) designation have undergone extensive training in helping homeowners in distress and processing short sales. The CDPE membership organization nationally is made up of agents who receive thousands of short sale approvals on a monthly basis – don't think for one minute this is an impossible process. While there are no guarantees in any transaction, more and more short sales are being approved monthly.

2. BANKS ARE NOT ACCEPTING SHORT SALES; THEY ARE WAITING ON A BAILOUT

Many have heard this, but the reality is that banks (and the government) are trying to do anything they can, within reason, to avoid foreclosing on property. To think that they would deny a Short Sale in hopes that some future legislation will pass and pay them for their loss is preposterous.

More banks are aggressively pursuing Short Sales and agents (like CDPEs) who understand how to process them. Freddie Mac recently hosted a national training webinar for real estate agents where they expressly stated the organizational goal of "eliminating distressed assets through modification or short sale."

3. YOU MUST BE BEHIND IN ON YOUR MORTGAGE IN ORDER TO NEGOTIATE A SHORT SALE

While it is true that initially some lenders wanted you to be in default (missed a payment) before they were willing to consider a short sale, this trend has almost all together reversed. Today lenders are looking for verifiable hardship, monthly cash flow shortfall or pending shortfall and insolvency.

If your clients meet these three requirements and are in a position where they will soon be unable to afford their mortgage, act now! Don't wait until the countdown clock to foreclosure has started and you have even less time left.

4. BUYERS ARE NOT INTERESTED IN SHORT SALES AND AVOID THEM

This is a myth that agents and potential sellers hear all the time – thankfully this is not the case. In fact many agents are getting calls from buyers who say, "I *only* want to look at foreclosures and Short Sales!"

Short Sales and Foreclosures have become synonymous – not with issues – but with GOOD DEALS. International buyers specifically are interested in these properties.

5. LISTING AS A SHORT SALE IS AN EMBARRASSMENT TO THE SELLER

It is understandable that clients may have reservations about letting the world know that they owe more on their home than it is worth. However, understand that according to recent estimates, 1 out of 7 homeowners in the US is in that exact situation. Your clients are to be congratulated for admitting they need help, taking action, and finding a professional who can work with them toward a solution.

With 40 to 60% of the sales in the US predicted to be Short Sales or foreclosures, they are not alone!

6. THE BANK WOULD RATHER FORECLOSE THAN BOTHER WITH A SHORT SALE

We know you have heard this; you and your clients may have even heard it from an overzealous collections agent working for a lender. The reality is that banks do not want to foreclose on your property. Banks, investors and even the federal government have all publicly said that if a person is qualified for a short sale the deal needs to be considered.

On average, short sales are selling for only 15% below average market price, while REOs are selling for a 32% discount. Short sales make financial sense to lenders.

The qualifications for a short sale are:

A. FINANCIAL HARDSHIP – There is a situation that is causing the homeowner to have trouble affording his/her mortgage.

B. MONTHLY INCOME SHORTFALL – The homeowner has more month than money! A lender will want to see that he/she cannot afford or will not be able to afford the mortgage soon.

C. INSOLVENCY – The lender will want to see that you do not have significant liquid assets that would allow you to pay down your mortgage.

7. THERE IS NOT ENOUGH TIME TO NEGOTIATE A SHORT SALE BEFORE FORECLOSURE

This is a myth that probably hurts homeowners the most. Many don't realize that foreclosure is a process and there is time.

The foreclosing party (in most cases a lender) can stall a foreclosure up to the final day of the process. These days many lenders will stall a foreclosure with as little as a phone call from homeowners letting them know that they are trying to sell. Almost all lenders will stall a foreclosure with a legitimate contract. There is almost always time until the foreclosure process is complete.

Get your CDPE designation and learn how to **UNDERSTAND** today's market, **IDENTIFY** the opportunity around you, **ASSIST** homeowners in distress and **EXPAND** your business today and tomorrow.

Join the Nationwide CDPE Movement today!