

The Ultimate Short Sale Buyers Guide

Secrets for Home Buyers Looking to Buy a Short Sale

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Ultimate Guide for Home Buyers Buying a Short Sale

1. What is a Short Sale?

A short sale is when property sale proceeds fall short of the debt balance secured by the property liens with the owner of the property not able to pay back the full amount of the liens.

Short sales involve the agreement of lien holders to release real estate liens and receive less the owed amount on the debts.

Deficiencies are balances that are unpaid owed to creditors. It is not necessary that agreements of a short sale release borrowers from their obligation to repay loan deficiencies unless agreed specifically between each party.

Often, short sales are utilized as foreclosure alternatives since these mitigate extra costs and fees to borrowers and creditors. Even if a borrower gets a short sale, their credit can still be damaged.

2. Why Home Buyers Should Consider a Short Sale

When you owe a lot of money on your mortgage than the worth of your house, you can't just wait for the rising of property value. To get out of your loan, a short sale might be the best way. There are many advantages to a short sale especially when compared with the loss of your home to foreclosure.

- **Psychological Reasons**

For many individuals, losing their house due to foreclosure carries both a moral and a social stigma. By trying to discharge as much of their financial responsibilities as possible instead of walking away from their mortgages, you might get more satisfaction in the end with a short sale. Although not an easy process because you will need the cooperation of your lender, a short sale is usually worth the trouble. In a short sale, you might also be accountable financially for other things like sale taxes and home equity loans but for most people short sales can still be the best option.

- **Less Damage to Your Credit Score**

This point is debatable. Some sources claim that short sales and foreclosure are somewhat equal when it comes to credit score damage. Other sources claim that foreclosures drop your credit score by two hundred points more than a short sale would. You can limit credit score damage with short sales by staying current on all your mortgage payments until the close of your property. A large part of your credit score is actually based on your timely payment history and missed or late payments will bring down your credit score by a lot of points.

- **Shorter Waiting Times**

Short sales will be recorded on your credit report as a discharged debt not paid in full. For up to 7 years, potential creditors will be able to access this information. With a short sale you might be qualified to buy a house sooner than if you went through a home foreclosure.

It should be noted, under regulations of Fannie Mae, borrowers can buy a house two years after a short sale and five years after foreclosures.

In addition, lenders are more likely to loan future mortgage money to someone who went through a short sale rather than someone whose home was foreclosed. At least short sales show that you were trying proactively to pay off most of your debt rather than merely giving up.

3. Tips for Buying a Short Sale

Short sales mean that the lender of the seller accepts a discount payoff releasing a mortgage that exists. Just because the property is in a short sale listing does not mean that your offer will be accepted even if it is acceptable by the seller.

Here are a few tips when buying a short sale:

- **Checking Public Records**

Before making an offer, do research, your agent can find out whether a notice of foreclosure has been filed, who is in the title and how much is owed to the lender. This is significant due to the fact it helps you determine the amount of your offer.

You could have a problem if there are 2 loans. The 1st position of the mortgage lender is protected by the 2nd lender unless the 2nd lender doesn't want to go through a foreclosure.

In other words, offering \$140,000 on the first and \$30,000 on the second, offering \$140,000 will do nothing for the 2nd. The 1st will need to give the 2nd something to get their corporation.

- **Hiring Short-Sale Experienced Agents**

You will need a short sale agent with experience. If your buying agent has never gone through a short sale, it is one strike against you.

Agents with short sale experience protect your interest and assist in expediting your transaction. You don't want to miss out on details that are important because of inexperience or find out your transactions are not closing on time because no one has followed up in a timely manner.

Seller and Property Short Sale Qualifications

Lenders are not likely to agree on short sales unless sellers have no equity and are unable to repay the differences between the existing loans and the sale price. Sellers need to provide hardship letter to lenders. Sellers might also owe taxes on the debt amount that is forgiven.

- **Submit Purchase Offer and Documentation to Lender**

Once your offer is accepted by the seller, send it for approval to the lender. Until the lender accepts, you don't have a deal. In addition send your lender copies of your earnest money deposit. If the lender asks you for an increase, do not be surprised.

4. General Home Buying Tips

Depending on what state or country you are in, keep in mind that the process of home buying varies. On the other hand, there are a few tips that everyone can follow when buying a home.

- **First, Hire an Agent**

Hiring the right real estate agent is one of the best things you can do, if you want to be spared all the details and documents you might not be familiar with. Plus, you will be able to save a lot of time by hiring an agent because good agents know how to negotiate and get you the best price. Agents have access to all the comparable homes in the area and they can make sure that you do not over pay.

- **Find Your Dream House**

Without a doubt, it can be emotionally draining and a process nothing short of overwhelming to buy a new house. Finding the right house is not a task that is easy and it can be very time consuming.

You might want to look at a maximum of seven houses at one time to keep yourself sane. Finding your dream house that fits in your budget and is in the right location is no easy feat but something you need to do if you seriously want to become a home-owner.

- **Getting a Loan**

You don't always need to have a bank or mortgage broker when buying a home. On the other hand it is always a good idea to get a preapproval of a loan in advance. This way, you can know how much you can afford. You do not want to over extend yourself when buying a home. A loan broker will help you to determine how much you can afford.

6. Knowing When You Are Ready for Home Buying

Whether you are a repeat buyer or a first time buyer entering the home marketplace, the questions you need to ask yourself include:

- Why do you want to buy a house?
- Are you changing your lifestyle or planning to move to a new community?

No matter what your answer is, the more you know about the real estate market, the better it is going to be for you. Once you know the reasons for buying, check to see if you are financially ready to buy a house. You need to know:

- How is your credit rating?

- How much you can afford to put down?
- What will your monthly payments be?

Keep in mind that there are many new loan programs that are innovative and have become available requiring just five percent or less for a down payment. This makes it easier than ever to buy a home.

Therefore, buying a short sale can definitely be a great option for many home buyers. You want to make sure you have done all your home work and you give yourself plenty of time to find your dream home.

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