

# Client Communication



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*"Exceeding your expectations,  
one family at a time."*

## Understanding Short Sales

A short sale occurs when a seller needs to sell their property for less than is owed on the mortgage (s) and the lender allows a release of lien from the property. In most cases the homeowner needs to show a HARDSHIP of either financial, medical, job related, such as a job relocation to approve a short sale. Most times the balance from the short sale is forgiven by the lender or the balance is negotiated as part of the short sale. Each short sale scenario is different, as the lender's decision depends on the seller's financial picture, market value of the property in relation to the purchase offer price, the lender's investor's requirements and their own Foreclosure ratios.

### **Why would a lender accept a short sale?**

A short sale has a better return on investment to the lender than a foreclosure. They are able to cash out of the loan faster than a foreclosure process. Plus they do not have the legal fees which are normally attached to a foreclosure.

### **As a homeowner, why would I choose to attempt a short sale?**

#### Let's face it. Bad things happen to good people.

There are many reasons why homeowners find themselves in a position of default...change in mortgage payments, loss of job, health issues, etc. When you get behind on your mortgage payments, the lender will start the foreclosure process, no exceptions. If the foreclosure takes place, you have ruined your credit for a period of up to 10 years. You can expect your credit score to go down about 200 points\* or more, making it impossible to make any future purchases using credit. A foreclosure is usually a required disclosure you must make on any credit or job application.

The lender may also file a deficiency judgment against you. A deficiency judgment can arise if the lender sells your home at auction for less than the mortgage debt. The lender then holds you responsible for the unpaid portion of the loan. The lender may take legal action to pursue payment, such as garnishing your wages.

A short sale is usually listed as settled debt, and is much less harmful to your credit. You can expect a decrease in your credit score of approximately 50 - 75 points\*. The loan may be forgiven, and no deficiency judgment will be placed against you.

### **Is it true I will be given a 1099-C by the IRS, and will owe taxes on the unpaid loan amount?**

This has been a major concern for homeowners who choose to do a short sale. Previously, the IRS had the ability to consider the forgiven loan amount as earned income, and you could be taxed on that income. However, recently the House Ways and Means Committee voted to remove the phantom income tax that previously haunted distressed homeowners on primary residences. Contact your accountant or attorney for further information on 1099's in a short sale.

### **Who should handle our short sale?**

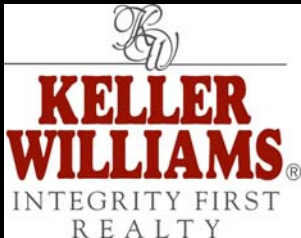
The most important thing to consider when deciding to work out a short sale with your lender is to use a qualified professional to handle the process and negotiations. If the processor is not experienced in the short sale process, the deal can be over before it begins.

A professional Real Estate agent will need to list your home on the market as the first step. Be sure they are aware you are attempting a short sale, and that they have experience working with short sales or experience working with a loss mitigator. The best scenario is to let the real estate agent handle the marketing of your home, and allow the loss mitigator to handle the short sale.

### **What is the short sale process?**

The loss mitigation representative will explain the process and prepare your hardship package. They know upfront exactly what the lender will require when submitting your offer, and will be prepared fully to negotiate on your behalf. Your home is listed by an experienced short sale real estate agent, who prices the home according to market value yet being aggressive in price reductions if no offers are submitted by buyers. Remember, the goal is to bring in a quick offer and to prevent you from going into foreclosure. Once an offer is received, an entire package is presented to the lender, and the negotiations begin.

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## Will the lender always accept a short sale offer?

Unfortunately, not always. However, the more complete and detailed the short sale package submitted to the lender, the better the chances of getting an approval. Our company currently has a 95% success rate on all submitted short sales. The key is a good Short Sale Realtor listing the property, a qualified and very experienced short sale negotiator with a team of experts to handle each and every obstacle which could be encountered.

## Short Sale Negotiation

Short Sale, Foreclosure and pre-foreclosure properties are often a great deal for homebuyers and a particularly profitable opportunity for investors. Now more than ever, nicer and nicer properties are being auctioned off as foreclosure rates skyrocket across all economic levels. Any homebuyer considering perusing the foreclosure offerings will want to keep on their toes and look at several sources to find the best deal.

## What is a short sale negotiation?

A short sale negotiation is done when you make a real estate short sale offer to the mortgage holder and they counter offer you. If the mortgage lender doesn't reject your short sale offer immediately, then the chances are they are interested and it is now a matter of making the numbers right. A short sale negotiation is the process when you make a mortgage short sale offer, the bank counters, and you counter the bank back and so forth.

## How is a short sale negotiation different from other types of negotiations?

A short sale negotiation is not different from other types of negotiations. If you are a good negotiator, you probably will be good at short sale negotiation and convincing the bank to take your mortgage short sale offer.

## What do I need to know in a short sale negotiation?

Besides being convincing in your argument, you need to know what makes the bank tick for a successful short sale negotiation. The mortgage holder wants to get the foreclosed property off their books and take as little loss as possible. So, it is important that you find out as much as possible about what their thresholds are.

For example, in your short sale negotiation, you can ask the bank if your mortgage short sale offer is close to what they have in mind or way off. If you are thinking \$50,000 and the bank is thinking \$500,000 then the chances are you will never make your short sale work no matter how good at short sale negotiation you are. So, try to verify with the bank as much as possible. Knowing what you are trying to achieve (price-wise) is key to a successful short sale negotiation.

## Work with the bank

For a successful short sale negotiation with the bank, you need to work with the bank as much as possible. Communications is key to a successful short sale negotiation. You want to find out what the bank needs to make your short sale deal work. You don't want to keep negotiating on a short sale if you don't know roughly what the bank is trying to get at. Often, when you are talking to a bank officer about a real estate short sale, you can ask them if your short sale offer is close to what they can accept at all. If it is, then you know you can make a short sale case and keep negotiating.

If you think you might be in danger of imminent foreclosure and need a solution to your problems right now go to our web site at [www.TheAzShortSaleExperts.com](http://www.TheAzShortSaleExperts.com) today and fill out our Emergency Help Form.

**You can Short Sale Your Home For Free!  
NO COST TO YOU!!**