



who moves you

SHORT SALE PRIMER

2010 has been coined "The Year of the Short Sale." Not long ago, this was an obscure term that most of us had never heard. Today, the majority of home sales are short sales. In simple terms, a short sale is when a property sells for less than what is owed against it (the mortgage amount). This happens as a result of declining home values.

Following are the four most common questions people have regarding short sales. Disappointingly, the answer to every one is the same: It depends.

CAN THE LENDER PURSUE ME FOR THE DEFICIENCY ON THE LOAN?

Both Federal and State governments have instituted safeguards for borrowers who have innocently found themselves in this situation. In many cases, it will be disallowed by law for the lender to pursue the borrower for the shortfall. However, there are many situations where the law stops protecting the borrower. One example is if the home being sold was purely an investment property.

WILL I HAVE INCOME TAX LIABILITY?

Again, government agencies are imposing temporary protections for borrowers who are in danger of losing their homes. One major component is with regard to the issuance of a 1099 for the deficiency. In the past, the deficiency would be considered regular income and the borrower (or home-seller) would have to pay income tax on this amount. For now, governments have waived this requirement, under many circumstances.

HOW WILL MY CREDIT SCORES BE AFFECTED AND CAN I GET ANOTHER MORTGAGE IN THE FUTURE?

If you stay current with all your other obligations, your credit will hold up better. Also, if the short sale is completed quickly, there will be fewer late charges reported to the credit bureaus, reducing the impact on your overall scores. For the most part, we are seeing people's credit bounce back quickly, provided they are paying all their other bills on time and their credit cards are not maxed out. In terms of getting a new home loan, the FHA will approve new loans after just 18 months and conventional loans can be obtained after 24 months.

HOW LONG WILL THE SHORT SALE TAKE?

Some banks are very quick, while others still take many months. It also depends on if you have one loan or two (or three or four...). The agent who compiles and submits your package, and negotiates on your behalf is a huge factor. We have closed some shorts sales in as little as one month, while some go on for years.

CONCLUSION

More than with any other real estate transaction, experience counts. Only select an agent who is well-versed in these complex and very serious matters. The results may impact you for a long time. Having dealt with over 100 such transactions, we at the Csira Group are always available for a free, confidential consultation.