

Don't Be Afraid of the Wolf

Several months ago, a really nice couple called seeking my help with a Short Sale. Like many homeowners, Jake and Tatum's house had been on the market for almost two years – *without a single offer*. They had asked their realtor to list their property at a price which would incorporate full debt payoff to both the 1st and 2nd mortgage lenders. That decision priced them out of the market.

Jake, a sports injury surgeon, had taken a lucrative job in another town, therefore causing him to uproot his family and leave the home vacant for almost two years. He continued to do right by his creditors and paid the mortgage, utilities, and lawn maintenance every month.

Jake and Tatum owed \$378,000 on their 1st mortgage and \$84,000 on their 2nd mortgage and, realizing that a Short Sale would benefit them, asked their realtor to allow me to negotiate with their lender. The realtor had no desire and zero experience in negotiating with lenders, so she quickly agreed. Together, the realtor and I analyzed the comparable sales in the neighborhood, reduced the price, and within days had an offer for \$315,000 from a qualified buyer.

Jake's main concern, and rightfully so, was the possibility of a deficiency judgment from the lenders. His financial worksheet proved that he *could* afford the payments, and he and Tatum had a fat 401k and a very healthy savings account. But as a negotiator, my job - my top priority - is to protect the homeowner from the lender.

I negotiated a successful short sale with Chase, the 1st mortgage lender which held a conventional loan secured by a private investor, but Citi, the 2nd mortgage lender, wanted Jake and Tatum to sign a promissory note for \$12,000. Yikes! Like I said, my job is to protect the homeowner from the lender, so I went to battle for Jake and Tatum.

Generally, the 2nd mortgage lien holder wants at least 10% of full debt payoff to settle the account, but if the homeowner is in financial distress, I can usually negotiate the amount down (especially if the 1st mortgage is secured by Fannie Mae or Freddie Mac). But in this case, there was no financial distress and Citi knew it.

Since I couldn't prove damage to the house or distress with the homeowner's financials, I had to plead with Citi to do the right thing by their customer. It wasn't Jake and Tatum's fault that the real estate market tanked. Nor was it their fault that the subdivision's values had declined severely in the last two years. Jake had faithfully made payments on a vacant house for almost two years. He had hired one of the best realtors in town, and maintained the utilities and lawn so the house would attract potential buyers. **He did his part.**

Citi didn't care. Every time they told me no, I felt it was because they didn't "*know*" enough about the situation. So I sent them the listing history and the total amount of showings on the home. I added up the amount of mortgage payments made over the last two years and sent copies of all the electric, water, and lawn maintenance bills that Jake had paid to maintain the vacant home. I constantly reminded Citi that Jake and Tatum did everything they could to protect *Citi's* investment.

After almost two weeks of my begging and pleading, the negotiator at Citi finally got tired of the dance. He got tired of telling me no and me not hearing him (I have a problem hearing that word). He agreed to allow the sellers to contribute \$3,000 to settle the account in full, with no worries of a deficiency judgment. Hallelujah! The story ends on a good note.

When negotiating Short Sales - *don't be afraid to ask*. The mortgage lender is not the big, bad wolf. **Believe me, they need you – the investor, the realtor, the negotiator – much more than you need them!** Educate yourself on the rules and guidelines of Short Sales, and don't let the lender intimidate you. And for heaven's sake...always, always, always protect your homeowner.

Now go make some money!