

Don't Short Sell your ability to Short Sell

By: Kim Cook

Have you ever had someone beg you for help and you know that no matter how hard you try, you will not succeed in your efforts to help them? They continue to plead for help, asking you to do the impossible and causing you to pull your hair out in frustration. You don't want to let them down, but more than that, you don't want to waste your time. But they really need help and you really just don't know how to say no, so you agree to give it the old college try. Has this ever happened to you?

Bill and I found ourselves in that position recently when an investor asked us to partner on a property scheduled for the upcoming foreclosure auction. The property, due to be sold on the courthouse steps in 19 days, was saddled with two mortgages. The first, with CitiMortgage, had a balance of \$57,380. The second, with CitiFinancial, had a balance of \$27,643. The after-repaired value of the property was \$120,000. That meant there would be approximately \$36,000 equity in the property after both mortgages had been satisfied.

The investor (let's call him Paul), wanted me to negotiate a short payoff with the second mortgage, thereby creating even more equity in the deal. I tried to explain to Paul that the chances of the second mortgage company agreeing to settle when there was so much equity in the property was slim-to-none. I explained that what is owed on a mortgage, compared to the value of a property, determines whether or not a mortgage company will agree to short sell. I told Paul that I didn't want to waste my time (or his) trying to negotiate a short payoff when I felt certain that the mortgage company would decline my offer.

But Paul was adamant. He had attended my short sale class and had heard me say over and over again that an investor's success depended on his inability to accept the word 'no'. And to my frustration, he kept reminding me of that every time I said 'no' to his request to work the short sale. He wanted to partner on the deal and I, with preconceived notions that the short sale wouldn't work, didn't want to waste my time. After all, I've been negotiating short sales for over five years, and I know what will work and what won't. Or so I thought.

I reluctantly agreed to negotiate the short payoff but told Paul not to hold out much hope. Quite honestly, I was annoyed with myself for caving in to Paul's

persistent pleas for help, and frustrated that he had used my words against me in his attempts to talk me into the deal.

The next morning, I begrudgingly faxed my Authorization to Release Information form to the foreclosing attorney and requested payoff and reinstatement figures. I still felt certain that Citifinancial would not agree to accept my offer, and therefore I really didn't want to give my name to the associate at the attorney's office for fear that they would blacklist me when I neither reinstated nor paid off the loan.

I then called the homeowner and asked her to quickly sum up her problems in a hardship letter. I also asked if she had a checking account and if so, was there any money in it? Realizing that the homeowner was facing a serious financial crisis, I asked if I could provide proof to Citifinancial. I gathered the documents proving the homeowner's insolvency and faxed them to the representative at Citifinancial. I also faxed our contractor's estimate of repairs, proof that the first mortgage had scheduled the property for the foreclosure auction, and our offer to settle the delinquent account.

Due to my preconceived notions, I then sat back and waited for Citifinancial to tell me 'no'. I felt certain that the mortgage company would consider what was owed on the mortgages, compare it to the value of the property and decide to take their chances at the foreclosure auction. If a bidding war broke out on the courthouse steps and the property sold for more than the opening bid, then the overage of funds would go to the junior lien holders.

So I sat back and waited for the inevitable 'no'. But then something strange happened. My own words began to haunt me. ***Don't take no for an answer. Take charge of your own destiny. I am completely responsible for my own success, or lack thereof.*** All of a sudden, I wanted this house. I wanted to help the homeowner. I wanted to prove to Paul that I could make the impossible happen.

I also realized that I was out of time. If I wanted this short sale to be a success then I had better get busy. I began a phone call and fax crusade. I sent Citifinancial comparables of 'handyman' fixer-uppers in the area. I emailed pictures of the damage to the interior of the home. I argued the value of the 'drive-by' BPO appraisal that Citifinancial had received and asked them to please request an interior BPO. I constantly reassured the representative at Citifinancial, telling her that we could close before the scheduled foreclosure sale date and remove the delinquent note from Citifinancial's books. I asked them repeatedly to accept my offer of \$3,000 to settle the account and to please help us help the homeowner avoid a devastating foreclosure on her record.

One week later, sheer determination and a desire to succeed finally reaped rewards. Our acceptance letter from Citifinancial rolled off the fax machine and Terrah, Bill and I ran through the office doing a happy dance! We closed on the house the Friday before the scheduled foreclosure sale, thereby purchasing the property valued at \$120,000, with a mortgage balance of \$85,023, for the sweet price of \$60,380. We saved the homeowner's credit from a horrible foreclosure and proved to Paul, the investor who wouldn't take no for an answer, that the impossible can be accomplished.

What's the old saying? See it, Think it, Believe it, Achieve it! Don't ever give up the fight!