

Tips for a Successful Short Sale

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In the world of real estate investing, an investor will receive countless phone calls from homeowners in distress who have no equity in their homes, or worse yet, are 'upside down' in their mortgages and are unable to sell. It's the savvy investor familiar with the Short Sale process who will be able to help these homeowners avoid foreclosure.

A Short Sale is not an exit strategy; rather it is just another tool to keep in your investor toolbox. Following is a brief overview of information and documents you will need to successfully negotiate a short sale.

Gather information on your first visit:

When you make the decision to help a homeowner in distress by negotiating a Short Sale with their mortgage company, gather as much information as possible on your initial visit. It costs you precious time if you have to continually make trips to pick up additional information from the homeowner.

Some of the information you will need for a successful Short Sale:

- Signed Purchase and Sale agreement (leave purchase amount blank)
- Authorization to Release Information form (one for each mortgage or lien)
- Proof of Funds letter
- Mortgage company's phone number
- Homeowner's mortgage account number
- Junior mortgage(s) or lien(s) information
- Hardship letter (written by homeowner)
- Proof of hardship (doctor bills, job loss, etc.)
- Financial information from homeowner
- Tax records, bank records, and check stubs
- Pictures of house (35mm and/or digital)
- Summary of damage to property
- Contractors estimate of repairs

Build your case:

1. Justify your offer to the mortgage company with as much information as possible. Fax your offer (P & S agreement) and the Authorization to Release Information form to the Loss Mitigation workout department. Include the amount of your offer on the Purchase and Sale agreement. **Handy Tip: Make copies of the first page of the P & S agreement – before you fill in the amount - for your counter offers.** Make sure to keep the Loss Mitigation fax and contact numbers in the file, as you will need to call continually to confirm this information is being processed.
2. Ask the mortgage company representative for their Short Sale packet and have the homeowners fill it out completely.

3. Fax completed Short Sale packet, along with all tax and bank records to the Loss Mitigation Representative assigned to your account. Make copies of packet and, along with pictures, comparable sales and any other information that will support your offer, Fed-ex to the Loss Mitigation Rep. This package should contain any and all information that will build your case and support your offer to settle the account. Pictures say a thousand words, so the more property damage your pictures show, the better it is for your case.
4. Keep copies of everything in a file. Your Loss Mitigation Rep will ask for your offer on a HUD-1 statement. (If you do not have a fillable HUD-1, then ask your attorney to complete the HUD-1 Settlement Statement for you. A fillable HUD-1 is included with my **Big Profits in Short Sales Manual**.) Make sure that your offer includes taxes, closing costs, and any other expenses (including any junior mortgages and/or lien payoffs).
5. Ask the Loss Mitigation Rep to schedule a BPO (Brokers Price Opinion) appraisal, using you as the contact. **You will want to meet the BPO agent at the property.** Explain to the agent that the homeowner is in distress, and you are working with the mortgage company to settle the defaulted account. Provide the agent with the list of damages to the property, the contractor's estimates and comparables to support your offer.

From here on out, it is a game of patience. Following are a few handy tips to insure your Short Sale to a successful close.

Handy Tips:

- Call, email, or fax the Loss Mitigation Representative assigned to your case on a daily basis. This is done to insure that your Short Sale stays a priority to him/her. (** I put hearts, flowers, silly cartoons, kisses, etc. on my daily faxes. I want my fax to stand out among all the others.)
- You have two main objectives: Advise the mortgage company of the homeowners hardship, and convince them of the 'as-is' value of the property. You want the Loss Mitigation Rep to see the homeowner as a 'person' rather than an 'account number'. Make them feel the homeowner's pain. You also want to prove the 'as-is' value of the property. Remember, when the mortgage company schedules a property for the foreclosure sale, they deem the value of the property by considering the field inspection reports and the appraisal from the loan origination.
- Once you have convinced the Loss Mitigation Rep of the hardship, begin to convince them of the benefits of accepting your offer to settle. Make sure your initial offer is lower than the amount for which you are willing to purchase the property. This will give you some negotiating room. Send all counter offers on a HUD-1 Statement. Remember to include a new proof of funds letter that reflects the amount of your counter offer.
- When sending your Short Sale package to the Loss Mitigation Representative, include anything that will help build your case. If there are other foreclosures in the subdivision, then send the legal notices from the newspaper, along with the distance of these foreclosures from your target property.

- Send pictures to verify damage to the property and to validate your repair cost. (**We included a piece of carpet from one home - filled with the pungent odor of four dogs, a questionable amount of cats, and fleas trained to jump on the unsuspecting Loss Mitigation Representative. The Rep didn't find it funny, but we got our point across.)
- When you have successfully completed your Short Sale, make sure to send a thank you card to the Loss Mitigation Representative and his/her supervisor. (**We also send flowers and a gift certificate to a local restaurant.)

Prove your case, validate your offer, and don't take no for an answer. Educate yourself on the Short Sale process. The rewards are priceless!