



JACK CONWAY

RE78R13: Short Sales

**Presented by Bonnie Stiner
Andy Bulman & Sarah Gomes**

Requirements

- Camera needs to be on the whole 2 hours
- We will be doing polls since there are so many of you.
 - Please enter your name etc. on the poll or put it in the chat

How many people have
participated in a short sale

What is a Short Sale?

- Sale where proceeds are insufficient to pay liens and expenses
- Also known as 'Underwater Loans'
- Three-party transaction: Seller, Buyer, Lender

Why Do a Short Sale?

- Avoid foreclosure
- Reduce impact on seller's credit
- Regain financial control
- Preserve other assets

Negotiating the Short Sale

- Seller authorization required to contact lender
- Work with Loss Mitigation departments
- Identify lender requirements
- Prepare financial & hardship packages
- Negotiate with multiple lien holders
- Commission is negotiable
- Fannie Mae limits >6% cannot be compromised
- Possible relocation assistance

Role of the real estate agent

- Price property accurately
- Market property appropriately
- Disclose short sale status clearly
- Communicate with all parties consistently
- Manage expectations and timelines

Role of Attorney & AG

- Attorney assists with negotiation & legal review
- Attorney General's Office (HomeCorps) may be involved

Broker Price Opinion (BPO)

- Used to determine property value
- If higher than offer, lender may reject
- Short sale comps vs market comps

Types of BPO

- Drive-by: exterior estimate
- Interior: includes condition and repairs

What do you think the number
1 reason for rejection is in a
short sale?

Reasons for Rejection

- Incomplete loss mitigation package
- Offer too low or weak buyer financials
- Undisclosed seller assets
- Out-of-state lenders unfamiliar with MA laws

Challenges in Short Sales

- Subject to third-party approval
- Must disclose short sale in contracts
- Uncertain timelines
- Buyer flexibility required

Tax Issues

- Deficiency may be taxable income (1099)
- CPA consultation recommended
- Mortgage Debt Relief Act of 2007 (expired unless extended)
- Massachusetts MDRA

Seller Options

- Reject if payoff unacceptable
- Consider bankruptcy
- Lender may pursue deficiency or forgive debt

Scenario

Seller owes: \$520,00

Market value: \$475,000

Two Mortgages: First \$450,000; Second \$70,000

Estimated shortfall before closing costs: \$45,000

After taking this course, how confident are you in handling a short sale transaction?



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