

How to Prepare for a Short Sale

A short sale is one where the net proceeds from the sale won't cover your total mortgage obligation and closing costs, and you don't have other sources of money to cover the deficiency. It's significantly different from a foreclosure, which is when your lender takes the title of your home through a lengthy legal process and then sells it directly. A short sale is sometimes the route sellers take to avoid foreclosure.

Consider loan modification first.

Contact your lender to see if it has programs to help you stay in your home. You may be able to refinance your loan at a lower interest rate, switch to a different payment plan to help you get caught up, or secure a temporary forbearance period.

Hire a qualified team.

Find a qualified real estate agent and a real estate attorney who both specialize in short sales. Interview at least three candidates for each and look for prior short-sale experience. Find people who will advise you in your best interests. A qualified real estate professional can give you accurate pricing advice through a comparative market analysis or broker price opinion. The team will also be able to expertly market the home, negotiate complex contracts with buyers, and ease the process of working with your lender(s).

Prepare a short-sale package to send to your lender(s) for approval.

You can't sell short without your lender (and any other lien holders) agreeing to the sale and releasing the lien so that the buyers can get clear title. This is another task where your team will be indispensable.

Gather documentation before offers come in.

Your lender requires several documents in order to consider a short sale. This package accompanies the offer, typically including:

- A hardship letter detailing your financial situation and why you require a short sale
- A copy of the purchase contract and listing agreement
- Proof of your income and assets
- Copies of your federal income tax returns for the past two years