

## Buying a Short Sale House

It seems like many people have heard the term “short sale,” but few know what it really is. If the idea of pursuing a short sale house intrigues you, you’re not alone. Short sales can result in bargains for buyers, but the process takes patience.

The personal financial website Bankrate defines a short sale this way: A short sale is when a house is sold for less than what the homeowner owes on it, and the lender or lenders don’t get all their money back. Short sales only occur with the lender’s permission when a home’s value has declined and the mortgage holder owes more than the home is worth. The homeowner not only has no equity, but in fact has negative equity.

Because the market is flooded with short sales, there’s a good chance you’ll run across more than a few anywhere in the U.S. But because the negotiations take time, many find the process — which typically takes four



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to six months — stressful to endure.

However, if you possess the right amount of fortitude, buyers can reap great rewards from a short sale.

It’s wise to remember that simply because a seller isn’t profiting from the sale doesn’t mean they’ll take the first offer that comes along. Bidding wars often erupt

before an agent can present the seller with the best offer. Top dollar doesn’t always rule the day either, as terms and financing play an important role.

While you can wind up with a great home at below market value, there are downsides to short sales. The Federal Home Loan Mortgage Corporation, also known as Freddie Mac,

outlined these pitfalls to consider before deciding to bid on a short sale:

**Short sales may take longer to close.** Lien-holders may need to approve the short sale and that takes time, so if buyers are on a timetable, a short sale may not be ideal.

**Short sale properties are often sold on an as-is basis, meaning the sellers won’t**

**make any repairs to the property.** The buyer may also incur higher closing costs because the approving lender usually won’t pay for any extras, like inspections.

**Sellers may have to pay money at closing or agree to an unsecured debt to have the sale approved.** If the seller balks, the sale may still fall through.



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### REAL ESTATE 101



#### Short Sales can Benefit Sellers

Short sales can be a win-win for buyers and sellers. The benefits can be obvious to the buyer, but sellers can also walk away from short sales with a sense of relief. When a seller is faced with foreclosure, a short sale can rescue them from that fate and protect credit scores. They also save on sales fees, such as commissions.

#### HOMESWISE GLOSSARY

**Lock in:** an agreement in which the lender guarantees a specified interest rate for a certain amount of time at a particular cost.

SOURCE: MLS.com

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