

August 18, 2008

Short Sales 101 for Buyers

As a buyer watching the real estate market, you are undoubtedly aware that there are more "short sale" properties on the market, at least in many areas. A short sale is a home where the market value of the property is LESS than the loan amount owed to one or more lenders. And buyers often believe that these are the best deals, along with foreclosures. In the Intermountain MLS that encompasses South Central to South Western Idaho, **26% of pending deals are short sales and 10% of all listings are short sales with MORE TO COME.** Short sales are and will be a way of life in the real estate market for the next two to three years.

Don't be scared off by these short sale properties as they may turn out to be a **great deal for you.**

**But you need to know a few things before you decide IF you want to pursue a short sale purchase:**

- I. Be prepared for a short sale to take more time (total time may be 60 days – 90 days) - **this is one of the biggest complaints from buyers. If you do not have the patience, don't go down the path of buying a short sale.**
- II. It is **CHEAPER** for the bank to **consummate a short sale** than take the property back as an REO.
- III. You as the Buyer are much better off engaging with a Buyer's agent who is a **Certified Short Sale Specialist™** than talking directly to the Seller's Agent. The Seller's Agent is **representing the Seller, not the Buyer and will not do the Buyer any favors.**
- IV. A seller must disclose if the home either **IS** a short sale or likely will be due to the market value.
- V. A short sale **MUST** be approved by the lender. Even though a seller might accept your offer, it will be subject to approval by the lender
- VI. Lender will (likely) send out an appraiser to evaluate the property in light of recent sales - they are looking for market value, too, and you cannot expect a short sale to be a fire sale (**i.e., it may NOT be a great deal after all**)
- VII. Lender must receive hardship letter and other required documents from the seller in order to approve a short sale
- VIII. Lender will likely have a checklist of requirements and paperwork required for the short sale process
- IX. Lender will likely request that the sale be "as is" and due to hardship will probably not approve any credit for repairs

MICHAEL HON  
BROKER – MBA, GRI  
CERTIFIED SHORT SALE SPECIALIST™  
INVESTMENT PROPERTY CONSULTANT



If you are making an offer:

1. Make sure you make the offer contingent on the short sale being approved by the lender and set a time frame for approval
2. An addendum form is advised to outline the short sale contingency terms and conditions
3. A letter to the seller is also advised requesting written confirmation that the lender has received the hardship letter and other documents as part of the short sale application
4. There is a good chance there will be more than 1 offer
5. It is still prudent (I would say it is ESSENTIAL) to conduct a home inspection even though the lender will probably require an "as is" sale - you still want to know what you are buying and what repairs need to be made

Be sure to discuss issues and questions with your agent before proceeding, preferably someone who has some experience with short sales or is a **Certified Short Sale Specialist™**

I would NOT recommend taking on a short sale purchase without representation by a qualified, knowledgeable licensed agent who is a **Certified Short Sale Specialist™**. There is too much at risk for you, the buyer. And remember, the listing agent represents the seller's interests, not those of the buyer.

Michael Hon  
Broker – MBA, GRI  
Certified Short Sale Specialist™  
Investment Property Consultant  
Iron Eagle Realty

Footnote: Sections IV through IX and Sections 1 through 4 of this information were re-published with permission from an article by Jeff Dowler of Re/Max Associates in Encinitas, CA. [Click here](#) to link to the complete article.

1159 E. IRON EAGLE DR., STE 170  
EAGLE, ID 83616  
208 919 0458  
[MICHAEL.HON@IRONEAGLERE.COM](mailto:MICHAEL.HON@IRONEAGLERE.COM)  
[WWW.IRONEAGLERE.COM](http://WWW.IRONEAGLERE.COM)