

QUESTIONS TO ASK

Before Making a Short Sale Offer

If a home is being sold for less than what the current owner owes on the property—and the seller does not have other funds to make up the difference at closing—the sale is considered a **short sale**.

A short sale is different from a foreclosure, which is when the seller's lender has taken title of the home and is selling it directly. Home owners often try to accomplish a short sale in order to avoid foreclosure. But a short sale holds many potential pitfalls for buyers. Answering these questions will help you determine if a short sale is a good fit for you.

Are you very patient?

Even after you come to agreement with the seller to buy a short-sale property, the seller's lender (or lenders, if there is more than one mortgage) still has to approve the sale. When there is only one mortgage, lender approval typically takes about two months. If there is more than one mortgage with different lenders, it can take four months or longer. If you make an offer tremendously lower than the fair market value of the home, the lender could make a counteroffer, which will lengthen the process.

Is your financing in order?

Lenders like cash offers. But even if you can't pay cash, it's important to show you're well qualified. If you're preapproved, have a large down payment, and can close at any time, your offer will be viewed more favorably than that of a buyer whose financing is less secure.

Do you have any contingencies?

Lenders like flexible terms. If you must sell a home before you can close, or you need to be in your new home by a certain time, a short sale may not be for you. Also, you will most likely be asked to take the property "as is." Lenders are already taking a loss on the property and may not agree to requests for repair credits.

Can you take rejection?

Even when a lender approves a short sale, it could require that the sellers sign a promissory note to repay the deficient amount of the loan, which may not be acceptable to some financially strapped sellers. Lenders also can change any of the terms of the contract that you've already negotiated, which may not be agreeable to you.