

HOW TO

Navigate a Short Sale

Be prepared for a lengthy waiting period.

Even if you're well organized and have all the documents in place, short sales can still be a long process. Waiting for your lender's review of the short-sale package can take several weeks or even months. The length varies by lender and location, but these benchmarks can put your situation in perspective:

- If you have only one mortgage, the review often takes about two months.
- If you have a first and second mortgage with the same lender, the review can take about three months.
- With two or more mortgages with different lenders, it can take four months or longer.

Your real estate professional and attorney, with your authorization, can work with your lender's loss mitigation department on your behalf to prepare the proper documentation and speed the process along.

When the bank does respond... it can approve the short sale, make a counteroffer, or deny the short sale. The last two actions can lengthen the process or put you back at square one.

Don't expect a short sale to solve your financial problems.

Here are some post-short sale conditions to keep in mind:

- Your lender may ask you to sign a promissory note agreeing to pay back the amount of your loan not paid off by the short sale. If your financial hardship is permanent and you can't pay back the balance, talk with your real estate attorney about your options.
- Any amount of your mortgage that is forgiven by your lender may be considered income, and you may have to pay taxes on that amount.
- Having a portion of your debt forgiven may have an adverse effect on your credit score. However, a short sale will generally affect your credit score less severely than foreclosure or bankruptcy.