



Short End Of A Short Sale

Dear Dave: We wrote an offer in June 2020 on a "Short Sale" property and it is still not closed. Is this a common problem with short sales?

Answer: A short sale exists when someone is trying to sell their home but will not make enough money from the sale to pay off their existing loan (or loans plural).

If any existing liens cannot be paid off, whether it be a Deed of Trust, Municipal Taxes, IRS lien or even a Mechanic's lien for contracting work not paid, you cannot receive Title to the property even if you, the buyer, did everything right. The only way for you to successfully acquire a short-sale property is if the beneficiary of the existing deed of trust, usually a bank, agrees to accept an amount "short" of what they are owed.

Some financial institutions

are faster than others to make this decision but I will tell you now that "Short Sale" is equivalent to "Red Flag" for me. Financial institutions are completely distant emotionally when you are trading with them. That, and the bureaucratic procedures involved to get answers, can be very frustrating.

I have a short sale listing coming up that has been vacant for some time now, with the predictable freeze-up damage, and the financial institution that is agreeing to sell and take a hit on the previous loan is still trying to resolve issues over the damage to the property. The Lender, behind the scenes, may still be negotiating with the owner to pay up or even pledge future permanent fund dividends or garnishees to contribute to the loss. They may have actually begun foreclosure proceedings where they will, themselves, become the new owner. This is a messy business, now exacerbated by the pandemic and employees operating from home.

Once foreclosed, properties are a little easier to buy because the owner is now the bank and they will nominate the price acceptable. In a short sale, before foreclosure, you cannot be sure what that acceptable price will be.

In any event, before writing an offer on a short sale or foreclosure property, insist on detailed information about the existing liens and status of the agreement between the seller's D.O.T. beneficiary and the listing licensee. Otherwise, you could easily end up on the short end of a short sale.

Dave

Windsor

