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SERVICES

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## Common Short Sale Misconceptions

**Q. How long do short sales take?**

**A. No easy answer to this one. The average is 90 days from offer to acceptance. But often we can get them approved in as little as 4 weeks. It all depends on the specific lender we are dealing with. You have Wells Fargo and AHMSI that can be as quick as 4-5 weeks on the low-end of the spectrum...and then you have Bank of America that is a minimum 6 months on most short sales at the other end.**

**Q. Will the bank cut the commission?**

**A. Once again, it depends. If the loan being shorted is FHA, Fannie Mae, or Freddie Mac and there is no second mortgage, 6% is an acceptable commission. These account for a HUGE majority of loans. However some other lenders are not so nice and if they are in second position they can require a cut in commission to approve a short sale, even though the extra money goes to the first mortgage not the second. I know, it makes no sense what so ever. But it's their "rules".**

**Q. Do all offers have to be presented to the lender?**

**A. No. All offers must be presented to the Seller. They decide what gets sent to the lender for review. And like any other transaction, they can only sign one offer. Unless that offer is no longer valid, they cannot sign another one.**

**Q. Is there any way to shorten the length of time a short sale takes?**

**A. Yes. If your negotiator already has authorization on file with the lender and the seller already has all their documents ready to go when an offer is**

received, you can save 7-21 days easy on the process. Wait to do all that, and the buyer will already be getting happy feet before you ever get the short sale package to the lender. After that, diligent follow-up is key.

Follow up at least once a week even if you do not expect there to be any new notes on the file. You can often find out the lender wants some new or updated information from the agent or the seller but has not let you know it yet.

**Q. Does a property with 2 mortgages take longer or is it more difficult to short sale?**

**A. Not necessarily but there is a chance. Often times we can have an approval from a second mortgage before the first has made a decision. That is because most of the time the second mortgage will not order their own BPO. If they know that the 1st is taking a discount then they know that their loan is totally unsecured. However that approval may make the deal more complicated. Most second mortgages are demanding at least 10% of their principal balance to accept a short sale. However most 1st mortgages will only pay up to \$3,000 to the second in a short sale. So if the second mortgage balance is over \$30,000 there may be an issue. Also certain lenders are asking for ridiculous sums of money to accept short sales when in second position, especially if the debt has already been charged off. This is very lender and loan specific, but knowing the tendencies of the lenders before an offer comes in is key to getting these to closing.**

**Q. I just got a call from a seller that needs a short sale. When should I get a negotiator involved?**

**A. Right away. We will help you to be sure to add the proper contingencies to the listing and on the MLS. Along with set the proper commission and answer your and sellers questions. We will also get the authorization in to the lender and get the proper documents to the seller so they can get started gathering the required paperwork to be included with the offer. We will also help you to formulate an effective pricing strategy to sell the property as quickly as possible but at the same time, prove to the lender that the property could not have gotten a higher price.**

**Q. What should I offer as a cobroke?**

**A. I have gotten conflicting information on this topic. I have gotten guidance from the state board of realtors yet other brokers have gotten conflicting answers on the same topic. Therefore you must ask your broker how they want you to handle this. We have been told that making the**

commission contingent on lender approval is acceptable yet may not stand up in arbitration. So leave that decision to your broker so you are covered.

**Q. Do I need to be an expert in short sales to take a short sale listing?**

**A. If you plan on negotiating it yourself you better be. Yet if you are going to involve a licensed expert negotiator then the answer is No. We are here to make sure you don't cross any lines and that the seller knows there options fully before proceeding. Like you are always taught in P & P, to cover your but, defer to the expert, don't be the expert.**

**Q. My seller has had a foreclosure filed against them. Is it too late?**

**A. Maybe, maybe not. Depending on if a foreclosure date has been set and how close and what kind will determine whether there is time to sell the property to avoid foreclosure. Also if it is, or is not a short sale makes a difference. This definitely a case by case answer and one we can answer for you when you need it. But remember that these days' foreclosures are taking at least 90 days and if the sellers participate in the mediation process, it can stretch the process out quite a long time.**

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