A Short Sale Defined

Who, What and Why

Short sales, often known as pre-foreclosure sales, occur when a home sells for less than the balance owed on the property. When the costs of the sale, including the mortgage payoff, customary closing costs, repairs, commissions, etc., will not be covered by the current value of the home, or what a buyer is willing to pay for it, the transaction will be "short" of the total finances needed.

In a short sale, the home owner still owns the property but must get approval for the sale from any banks or debtors owed money that is secured against the property. The bank(s) must agree to take a loss and accept less money than owed by the seller at closing. ***Many parties can be involved in a short sale including:***

- **Seller,** or current owner of the home
- **Lender(s)** who holds the mortgage or loan note due on the property. There can be more than one lender involved if there is more than one loan on the property.
- **CPA,** a professional tax accountant who can help you evaluate any tax impact based on your loan type and situation.
- **Loss Mitigator,** often a case manager and/or their team assigned by the bank to handle the process of the short sale
- **REALTOR®(S),** your agent guiding you through the process and helping you achieve the best possible outcome, and possibly a buyer's agent, who will also assist in this process.
- **Title, Escrow and/or Attorneys** helping handle the money transfers, final paperwork and other aspects of the transaction
- **The Buyer** who is working with all parties to purchase the home

A seller going through the short sale process must work with the bank in order to receive approval. A seller will be required to provide information showing their distress and need for a short sale option. Each bank will have different policies and processes that the seller, and REALTOR®, will work through together. Short sales typically require more time and patience to close but can be a good option for a homeowner needing to get out of a tough financial burden.