

Short Sale Process

As if selling a home is not hard enough, many California homeowners face the added challenge of selling short. To do as short sale, you have to find a buyer and convince your mortgage lender to accept a loan payoff of less than what you owe. A short sale can get thorny and complicated, but understanding the process will help you manage your expectations and improve your chances of success. To get you started, here's a brief overview of the typical, traditional short sale process:

STEPS DESCRIPTION

1. **Hire a REALTOR®.** The first step in the short sale process is to hire a REALTOR® to represent you in selling your property and negotiating with your mortgage lender. Your REALTOR® may meet with you to preview your property, discuss your particular circumstances, and offer different strategies as how to best proceed.
2. **Contact Your Lender.** You may authorize your listing agent to contact your mortgage lender on your behalf to determine the lender's short sale requirements. Many lenders require that you enter into a contract to sell your property before submitting your short sale request, but there may be a growing trend for lenders to pre-approve short sales.
3. **List Your Property For Sale.** You may maximize your marketing efforts by listing your home for sale with your REALTOR®. Getting a good price and a good buyer for your property helps to ensure your lender will approve your short sale request. Your REALTOR® may help you to, among other things, get your property ready for showings, advertise and market your property for sale, conduct open houses, and interface with prospective buyers and their real estate agents.
4. **Enter into Sales Contract.** If a buyer is interested in purchasing your home, the buyer will write an offer to purchase which you may accept contingent upon, among other things, your mortgage lender's approval of a short sale.
5. **Submit Request to Lender.** You may prepare a short sale package for submission to your lender. A short sale package generally includes information about you, your financial situation, your property, and your sales transaction. Your lender may require you to submit a hardship letter explaining the reasons you are unable or unwilling to repay your mortgage loan. You may have to obtain a short sale approval from any creditor with a security interest in the property you are selling (such as first trust deed, second trust deed, judgment lien, or federal tax lien).
6. **Obtain Short Sale Approval.** After you've submitted your short sale request, the lender's response generally takes many weeks to many months. If your lender approves your short sale request, carefully review the terms and conditions of that approval. The short sale approval may have an expiration date. Also, some lenders may agree to release the real property as security for their loans, but not to release the seller from personal liability for the underlying unpaid debt.
7. **Perform on Sales Contract.** Depending on your agreement with your buyer, you may arrange to notify the buyer of the short sale lender's approval before the buyer starts to perform on the sales contract by, among other things, submitting the good faith deposit into escrow, getting the property inspected and appraised, obtaining financing, and proceeding to close escrow.
8. **Close Escrow.** Towards the end of your transaction, you will generally go into the escrow office to transfer title of the property to the buyer. In the meantime, the buyer goes into escrow to deliver the funds for the down payment and closing costs and sign loan documents for the funding of the buyer's loan if any. The sale is consummated and the escrow officer disburses all funds accordingly.

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