



Dear Reader and Friend,

I hope the information was helpful to you. The reason I wrote this is that I don't want to miss any points because I know this is your **WORLD** and you are relying on me to give you the very best advice I can.

I sincerely appreciate the opportunity to be your trusted real estate investment advisor and resource.

Best Regards - Lets talk Soon,

SFladhammer

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The ‘Short Sale’ Explained

WARNING:

Many ‘me-too’ investors and desk-jockey agent have raised their hand to do short sales for troubled borrowers. The problem is they just started doing short sales since they have been growing in popularity.

At EZhomebuyers ®, we’ve been doing short sales and working with banks since 1997. We understand that possible foreclosure can be painful so we have a proven system that makes it confidential, discreet and easy.

We provide you with a quick and easy sale; without the normal costs and headaches of the old school selling process.

For an in-depth look t avoiding foreclosure visit our website: www.AvoidAnyForeclosure.com and order our classic eBook “Avoid Any Foreclosure”



What is a Short Sale?

A short sale is when a homeowner facing foreclosure sells his or her property for less than what is owed to the mortgage lender. The sale has to be approved by the lender.

Short sales have become very popular. There are several reasons why they are so prevalent right now. In some instances, homeowners with adjustable-rate loans can't make the payments when their interest rates rise; others fall behind because of job loss; others because of a divorce or sickness.

A lot of homeowners have seen their homes values drop and when they want to refinance...

The surprise hits them square in the face.

Their home can not be refinanced because the appraisal for the refi is below what you need to refinance the entire loan.

What are the advantages and disadvantages of a short sale?

A short sale will be less damaging to your credit score than a foreclosure. Just try to have a normal life with a foreclosure on your record...it's almost impossible to rent, finance a car, apply for future job applications....



Simply put, you will be paying through the nose next time you want to finance a car. Sure they will give you a loan to buy one but, you will be paying astronomical payments

If you are a **buyer** looking to cash-in doing short sales, it's not necessarily a time to "steal" a property. Lenders aren't stupid, they want to get market value for their properties, not give them away.

There is a balance just like other types of investing in Real Estate. A short sale could be your best tool to acquire great bargains out there but you must have patience, perseverance and a good real estate investor on your side.

When is a Short Sale an option for you?

The Home's Market Value Has Dropped.

The bank will do a REO appraisal commonly known as BPO's. The property has to appraise LOWER than what you owe to the bank.

The Mortgage is in or Near Default Status.

Sometime lenders will consider a short sale if the payments are current: you will just have to prove to them that a short sale is the only option for you besides a foreclosure.



Typically a homeowner has to be 30 days or more late on their mortgage payments for a lender to start paying attention to you. Occasionally there are times when a short sale is possible at the last minute, even when a foreclosure date has been set by the court.

The Seller Has Fallen on Hard Times.

The Seller must submit a letter of hardship that explains why the seller can no longer be able to pay for the loan.

A few examples that do not qualify as a hardship: bad purchase decisions like the lease of a Mercedes or purchasing a plasma TV.

The bank isn't going to be happy losing money on your home when you clearly put yourself in a bad situation by indulging in high-ticket items.

Another example that will not qualify for a short sale is being unhappy because your home's equity simply disappeared and you feel that owning your home isn't on your future plans any longer.

You took a chance when you purchased your home. For the most part a real estate purchase **still is** a sound decision in the long run but if your finances did not change and the only thing that different is the value of your home. Just swallow it and go on.



The Seller Has NO Assets

The lender will need to see a financial statement. They will also require you to present them with a copy of your tax returns plus copies of your checking and savings account.

If you have \$50,000 in a 401K and/or savings, stocks, bonds or retirements accounts, chances are that the lender will question as to why are you applying for a short sale if you have money to pay the difference.

To make it easier, I always ask my clients before taking a short sale: “if you have more than \$10,000 laying around, perhaps a short sale may not be a good option.”

I repeat: the bank will not lose any money to sell your home if you have money in other assets. Being fair and truthful to the bank will always get you better results.

Many of our APPROVED SHORT SALES have this language in their “Instructions to Close” letter: “The seller **SHALL NOT** profit from the sale of the property and/or absolutely no money to the seller at closing...”

Not even a penny!



Selecting a real estate investor with a background and experience



This is probably the most important step by the seller:

Choosing the **RIGHT real estate investor** to represent you and do the job right! The process of a short sale is complicated and time consuming. A **real estate investor** that does not have the experience to do them will be better off referring that client to one that does...

A sign that a real estate investor isn't the one to do a short sale is when they will ask you for the listing to be signed without any questions or verifications that you may qualify for a short sale.

Please understand this is a new industry for all Realtors. They have been forced to do short sales by the current sub-prime mess. Very few Realtor are even qualified to do one.

A knowledgeable and experienced real estate investor will have systems in place and know exactly what to do and when.



A knowledgeable and experienced real estate investor will ask you to furnish a number of document—closing documents, income tax returns, bank statements, paycheck stubs, in addition to other documents.

All these supporting documents and your current situation will be scrutinized the investor.

A foreclosure is looming on your record.... You should make sure you have the right agent to handle your short sale to avoid it.

REMEMBER... You are trying to SAVE YOUR HIDE!

Demand good service.... Your family's future is at stake!

Demand A knowledgeable and experienced real estate investor

Another important factor: if the lender agrees to the short sale, the lender may possess the right to issue you a 1099 for the shorted difference... In other words: you still have to pay the bank!

Due to a provision in the IRS code about debt forgiveness, many situations are exempt from debt forgiveness. But then again, you will need to speak to a tax accountant to determine the amount of short sale tax consequences.



The Good NEWS...

Mortgage Workouts, Now Tax-Free for Many Homeowners;
Claim Relief on Newly-Revised IRS Form WASHINGTON

Homeowners whose mortgage debt was partly or entirely forgiven during 2007 may be able to claim special tax relief by filling out newly-revised Form 982 and attaching it to their 2007 federal income tax return, according to the Internal Revenue Service.

Normally, debt forgiveness results in taxable income. But under the Mortgage Forgiveness Debt Relief Act of 2007, enacted Dec. 20, taxpayers may exclude debt forgiven on their principal residence if the balance of their loan was less than \$2 million.

The limit is \$1 million for a married person filing a separate return. Details are on Form 982 and its instructions, available now on IRS.gov.

"The new law contains important provisions for struggling homeowners," said Acting IRS Commissioner Linda Stiff, "We urge people with mortgage problems to take full advantage of the valuable tax relief available"

Yes, the government wants to help you after all.... It's about time!



But...

If you don't choose the right agent or investor to work you're your next several months could be very painful.

MortgageNewsDaily.com reported a majority of delinquent borrowers said their contact with their lender said the experience was "intimidating" or "confusing".

And 42% found the calls frustrating, 35% were embarrassed and about one in four found it to be a scary, intimidating, confusing, and/or pointless experience.

According to USA Today, foreclosure filings surpassed 3 million in 2008, a 81% increase from 2007 and a hair-raising 225% from 2006.

Meanwhile, mortgage modifications continue to fail. John Dugan, who oversaw the preparation of the report, said: "One very troubling point is that re-default rates increased each month and showed no signs of leveling off after six months or even eight months."

And lately Senators, cutting across party lines, expressed dissatisfaction at the lack of effectiveness of the government program to stem the rising tide of foreclosures, at a Banking Committee hearing.



"If you can't tell us what you're headed to -- what your goal is in terms of the number of properties you're going to deal with each month -- we'll be flailing around with this two years from now," Senator Mike Johanns (R., Neb.) said. "It will be regarded as a failed program -- a costly failed program."

Senate Banking Chairman Christopher Dodd (D., Conn.), said: "I'm hoping that, with the stakes this high, somebody can explain to me why nothing has changed."

The Obama administration officials defended the program. Treasury's Assistant Secretary for Financial Stability Herbert Allison said: "We are encouraged by the level of improvement we've achieved in the last ten weeks."

Allison said that the rising unemployment is worsening the situation. William Apgar, Housing and Urban Development Senior Advisor, said that the administration is mulling ways of helping the unemployed, including increasing unemployment benefits, in order to tackle foreclosure. "All options are under review because we have to get a program that works," said Apgar.

Today it's more important than ever to choose a real estate investor who knows the system.



Communicating with Your lender(s)

An authorization for the person that will do the negotiating with the bank should be signed by all parties in the mortgage. The lender will request a hardship letter. A hardship letter tells the lender why you are not making their mortgage payments.

You'll want to be precise without being long and drawn out (loss mitigators are more swamped than ever and when they see an easy package (like the ones we put together), they will gladly take our package first over an unorganized one.

In our DVD/CD we provide to our clients, we give you of examples of what a hardship letter should and should not contain to increase your chances of a successful short sale that results in only minor and temporary credit blemish on your record.

They will also request bank statements to provide them proof of how much cash you have, pay stubs for at least the last 2 months if you are self-employed, and you may have to provide proof of income by your deposits to the bank such as a copy of the check payable to you, etc.

Your real estate investor should be able to put all this together; be prepared to be open.



Here is a way to think of a short sale...it is like you are putting an application to purchase a home. .. ***IN REVERSE!***

Your bank wants to see that you simply can not afford the home anymore. Your bank has to be assured that **IF** the short sale is denied... you will go to foreclosure period.

A HUD-1 together with the listing agreement and the offer for the property is next. Your agent should put this together in a neat package.

Do not waste any time!

It usually takes 7 to 14 days for a bank to just put the package submitted in their system... Only then a negotiator will be assigned to your case. In some cases negotiators have up to 4 more weeks to order the BPO. This stands for Brokers Price Opinion.

Basically a real estate agent hired by the bank will come out and give their opinion on what the house is worth. Some banks are now doing a complete REO appraisal by a professional certified appraiser.

One of the keys to **short sales** is the BPO. You want to prove during the BPO that your property has considerably lost its value. If your house needs a new roof or has water problems in the basement... now is the time to bring it for consideration.

Your investor will bring any sales comparables that will support the sales price.



IMPORTANT POINT :

The bank **will not** deny a SHORT SALE because of how much money they will be losing... They will always consider a short sale based on the **ACTUAL value of the property!**

A point that your agent has to bring to the package is:
Show the bank as to why it would be to their advantage to accept a short sale instead of a foreclosure.





ABOUT THE AUTHOR

Scott Fladhammer is widely considered one of the best real estate investors in Indiana and nationwide. He is co-founder the award-winning EZhomebuyers ® program and author of *'Home Owning Secrets'*. During his career he has received his P.H.P (professional Housing Provider) and C.P.L. (Certified Professional Landlord); obtained an Indiana Real estate license and continues to invest heavily in his education and real estate.

He is currently president of the Northern Indiana Real Estate Association where he speaks and teaches real estate investing.

Scott is an avid reader who donates hundreds of books a year to the Allen County library kiosks and he volunteers at the Human Society.

Scott and his wife Christine spoil their chocolate lab and Himalayan and spend most of their time in Fort Wayne, Indiana.

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If you're ready to sell a house fast.... Call today for a house sold tomorrow (or at your convenience). Our number is (260) 436-5000.

Or if you'd like, you can go online and fill out our confidential [Property Acquisition Form](#) online.