



Photos by PENNY STINE/Real Estate Weekly

# DISTRESSED: Short sales are becoming more common

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common and are one of the procedures that will be streamlined under the Foreclosure Alternative Program being established by the Obama administration. Right now, however, the procedure is anything but streamlined. A short sale transaction can take four to five times longer than a regular real estate transaction, particularly if there is more than one lender involved.

For the homeowner, selling a property through a short sale hurts their credit score less than losing a property through foreclosure.

"A foreclosure hit is 200 points or more on a credit score, a short sale is maybe 50 points," says Smith. "It shows that you cooperated with the lender."

Because the lender or lenders agree to accept less than what is owed on the property, short sale transactions are difficult to work out. An industry statistic shows only 20 percent of short sale transactions work out successfully. Working with an experienced broker who has the Certified Distressed Property Expert designation (CDPE) or a

broker who relies on a short sale expert such as Your Short Sale Solutions is vital.

If there is more than one lender, it complicates the procedure, especially when many lenders are experiencing financial difficulties and bankruptcies, as well. FHA procedures and guidelines are different than those for VA loans, which are also different than conventional lenders. There are a few common denominators that homeowners considering the procedure should note.

A seller must qualify for a short sale by demonstrating both financial hardship and a thorough financial statement. Financial hardship can also vary from one lender to another, but most lenders consider the loss of a job, divorce, death and severe medical expenses or emergencies a hardship. The homeowner must write a hardship letter detailing his or her experience and experts recommend that it be truthful, detailed and compelling. The financial statement presented to the

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**ABOVE:** Some foreclosed properties are in better shape than others and may not stay on the market long. This home went through a foreclosure sale and is currently under contract.

**AT RIGHT:** This home in the southeast area is a foreclosed home currently available for sale. It has 1,979 square feet, with three bedrooms and two baths. Joan Kenyon with Bray and Company is listing the property for \$140,000.

