

SPECIAL
POINTS OF
INTEREST:

- Short-sales could be a good source for properties
- Be ready for a long wait
- Beware of facilitating companies
- Beware of upfront fees to do your short sale
- Beware of deficiencies

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Short Sales, Should You?

Real Estate Short Sale is where the proceeds from the sale falls short of the balance owed on the property. In this sale, the lender receives less of what is owed by the borrower.

The Seller

In short sale proceedings, the lender approves or disapproves the sale, and also negotiates the commission paid to the agents involved in the transaction. In most instances of a short sale transaction, the borrower is still liable for the deficiency balance, that is why a borrower/seller, should request that the agent get in writing a statement that clearly states so, such as **"Lender shall hold borrower harmless for the reduced proceeds in seller's payoff of the note to lender"** this is very important. Please note that Anti

-deficiency statutes in California apply to Trustee Foreclosure Sales, and not Short Sales. Some unskilled agents will tell you that California is a judiciary anti-deficiency state, true but incomplete as applied to short sales.

The Buyer

If you are in the market for real estate, note that short sale properties take a longer time than foreclosed ones, sometimes up to six months or more. Ask your agent to do a comparative market analysis of similar properties in the vicinity of subject property and give you a balanced view of the market to allow for an acceptable offer by the lender.

Ask your agent to check the property details, showing ownership and how much is owed on the property. Note that the lenders will ask their agents to

do the same.

Ask your agent to put a deadline on how long you are willing to wait for the lender to accept your offer. Most lenders will not accept an offer without pre-approval of your loan, this is different from pre-qualification. Moreover, a decent earnest money deposit is required to make your offer attractive.

Do not spend any of your funds on inspection, appraisal or fixes until the offer is accepted, since the wait could be long. Caution is paramount in dealing with these types of transactions.

Beware

There are many companies that claim to facilitate short sales, by charging fees for putting the deal together, it is violation for licensed agents to request up front fees, so request to see their license.

-Al Som-Any, MBA, Broker

Can Fannie and Freddie Waive Appraisals?

There are recent news that the troubled Fannie Mae and Freddie Mac, the government sponsored mortgage finance companies are considering waiving appraisals in order to allow refinancing of home mortgages.

This will be a significant shift from current requirement

which has mandated that refinanced homes meet the 80% Loan To Value threshold. Currently, loans that do not meet this specification are required to acquire mortgage insurance, but that has been difficult to come by with insurance companies such as PMI Group Inc and Radian

Group Inc, very selective in their picks for coverage.

There are several issues with this proposal; first, investors will refuse to buy these mortgages since the underlining assets are questionable. Currently, FHA seems to be the only help for high LTV loans!

Al Som-Any

