

# How to Navigate the World of Short Sales



We all have friends or family who have a horror story to tell regarding trying to buy a home where the seller has to apply for a short sale. But it is a whole new market from a year or two ago, even from this last summer.



Cathy  
Staup is  
your key to  
short sales

When the foreclosure market began to gain speed in late 2008 buyers were eager to purchase a home at a discounted price. What we discovered however was counter-intuitive to what everyone expected. The banks were NOT negotiating. Rather than sell to a ready, willing and able buyer at a small loss they were willing to lose the homes at a large loss at auction. The lien holders were holding out for at or above full market price. Well, all that has changed.

The banks did not staff up for the oncoming tsunami of distressed homes. They did not have procedures in place for what was coming so how could they train new staff? What emerged from the mess was a whole new market. It is now possible to buy a lovely home at a deeply discounted price if you follow some key pointers. You have to be able to pick and choose which homes have a good probability of a smooth close.

**Avoid 3rd party negotiators.** These are individuals and company's hired to work with the lien holder's on behalf of the seller. There are no guidelines, certification or license required of these negotiators and anyone can perform this role. In a short sale the buyer has zero control over how the transaction proceeds anyway and once the seller hands over his control to the negotiator everyone is now at the mercy of someone who is handling numerous files, who you may or may not be able to reach by phone, email or text and who has no vested interest in a quick resolution to the sale.

The seller will gain zero money from the sale. The lien holder will not pay for the negotiator or take it from the proceeds so the buyer usually ends up paying the fee. It can be a flat dollar amount but usually is 1% to 1.5% of the sale price. In many cases buyers were learning at the signing table they had to pay this or other fees. Many paid it because if they didn't they couldn't close and they would have lost the money paid for their inspection, appraisal and earnest money.

**1 lien holder.** Sales and mortgage history are public record. Look up the homes mortgage history and you will be able to find out if there was a 1st and a 2nd mortgage and which companies they are with. You can see if the home has been refinanced or the seller took out the equity. With this information you can figure out if it is a home worth pursuing. In many cases the mortgage in 2nd position is not going to get any or all money owed and that is where it gets messy. If all money owed is with the same company there is a better chance the seller will get approval.

**Small 2nd mortgage.** Same as above, the seller has a better chance of approval if the amount owed isn't much.



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**Low negative equity.** Using the public record you can see what the seller paid for the home and what amount was borrowed. Use the current list price to determine how large the deficit is. A large shortage has less of a chance to get approval.

**Be wary of a ridiculously low asking price.** There is a great deal of competition for qualified buyers. The short sale application process cannot start until an offer is received. The seller will net 0\$ no matter what happens so brokers just keep lowering the list price to obtain that first offer. Just because the list price is "X" doesn't mean the lender will approve it.

It is imperative to work with an experienced team. Title and escrow officers, the buyer's lender and real estate professionals are the key to a timely, efficient purchase of a short sale.

Cathy Staup is an experienced Broker in Washington State, a member of the Northwest Multiple Listing Service and a prestigious member of the President's Club. Experienced in all phases of sales and marketing single family, multi-family, condominium properties, manufactured homes, improved and unimproved land, new construction and presales, Cathy is passionate about going the extra mile for her clients.

She is an approved instructor for the Washington State Housing Finance Commission which provides home buyer education services and down payment assistance for first time home buyers. Through teaching WSHFC classes she has gained a unique understanding of the challenges either first or third time home buyers face and is dedicated to making the experience as stress-free as possible. Cathy believes in the importance of informed and educated buyers or sellers.

Sellers have benefited from Cathy's marketing experience since 2002. Having lived in the greater Seattle area her entire life Cathy has lived in many neighborhoods and understands the local real estate market very well. This differentiates her from a lot of agents in the Northwest Multiple Listing Service. Cathy offers her experience, skills, motivation, attention to detail, follow through track record, and ability to provide the most service with the least amount of hassle for her clients.

Visit her at <http://www.positivepathhome.com>