

Five Tips On How Short Sales Could Preserve Homeownership

BY JENNIFER HARMON

The real estate marketplace has undergone dramatic change in recent months. The exuberant seller's market of the past year has transitioned into a more moderate buyer's market, leaving in its wake an expected \$1 trillion of adjustable rate mortgage loans that will need to be refinanced in 2007.

Couple that with declines in current home prices and many buyers find themselves in homes they can ill afford that are now worth less than what is owed on the property. The prevalence of this problem in the current real estate marketplace necessitates financial solutions such as a short sale, an arrangement wherein the lender agrees to settle with the buyer and sell the home for less than the mortgage loan amount.

"In the last few years we have seen a wave of 100% financing, refinancing and cashing out beyond the real affordability level of the buyer," said Eli Tene, CEO of I Short Sale, and a real estate expert with over 16 years experience in the area of short sales. "Mortgages used to be up to 25% of your total income. We

see now in many cases that the mortgage is 60, 70 and 80% of the buyer's total income. There is no way to survive it. Any slight change in your life or income immediately affects your ability to pay," says Mr. Tene.

Most property owners who find themselves unable to pay their mortgage are unaware of options such as short sales and don't understand the best strategies to take to preserve their home and protect their credit. Mr. Tene offers five tips that could save the borrower's home.

- Borrowers should talk to their lenders as soon as possible. Don't wait to go further into delinquency. Time works against you, says Mr. Tene. Once the payment is overdue, the opportunity to get the lender's cooperation declines.

- Don't be afraid of lenders. The lender is in the lending business, not the real estate business. They do not want the property. They want to work with the borrower to ensure the loan is paid.

- Beware of scam artists. Predatory lenders and distress opportunity scammers often target people in financial distress. They try to force property owners, in a time of panic,

into high cost mortgages, which increase financial problems and the risk of losing the home. Predatory lenders usually offer loans with hidden fees and rate increases. Be aware of "magicians" who pitch dream solutions that sound too good to be true. If it sounds too good to be true, the dream will likely become a nightmare. There are no magicians in this industry. Don't agree to promises that are unrealistic. Look for a real solution.

- If the loan is insured by the department of Housing and Urban Development or the FHA, the borrower may be eligible for a one-time payment to bring your mortgage payment current.

- Don't try to negotiate a "short sale" on the property by yourself. "When you are sick, you go to the doctor. When you go to court, you take a lawyer. For a successful short sale, seek professional advice. In most cases, you will have only one chance at a successful negotiation with your lender.

A short sale is said to be an acceptable and reasonable solution when property owners owe the lender more than the property is worth. There were approximately 350,000 foreclosures

started in the last quarter, which is approximately a 45% increase from the same quarter last year. The main benefit of a short sale is that the buyer works with the lender in good faith to find a solution to his debt, which looks much better on his credit. It is easier for buyers to start on a new page, with a better outcome on their credit, following a short sale versus a foreclosure.

Foreclosure and the related eviction process have a traumatic effect on a family. Mr. Tene says borrowers are back on their feet much faster with a short sale. On average, a short sale transaction takes between two and three months. The foreclosure process generally takes twice as long.

Contrary to popular belief, he says the lender is likely to be in favor of a short sale rather than a foreclosure on a property because in a foreclosure the lender ends up with the property. "Lenders are not in the real estate business. Lenders are in the lending business and when they take back a property they need to sell it. By taking back a property through foreclosure the loss to the lender is much greater than on a short sale."