

CONSUMER TIPS – REAL ESTATE SHORT SALES

In today's real estate market, many Missouri home buyers and sellers are considering an option known as a "short sale," which allows a buyer to pay less than what's owed on a property. By some estimates, short sales accounted for as much as 10 percent of all home sales nationwide in the past year. The Missouri Real Estate Commission is warning buyers, sellers and real estate brokers that this process is not an easy one and not suitable for all situations.

In a short sale, the mortgage holder (bank, credit union, mortgage company or other) has the final say on whether to accept the amount being offered, since it's less than what's owed on the mortgage. The mortgage holder releases the borrower from any further legal obligation to pay.

Home buyers and real estate brokers should be aware that even if the buyer and seller agree on a price, the lender must still approve the deal, along with any other lien holders. That could include a second mortgage holder, a private mortgage insurer, a tax collection agency and others. It's not uncommon in the industry for the approval process to take 60 days or more.

Here are suggestions for homeowners considering a short sale:

- Be prepared to demonstrate to your lender that your home's market value has dropped and that you are unable to pay the full mortgage balance, even with other assets you might own.
- If you elect to go with a short sale, talk to a real estate lawyer and an accountant. Make sure any forgiven debt is not considered taxable income by the state and federal governments.
- Ask about impact on your credit score. Even if your lender agrees to forgive, say, \$20,000 of your debt, that simply means you are no longer legally obligated to pay that amount. Your credit report, however, may still reflect that you failed to pay \$20,000 of debt.
- Be prepared to wait. Short sales are subject to lender approval, and it can take several months for the bank to make a final decision on your request.
- If your lender approves the short sale, accepting less money than you owe, get the agreement in writing from the lender.