# SHORT-SALES
# ISSUES FOR BUYERS TO BE AWARE OF

**1. The asking price on the listing may have no basis in reality.** Buyers mistakenly believe that if they offer the asking price that they will get the property- and this may not be true. The current lien holders (the bank or banks who hold the current loans) do not specify any asking price; this comes solely from the current owners and the listing agent. Sometimes listing agents list the property well below current market pricing just to get offers very quickly so they can be submitted to the current lien holders, as the entire short sale process does not even start until an offer gets submitted to the lien holders. If the lien holders do agree to the short sale (and there is more information below on why a short sale may or may not be approved) the lien holders will do their own appraisal and will then specify the sale price; and this may or may not be the asking price.

**2. Buyers, and their deposit money may get tied up, on-hold, for two to six months.** While the lien holder, or lien holders, evaluate whether or not they will approve the short sale, the buyers just have to sit and wait for information coming from the listing agent regarding the status of their offer. The Short-Sale Addendum must be used when making an offer and I suggest giving the buyers an “out” after 30 days if they do not get written approval from the current lien holders.

**3. Buyers offer could get declined, even after buyers have waited for months.** If another better offer gets submitted to the lien holders, even while the buyers are patiently waiting, those lien holders retain the right to select any offer for what ever reason they chose.

**4. With two lien holders (a first and a second or HELOC) things get more complicated.** It is very common for there to be two lien holders involved. The junior lien holders are typically settling for 10% of the existing balance as a pay off. A typical scenario is that there is a $100,000 balance on the HELOC and that lien holder wants 10% ($10,000). The first lien holder will typically pay $3,000 - $5,000 toward the pay off but that leaves a gap of $5,000 - $7,000 and that money has to come from somewhere or the sale will never get approved. This money usually comes from both Realtors kicking in some of their commission, from the buyer (in addition to the sale price and it has to be cash that is above and beyond their down payment) and sometimes the current owners (sellers) may kick in some cash but not all lien holders will allow this.

**5. The short-sale may never get approved.**
**(A)** Sometimes, especially with the junior lien holder, if they are not able to get their 10% (and often they want much more than 10% as a pay off) then they will not approve the short sale and they will just wait until the first lien holder forecloses so they can file a judgment against the sellers, for the entire balance. **(B)** The current owners (sellers) must have a financial hardship and it is entirely up to the lien holders to decide this.