

Tips For My Short Sale Buyers

Make a sensible offer

Most listing agents price short sale properties under the fair market value. Many times, they are listed at prices that are ridiculously low. These are called “teaser prices.” They do this because they want to get an offer that they can send to the bank right away to start the short sale process. They don’t care if the bank doesn’t approve the offer. All they want to find out is what the bank’s bottom line is. The first buyer usually terminates their offer because they are disappointed with the bank’s approved price. Then the listing agent adjusts the list price and advertises the home again at an “approved short sale price.” The first buyer and the first selling agent have wasted their time.

I will do a thorough market analysis for my buyers on all short sale listings before we make an offer. If the home is already priced well below market value I expect to write an offer at the full list price. If the buyer is uncomfortable with this then we wait for another house. Wasting time writing multiple low offers is not productive for a buyer.

Keep looking

Since only about 30% of short sale offers ever close, even with full price offers, you should always keep your options open. There are contract addendums that will protect you and allow you to have several short sale offers in place at the same time. It often takes 3 or 4 accepted offers to actually close on a short sale.

Be patient

There is very little for a buyer to do while the listing agent is negotiating a short sale. You just need to wait for progress to be made. It usually takes 60-90 days to get an answer from the underlying lender(s) on your short sale offer. During this waiting period there will be only a few updates showing progress. We will be informed when the bank has all the written documentation they request. This often takes 30-45 days. Then we will be informed that a bank loss mitigation officer has been appointed to the file and a BPO (broker’s price opinion) or appraisal has been ordered. Finally, we will know when escrow sends a proposed HUD settlement statement to the bank. This happens just prior to the bank making its decision. We will generally not receive any written updates regarding the verbal negotiation process between the listing agent, negotiator, and the bank.

Prepare for a bank counter-offer

If you have made an offer on a listing that had a “teaser price” you can expect a bank counter. Make sure you have accurate pricing data on the home and the surrounding neighborhood so you can make a quick decision on whether it makes sense to proceed at a higher price. You have a short period of time during which you can terminate your offer by delivering a notice of disapproval.

Be ready to close quickly

Once the underlying lender(s) have approved you sale they expect you to close quickly. You will generally be given no more than 30 days to close, even though you may have waited months for the

approval. It is important to stay in touch with your lender and make sure all your loan files are current so your loan processing can begin without delay. If your lender is not prepared to move forward you won't be able to close within 30 days. This can cause problems with the sale and often results in further counter offers from the short sale bank in return for an extension.

Be flexible

Every short sale is a little different. You may encounter unique situations. Don't get frustrated. We will work through all the problems and, if your sale is approved, it will be worth the effort.