

Avoid Foreclosure with a Short Sale

Sometimes, tough circumstances require tough choices. Getting behind on mortgage payments and facing home foreclosure is never a good situation, and you may feel as if you've tried everything in your power to remedy the situation to no avail. Even if your lender altered terms or agreed to lowered or delayed payments, this can't go on forever. If your situation has not improved and you're left with no other option, a short sale may be the best solution for you.

As a pre-foreclosure property, a down market may have contributed to lowered home values, and you may discover you owe much more on your home than it is currently worth. You do have the option to find a buyer out there, but you first need to get your lender to agree to a lower price than what would be required to pay off the loan in full.

Rather than face bankruptcy or a mortgage foreclosure that can tarnish your good name for several years, finding an interested party that wants to purchase your home is a great option. This means, of course, that you will still lose your home – but will still have a chance to gather your means and start over again.

Your lender will most likely prefer to negotiate a short sale to avoid the foreclosure process, as well. It is extremely time consuming and costly, and it is in their best interest to get out of a bad situation as quickly as possible.

Specific mortgage lenders may adopt their own rules when it comes to short sales and accepting them, but there are some general actions you can take to start along this path.

Start by contacting them by phone. You may have to be quite aggressive to get to the authorized person to speak to you about a short sale, but they won't be able to hide from you for long. You need to insist on speaking with the party who will actually be in charge of making the short sale approval decision.

Next, you'll need to write a Letter of Authorization, or LOA, in order to continue the short sale process. This letter acts to give the lender permission to speak to third parties regarding your home loan. Ensure this LOA includes your name, address and contact information, the date it was written, the address of the property subject to the short sale, the loan number and lender's information, and your real estate agent's information that will be handling the sale.

You will also need to draft the following and give copies to your lender:

- **Preliminary Net Sheet:** This outlines your expected closing price, minus any agent commissions and other closing costs to give the lender an idea of what amount they can expect to recoup.
- **Hardship Letter:** This should include the reasons you have been unable and will be unable to maintain the current mortgage, whether it is due to a lost job or illness.

- Proof of Income: This may be your unemployment insurance information if you have recently lost your job.
- Bank Statements
- Comparable Sales Information: Any real estate agent can provide this information.
- Purchase Agreement Upon Receiving An Offer