



SHORT SALE PROCESS

FROM YOUR REALTOR® . . .
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As if selling a home is not hard enough, many California homeowners face the added challenge of selling short. To do a short sale, you have to find a buyer and convince your mortgage lender to accept a loan payoff of less than what you owe. A short sale can get thorny and complicated, but understanding the process will help you manage your expectations, prepare for each step, and improve your chances of success. To get you started, here's a brief overview of the typical short sale process:

STEPS	DESCRIPTION
1. Hire a REALTOR®	The first step in the short sale process is to hire a REALTOR® to represent you in selling your property and negotiating with your mortgage lender. Your REALTOR® may meet with you to preview your property, discuss your particular circumstances, and offer different strategies as how to best proceed.
2. Contact Your Lender	You may authorize your listing agent to contact your mortgage lender on your behalf to determine the lender's short sale requirements. Many lenders require that you enter into a contract to sell your property before submitting your short sale request, but there may be a growing trend for lenders to pre-approve short sales.
3. List Your Property For Sale	You may maximize your marketing efforts by listing your home for sale with your REALTOR®. Getting a good price and a good buyer for your property helps to ensure your lender will approve your short sale request. Your REALTOR® may help you to, among other things, get your property ready for showings, advertise and market your property for sale, conduct open houses, and interface with prospective buyers and their real estate agents.
4. Enter into a Sales Contract	A buyer interested in purchasing your home, may write an offer to purchase which you may accept contingent upon, among other things, your mortgage lender's approval of a short sale.
5. Submit Request to Lender	You may prepare a short sale package for submission to your lender. A short sale package generally includes information about you, your financial situation, your property, and your sales transaction. Your lender may require you to submit a hardship letter explaining the reasons you are unable or unwilling to repay your mortgage loan. You may have to obtain a short sale approval from any creditor with a security interest in the property you are selling (such as first trust deed, second trust deed, judgment lien, or federal tax lien).
6. Obtain Short Sale Approval	After you've submitted your short sale request, the lender's response generally takes many weeks to many months. If your lender approves your short sale request, carefully review the terms and conditions of that approval. The short sale approval may have an expiration date and other financial, legal, tax, credit, and other consequences.
7. Perform on Sales Contract	Depending on your agreement with your buyer, it may be after you notify the buyer of the short sale lender's approval that the buyer starts to perform on the sales contract by, among other things, opening escrow, submitting the good faith deposit into escrow, getting the property inspected and appraised, obtaining financing, and proceeding to close escrow.
8. Close Escrow	Towards the end of your transaction, you will generally go into the escrow office to transfer title of the property to the buyer. In the meantime, the buyer goes into escrow to deliver the funds for the down payment and closing costs and sign loan documents for the funding of the buyer's loan if any. The sale is consummated, possession of the property is generally turned over to the buyer, and the escrow officer disburses all funds accordingly.

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Proposition 8 - Property Tax Relief

FROM YOUR REALTOR® . . .

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What Is Proposition 8? Owners of properties that have suffered a decline in market value may be eligible for temporary property tax relief. In 1978, California voters passed Proposition 8, a constitutional amendment that allows a *temporary* reduction in assessed value when real property suffers a decline in current market value. When the market value of a property on the January 1 lien date falls below the factored base year value (assessed value), the assessor is obligated to review the property and enroll the lesser of the two values. If it is determined that the market value of your home is less than its assessed value, your property's assessed value will be adjusted to the level of its current market value, and consequently, your property taxes will be reduced.

How Can I Apply? Each county assessor office has implemented its own procedures for Proposition 8 applications. Some county assessors require the filing of a formal application with the inclusion of two comparable sales. Others require the filing of a simple informal form or a written notification. Some only require homeowners to call their office.

Due to the nature and severity of the market, many county assessors are proactively reviewing assessed values. For example, some are reviewing certain property types purchased between specific time periods (i.e. all single family homes and condominiums purchased during 2004 to 2008), which may have been especially hard hit by precipitous market declines. For more information about your county assessor's procedures and guidelines for Proposition 8, please consult the website:

<http://www.boe.ca.gov/proptaxes/assessors.htm> .

SCAM WARNING - NO FEE NECESSARY FOR PROP 8 TAX RELIEF

Various private companies may send mailings to property owners offering their services to pursue a reduction in the owner's property taxes. These companies may charge hundreds of dollars to file a reduction in value on behalf of the property owner. Some companies may even impose bogus late fees if the application is received after an arbitrary deadline.

Homeowners **do not need the services of a private firm to seek a property tax reduction.** Homeowners can seek relief directly from their county assessor free of charge.

Is this a Permanent Reduction? A property that has been reassessed under Proposition 8 is subsequently reviewed every year to determine its lien date value. The assessed value of a property with a Proposition 8 value in place may increase each lien date (January 1) by more than the standard two percent maximum allowed for properties assessed under Proposition 13; however, unless there is a change in ownership or new construction, a property's assessed value can never increase above its factored Proposition 13 base year value after adjusting for the annual increase. If the market turns around, your assessed value can increase by more than 2% per year. Once the market value is equal to or greater than the factored base year value (adjusted annually for inflation), then the factored base year value is restored and the annual increase will be limited to 2%.

What Information Do I Need? You should be prepared to provide the assessor with information that supports your opinion that the market value for your property is less than the assessed value. The best supporting documentation are *comps*, or information on sales of comparable properties in your neighborhood. You should select two comparable sales that sold as close to the January 1 lien date as possible, but no later than March 31.

A property sold with features that are similar to your property is a comparable sale. Comparable sales information helps you analyze the value of your home. The assessor's website may offer sales information for properties that have sold within the last two years. The same information is available from any assessor district office. Many websites offer sales information free of charge. Additionally, your local real estate agent or title agent may provide you with this information. Contact your agent for additional information.

What If I Don't Agree? If you disagree with the county assessor's findings, you may file a formal appeal with the County Assessment Appeals Board or the County Board of Equalization. These Boards are independent bodies established to resolve differences in property value opinions between the county assessor and property owners. You must file your appeal on an *Application for Changed Assessment* between July 2 and either September 15 or November 30 of the fiscal year that you are disputing. To determine the filing deadline date for your county, go to <http://www.boe.ca.gov/proptaxes/pdf/filingperiods.pdf> .

TIPS FOR A SHORT SALE BUYER

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Buying in a short sale transaction can be a boom or bust (or something in between). In a short sale, the property is "upside down," which means the seller owes more on the mortgage loan than the property's value. The short sale seller and buyer enter into a sales contract, with an agreement that the seller is not obligated to sell unless the seller's lender accepts a loan payoff for less than what's owed. Some buyers flock towards short sales in hopes of snatching up a good deal, whereas others stay away believing short sales are more trouble than they're worth. Ultimately, as the buyer, you can't be sure your short sale transaction will succeed, but you can certainly stack the odds in your favor. Here are some good tips to help ensure your short sale purchase will be a boom, rather than bust:

- **Hire a REALTOR®:** One of the best things you can do in a short sale is to hire a qualified REALTOR® to guide you through the home buying process. A REALTOR® can help you find the right property negotiate a good deal, and facilitate your purchase transaction. Not all real estate agents are REALTORS®. The word REALTOR® is a trademark designation to distinguish real estate agents who are members of the NATIONAL ASSOCIATION OF REALTORS®. REALTORS® stands apart because, among other things, they voluntarily pledge to abide by a strict code of professional ethics to protect and promote their clients' interests.
- **Knowledge is your friend:** A short sale is a new experience for most homebuyers, but knowledge is a key to success. You should know the pros and cons of buying a short sale. You should also understand the overall short sale process -- what you need to do, how long the process may take, and what the common pitfalls may be. Your REALTOR® may be a great resource for information. Short sale information is also available online, such as news articles, governmental websites, lenders' websites, and short sale blogs. Be careful, however, because a lot of misinformation on short sales also floats in our midst.
- **Do your homework:** Gather and review as much information about a transaction as you can before writing an offer to purchase. Your REALTOR® can help you identify which properties for sale in the Multiple Listing Service are short sales. If so, you and your agent can obtain information from public records, comparable sales, and other sources to determine the likelihood your short sale will succeed. As an example, find out how much the seller owes. A transaction where the lender must forgive a \$20,000 shortfall may be preferable to a transaction where the lender must approve a \$200,000 shortfall. Also, find out what interests affect title to the property. A transaction where only one lender must approve the short sale is less problematic than a transaction where both senior and junior lenders as well as other creditors must approve the short sale. As another example, determine what price the market will bear. A transaction with a sales price at market value is more likely to be approved by the short sale lender than a sales price below market value.
- **Write a clean offer:** That doesn't refer to sanitation. The word "clean" is industry jargon for describing an offer to purchase that the seller is unlikely to take issue with. Although the lender must ultimately discount the payoff, you have no purchase contract unless the seller accepts your offer. To get the seller's acceptance, you can offer a good price, demonstrate your ability to obtain financing, and offer other favorable terms for the seller. A clean offer can make a big difference, especially if you are competing with other buyers to buy the same property.

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TIPS FOR A SHORT SALE BUYER (Cont'd)

- **Understand the timing:** The timing of a short sale transaction can be tricky. Things can start off slow, but speed up at the end. Once the seller accepts your offer to purchase, you may wait a few weeks to a few months for an approval from the seller's lender. As the buyer, other than asking for status reports, it may be difficult for you to speed up the short sale approval process. Lenders are often inundated with short sale requests. Each short sale request involves a sizable loan. Before agreeing to give up the collateral for its loan, the typical lender wants to review the seller's financial position, the property value, and the terms of sale, among other things. Once the lender approves the short sale, the pace can change dramatically. Because a short sale approval usually expires within a few days or weeks, a buyer must move quickly to finalize the transaction. To make sure you succeed in your short sale transaction, be prepared to wait a long time for the lender's approval, and then perform quickly thereafter. Patience, persistence, and the ability to perform will serve you well as the buyer in a short sale.
- **Prep as best as you can:** Because of the unique timing, short sale buyers are often uncertain whether to perform on their sales contract before the short sale lender's approval. On one hand, a buyer may be reluctant to incur expenses by ordering property inspections and appraisals until after the lender approves the short sale. On the other hand, if the property inspection and appraisals are unsatisfactory, the buyer waited all that time for naught. Also, if conducting property inspections and processing the buyer's financing causes delays, the short sale approval may expire. The alternative of waiving your inspections may be too risky. So what do you do when faced with this dilemma? You simply do the best you can, depending on your specific circumstances. For example, you may decide to pay for a credit report because it doesn't cost a lot of money and your lender will use the same one if you end up buying something else. Or maybe you can find a lender to approve your loan without charging any upfront fees. Or maybe you decide to wait on ordering a professional inspection because the house is well-maintained and relatively new. In the meantime, you can conduct cost-effective investigations, such as reviewing the seller's Real Estate Transfer Disclosure Statement and other disclosures, asking a contractor to give you a free estimate for certain repair items, or going over comparable sales in the neighborhood with your REALTOR®.
- **Manage your expectations about the property:** In a short sale, the property may be in excellent condition, but oftentimes, the property is not in good condition because the existing homeowner has not been doing the upkeep, maintenance, and repairs for the property. As the buyer, you may ask the seller to make certain repairs or do other things before close of escrow, but there's a good chance you'll have to take care of those things yourself. Given the typical short sale seller's financial situation, the seller may be unwilling or unable to take care of the repair items that you may request. Moreover, the seller's lender, who has already discounted the payoff, may be unwilling to discount the payoff further to take care of the repair items that you request.
- **Don't lose sight of the big picture:** Buyers can get so wrapped up closing a short sale transaction that they lose sight of the big picture. Whether it's a short sale or not, buying a home is a serious matter. Be sure you are ready for homeownership by determining the financial, tax, liability, and other legal consequences of your transaction and consult with an accountant, attorney or other professional as needed. With the proper planning, negotiations, and execution, buying your piece of the American dream can become a reality.



Contact a Professional for Your Real Estate Needs.

TIPS FOR A SHORT SALE SELLER

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As a seller attempting a short sale, you want to be at the top of your game. To succeed, you not only have to find a buyer for your home, but also convince your mortgage lender to accept a loan payoff of less than what you owe. A short sale can be a long and arduous process, and yet, you have no guarantee of success. To help ensure success, here are some good tips for selling in a short sale situation:

- **Hire a REALTOR®:** One of the best things you can do in a short sale is to hire a qualified REALTOR® to guide you through the process. A REALTOR® can represent you in finding a buyer, negotiating with your lender, and facilitating your sales transactions. Not all real estate agents are REALTORS®. The word REALTOR® is a trademark designation to distinguish that a real estate agent has, among other things, voluntarily pledged to abide by the strict code of professional ethics of the NATIONAL ASSOCIATION OF REALTORS® to protect and promote their clients' interests.
- **Take a proactive approach:** When you're an "upside down" seller owing more on your mortgage than your property is worth, the prospect of selling short is likely to be upsetting. You may have never expected that owning a piece of the American dream could turn into a nightmare. Despite the grim realities, selling in a short sale may get you out of a bad situation. But it may take a commitment of time and effort on your part. Taking a proactive approach to your short sale may help you get out of that nightmare as quickly and painlessly as you can.
- **Knowledge is your friend:** A short sale is a new experience for most homeowners, but knowledge is a key to success. You should know the pros and cons of a short sale, including the credit, tax, liability, and other potential consequences. You should consider whether any alternatives to a short sale are more suitable and feasible for your situation. You should also understand the overall short sale process -- what you need to do, how long the process may take, and what the common pitfalls may be. Your REALTOR® may be a great resource for information. Short sale information is also available online, such as news articles, governmental websites, lenders' websites, and short sale blogs. Be careful, however, as a lot of misinformation on short sales also floats in our midst.
- **Do your homework:** As early in the game as possible, determine your lender's short sale requirements and whether you satisfy those requirements. If you have multiple loans or other interests secured by your property, you may have to get a short sale approval from all of those creditors. Every lender is different. Not only that, but a lender's requirements may change over time. To approve a short sale, your lender may require that you demonstrate and document a true financial hardship, such as job loss, illness, disability, or death of a co-owner. A decline in property value, absent more, may not be enough to demonstrate a financial hardship. Your lender may have other eligibility requirements, such as a current delinquency in mortgage payments, income verification, or property valuation. You should also determine how your lender intends to treat the shortfall (or the difference between your loan balance and the payoff amount). Your lender may forgive the debt, refuse to forgive the debt, require you to repay it, or say nothing at all about it. Effective July 2011 for properties with one-to-four residential units, a mortgage lender generally cannot hold the borrower personally liable for a short sale deficiency under California Code of Civil Procedure section 580e.

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TIPS FOR A SHORT SALE SELLER (Cont'd)

- **Get a good price for your home:** Getting a good sales price not only improves your chances of getting your short sale approved, but may also have other advantages. A better sales price reduces your shortfall which is the difference between your loan balance and payoff amount. Minimizing your shortfall may be advantageous for possible repayment, tax, liability, or other reasons. So do the best you can to improve your home's marketability. Even if you don't want to spend a lot of money for a short sale, you can still make your home ready and available for showings by cleaning the house, getting rid of clutter, putting away personal items, making minor repairs, and doing yard work. Ask your REALTOR® for other suggestions to improve the marketability of your home.
- **Get a good buyer:** Your ideal buyer may be someone who will wait patiently until your lender approves your short sale and, as soon as that occurs, the buyer will quickly perform to close the deal. These qualities are admittedly difficult to prescreen for, but do the best you can. Before entering into a sales contract with a prospective buyer, you may ask to verify his or her ability to buy, such as by getting a loan prequalification or approval letter, credit report, and source of down payment and closing costs. You're better off asking upfront than to be surprised later in the process by a buyer's inability to obtain a loan or otherwise perform. You may also try to negotiate favorable contractual terms for yourself, such as a meaningful good faith deposit from the buyer, a substantial down payment, and reasonable time frames for your buyer to inspect the property, obtain financing, and close the transaction.
- **Submit a complete short sale package:** A short sale request typically involves a lot of paperwork, but getting paperwork to the lender in a piecemeal manner is likely to cause delays. You may greatly expedite the approval process by providing your lender with a complete short sale package containing all the required information and documentation in an organized manner.
- **Be ready:** Once you've submitted your short sale request to your lender, be ready to wait for what could be a long time before you get an answer from the lender. The short sale process can take a few weeks to a few months. Patience and persistence may help you get through that waiting process. Once the lender responds to your short sale request, be ready to satisfy the lender's requirements and close the sales transaction, or carry out your contingency plan if necessary. Being prepared for what may come will serve you well in a short sale situation.
- **Avoid scam artists:** Be wary of scam artists who prey on distressed homeowners hoping to dupe you out of your money and property. As one homeowner who fell victim to a foreclosure-rescue scam said, "When you're down and out you'll believe anything." Watch out for the common signs of a scam, such as someone who asks for money upfront, asks for you to do something immediately without delay, or gives you an unqualified promise to stop foreclosure or other assurances. Also watch out for new types of scams that crop up every day.



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