

Homeowners Have Options!!

Use a Short Sale to Stop Foreclosure



Did you know 1 in every 4 people in South Florida owe more than their home is worth?

Are you one of the many home owners falling behind on their mortgage and are facing the possibility of foreclosure? Do you owe more than your home is worth? Are you worried about saving your credit?

Then look into the option of having our team of attorneys guide you through the Short Sale process by negotiating with your lending institution.

The Law Offices of Steven Serle, PA and your Listing Agent have partnered together to help you get through this difficult time.

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Edwina Douge, Short Sale Processor Direct: 561-912-3575 Fax: 561-912-3590*

WHY DO A SHORT SALE?

There are several reasons why doing a Short Sale is your best option;

1. To avoid foreclosure
2. To make a smart financial decision by reducing your debt
3. To reduce the negative impact on your credit score
4. To increase the ability to qualify for future financing
5. To be able to move on with your life

It is important to have people working for you that have experience negotiating with the lenders and who understands every facet of the Short Sale process. Our team of attorneys is experienced in negotiating Short Sales and has helped thousands of homeowners just like you.

We look forward to working with you!!!

SHORT SALE FAQ

What is a Short Sale?

A Short Sale is the process by which a homeowner can sell their house for less money than he actually owes on the mortgage(s). This is done by the buyer or investor providing proper documentation to the mortgage lenders to convince them to reduce the mortgage balance to allow the sale. The mortgage lender (or bank) actually takes a loss (or write-off) on the mortgage because the value of the home has fallen below the mortgage balance AND the homeowner is in a poor financial condition that will not allow him to continue to make his mortgage payment as originally agreed.

If the bank approves the discount on the mortgage, the home can be sold for a lower price with the possibility of the seller not having to come up with cash to cover the shortfall.

What type of situation is the Short Sale best for?

Most Short Sales are done on properties in which the owner is "upside down". This means they typically have negative equity or no equity in the home. In other words, the total balance owed on the mortgage is equal to or greater than the price at which the house can be sold. This situation is growing increasingly common due to the easy availability of 100% mortgages (no money down) as well as the recent decline in prices. This is particularly prevalent in the South Florida area, which has a large glut of homes for sale.

In addition, the homeowner must have some type of financial hardship that is preventing him from paying the mortgage. This is commonly job loss, medical bills, disability, or some other hardship.

How does a homeowner benefit from a Short Sale?

First and foremost, it relieves the stress of being in foreclosure or the worry about possibly going into foreclosure and being hounded by the mortgage lender; and it allows homeowners to get rid of their big mortgage payment and move on with their lives. If you have stopped making the payments on your mortgage, a Short Sale allows you to stop the foreclosure and get a fresh start. In my experience, this is the primary benefit to homeowners. They are tremendously thankful to just relieve the burden that their home and mortgage have become.

A Short Sale also prevents additional damage to your credit. Having some late payments and a foreclosure filed has already done damage to your credit. However, a completed foreclosure will do much more damage and lower your credit score tremendously. Obviously, if you have to declare bankruptcy, that is a huge black mark on your credit. A Short Sale results in the mortgage actually being paid off, which reflects positively compared to a foreclosure.

Why would a bank or mortgage lender want to do a Short Sale?

A common saying is that banks are in the business of lending money and do not want to own real estate. When a bank takes a property back via foreclosure, it is a long and expensive process and often results in holding the property in their

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inventory as a non-performing asset. Banks have a limit to the amount of non-performing assets they want to hold. Once this limit is exceeded, they have a strong incentive to get rid of the properties at discount prices.

For a lender, doing a Short Sale avoids many of the costs associated with the foreclosure process. Attorney fees, delays from borrower bankruptcy, damage to the property, costs associated with resale, property tax, insurance, etc. all must be paid by the bank during a foreclosure. In a Short Sale scenario, the lender is able to cut its losses by getting rid of the property faster.

Will a Short Sale “save my house”?

In the sense that you will be able to continue to live in the house, unfortunately the honest answer is no. A Short Sale is only done involving an “Arm’s length” sale of the home from the foreclosed owner to another unrelated party.

Will a Short Sale “save my credit”?

The short answer is yes and no, a Short Sale can save you from the worst credit disasters.

By defaulting on mortgage payments or having a foreclosure filed against your property, you have already done damage to your credit. Your credit score has declined and those negatives will stay on your credit report for some time. However, it will get much worse if you allow the foreclosure to continue and do not try to Short Sale the property.

Once a foreclosed property is sold at auction, your credit score is further reduced and when the foreclosure is completed via eviction and repossession of the home, your credit will be even further damaged. If you can complete the Short Sale BEFORE either of these takes place, then you can prevent that further damage to your credit. In addition, when the Short Sale is completed in most instances, it shows up on your credit as a “Paid” mortgage and a canceled foreclosure, which shows future creditors that you **did** take care of your obligations.

If your situation eventually winds up in bankruptcy, then that is the worst item that could appear on your credit report and it will remain there for years and cause numerous difficulties in getting future credit. A Short Sale can help avoid this, but the key is not to wait.

What other options might I have at this point?

When faced with a foreclosure, some things you may be able to do are:

1. Sell your home through the normal channels
2. Bring your mortgage current by making the missed payments and paying the penalties
3. Refinance your mortgage with another lender
4. Foreclosure Defense
5. File for bankruptcy

If you can do any of the first 4, then you probably should! Those are usually the best solutions for a homeowner in foreclosure.

However, if your situation is such that your house cannot be sold for the amount owed, and you have no money to bring the payments current, and you have no equity to qualify for a refinance, then you should consider a Short Sale before considering option #5.

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Again, I encourage you to educate yourself as much as possible about your situation and seek advice from any attorney, CPA, or Real Estate Agent you have access to about your choices. I do caution you against paying for the advice of so-called "foreclosure work-out specialists" or other such advisers unless it is by personal recommendation.

What do I do about my back property taxes when I do a Short Sale?

Just as in a normal home sale, property taxes are the responsibility of the homeowner until the date the sale is closed. Then they become the responsibility of the buyer or investor.

If your property taxes have not been paid this will affect the negotiations between the buyer and the bank, so you must inform us or any buyer of those taxes owed.

Can I purchase my own house as a Short Sale?

No, this would be illegal. A Short Sale must be an "arms length" transaction. You cannot purchase your own house nor can close members of your family or friends do one for you either.

In a Short Sale, the lender is agreeing to discount the mortgage amount due to legitimate hardships; but not so that the homeowner can make a profit. No money from a Short Sale transaction can be paid to the homeowner (seller). Lenders will not approve any Short Sale in which they suspect the homeowner will profit.

My house is already listed for sale on the MLS but isn't selling; can I do a Short Sale?

Yes, you can and it is relatively common. Some lenders even require that a house be listed for sale before approving a Short Sale in order to show that a discount is necessary.

Are Short Sales guaranteed to work?

No. All the criteria MUST be met for a bank to even consider a Short Sale. It is not easy to convince a bank that the market value of the home is lower than what they are owed. They do not like to take a loss on a loan.

Then the bank must be convinced to discount the mortgage enough to make it viable for an investor to make a profit for his work and risk. The discount must cover all repair costs, closing costs, broker commissions, taxes and still allow for a profit for the investor.

What if a bank doesn't accept the Short Sale?

Again, if the bank doesn't accept the Short Sale offer, there is no transaction and the home is still owned by the homeowner and the foreclosure process continues.

How long does a Short Sale take, I need to get out now!

A Short Sale takes approximately 60 to 90 days to complete and sometimes longer. This is very important. This complicated process takes time so to have the option of a Short Sale, you must act soon. If you wait until 1 week before eviction, no one can help you do a Short Sale. It is simply impossible. DO NOT WAIT.

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What paperwork do I have to do to complete a Short Sale and what is the exact process?

There is some paperwork to do at the beginning that we can assist you with but most is handled by us:

1. The homeowner must fill out a Borrowers Authorization form for each mortgage allowing us to speak with the lenders about the Short Sale.
2. You will be asked to write a letter detailing the financial hardship that caused you to fall behind on your mortgage. Any other proof of your financial hardships such as bank statements, medical bills, pay stubs, termination letters, etc. should also be included. After we have prepared and sent the entire Short Sale package to the lender, the lender will arrange a BPO, which is similar to an appraisal, to determine the value of the property. This can take a few weeks.
3. Based on the BPO, the bank will negotiate with us on the details of the Short Sale and after several weeks, they will either approve or deny the final offer.
4. If approved, a date will be selected to close the transaction just like any other real estate transaction.

Why do I have to sign a Borrower's Authorization?

In order to both determine if your lender will consider a Short Sale and then to actually negotiate the Short Sale, we need be able to speak to your lender about the mortgage. The lender will only speak to people you have authorized them to speak with.

By signing a Borrower's Authorization, you give the lender permission to speak to us about your loan. That is all it does, but it is necessary. An authorization must be filled out for each mortgage.

HOMEOWNER CHECKLIST

Date: _____ Owner: _____

Address: _____

Prepared by: _____

Phone: _____ Fax: _____

In order to have the opportunity to negotiate with your lender we will need to have the following documentation. Please note, when we get a contract we may need updates on each item so please make certain you set aside statements and paycheck stubs as you get them.

_____ Two months most recent mortgage statements (all mortgages)

_____ Two months checking account statements (all borrowers if separate)

_____ Two months saving account statements (all borrowers if separate)

_____ Two months other account statements (all borrowers if separate)

_____ Last two paycheck stubs (all borrowers)

_____ Two years tax returns

_____ Hardship letter

_____ Financial worksheet (provided)

_____ Order Estoppel Form from Condo/HOA or copy of your most recent Condo/HOA statement

_____ Copy of your most recent Water Bill

_____ Law Offices of Steven Serle, PA seller's authorization form

_____ Law Offices of Steven Serle, PA seller's cooperation agreement

_____ Law Offices of Steven Serle, PA agent's cooperation agreement

_____ Property Status: Please Circle Vacant Owner-Occupied Tenant-Occupied

FAX THE ABOVE ITEMS TO 561-340-1995 OR EMAIL TO SUBMISSIONS@STEVENSERLEPA.COM

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SHORT SALE INFORMATION SHEET

Property Address: _____

Please circle one: Homeowner Occupied Vacant Tenant Occupied

<u>Borrower</u>	<u>Co-Borrower</u>
<u>Name:</u>	<u>Name:</u>
<u>SSN:</u>	<u>SSN:</u>
<u>Mailing Address:</u>	<u>Mailing Address:</u>
<u>Cell Phone:</u> () -	<u>Cell Phone:</u> () -
<u>Home Phone:</u> () -	<u>Home Phone:</u> () -
<u>Email:</u>	<u>Email:</u>

<u>1st Mortgage</u>	<u>2nd Mortgage</u>
<u>Company:</u>	<u>Company:</u>
<u>Account Number:</u>	<u>Account Number:</u>
<u>Phone:</u> () -	<u>Phone:</u> () -
<u>Fax:</u> () -	<u>Fax:</u> () -
<u>Auth:</u> () -	<u>Auth:</u> () -
<u>Principal Balance:</u> \$	<u>Principal Balance:</u> \$

<u>Contract Sales Price</u>	\$
<u>Net to 1st Mortgage</u>	\$
<u>Net to 2nd Mortgage</u>	\$

Seller's Agent
<u>Name:</u>
<u>Phone:</u>
<u>Email:</u>

<u>HOA</u>		<u>Monthly / Quarterly / Yearly</u>	\$
<u>Phone</u>	() -	<u>Number of Months Behind</u>	
<u>Fax</u>	() -	<u>Account Number</u>	

<u>Have you filed for Bankruptcy:</u> Yes / No	<u>Have you requested a loan modification:</u> Yes / No If so, when:
<u>Brief Description of Hardship:</u>	

THIRD PARTY AUTHORIZATION

I hereby authorize Steven Serle, Ellen Dorfman, Kyle Frair, Nance Stinson, Jon Stinson, Edwina Douge and Justina Wayne of The Law Offices of Steven Serle PA and/or any designated agent, assistant, Title Company or its agents to verify any and all information pertaining to the mortgage or property detailed below and any additional financial information pertaining to this property including home owner's association, taxes, liens and any other encumbrances the life of the loan or until satisfaction of mortgage.

Property address _____

City _____ **State** _____ **Zip** _____

1st Mortgage Company _____ **Account#** _____

Phone Number _____ **Fax Number** _____

2nd Mortgage Company or Equity Line _____ **Account#** _____

Phone Number _____ **Fax Number** _____

Association (If Any) _____ **Account#** _____

Phone Number _____ **Fax Number** _____

Authorized By (sign) _____ **Date** _____

Print Name _____ **SSN** _____ **DOB** _____

Authorized By (sign) _____ **Date** _____

Print Name _____ **SSN** _____ **DOB** _____

Financial Worksheet

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Borrower _____

Co-Borrower _____

1st Loan Number _____

2nd Loan Number _____

INCOME– Take Home Pay

	DEBTOR	CO-DEBTOR	TOTAL
Primary Job			
Misc. Income Overtime			
Part Time Job (net)			
Retirement-Military			
Retirement-Civil Service			
Support/Alimony			
Social Security			
Room & Board/Rent			
TOTAL NET INCOME			

How often is Borrower paid? (circle)

Every Week

Every 2 Weeks

Twice a Month

Once a Month

How often is Co-Borrower paid? (circle)

Every Week

Every 2 Weeks

Twice a Month

Once a Month

EXPENSES

	MONTHLY PAYMENT	BALANCE	NAME OF CREDITOR
Home Mortgage			
2 nd Mortgage			
Equity Line			
Auto Loan			
Auto Loan			
Creditor			
Student Loan			
Alimony/Support			
Child Care			
IRS			
CH 13			
Electric			
Gas			

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The undersigned Seller for and in consideration of the law firm of Steven Serle, P.A. (Firm) negotiating a Short Sale on the Seller's behalf with Seller's lender (Lender) agrees to the following conditions and acknowledges the information contained herein:

1. Seller shall timely cooperate with Firm in preparing and delivering documents and/or information, deemed necessary by Firm whether or not said Information is requested by Lender;
2. Information shall be delivered to Firm in a timely fashion;
3. Seller shall refer all Lender inquiries to Firm;
4. Seller shall immediately apprise Firm of any change in pertinent matters;

Seller acknowledges:

- a) Firm is not advising Seller in any tax matters and Seller is strongly advised to seek the advice of a tax professional as there may be tax ramifications upon the completion of the Short Sale;
- b) Firm may withdraw from its representation of Seller at any time Firm in its sole discretion determines that Seller is either not cooperating or engaging in behavior which may be considered illegal or fraudulent;
- c) Firm's representation is limited to negotiating the Short Sale unless otherwise specified in a separate Retainer Agreement. Any advice given Seller outside of the scope of this representation may be billed separately;
- d) Firm makes no representation as to the credit consequences which may arise as a result of the Short Sale negotiation and Seller is not relying upon any implied representations;
- e) Firm is not engaged in the mortgage modification business and as such will not attempt to modify Seller's current mortgage;
- f) Firm's fee shall be deducted from the proceeds at closing, however, in the event the closing does not take place as a result of Seller's actions or inactions, Firm retains the right to seek compensation from Seller. Firm's Fee shall vary depending upon:
 1. That which is allowable by lender
 2. Amount of time and work attributable to the matter
- g) Firm cannot force Lender to accept or reject an offer. Lender's timeliness or lack thereof cannot be determined up front, hence Seller understands that the process may be longer than originally anticipated and agrees to not hold Firm responsible for Lender's lack of responsiveness; and
- h) Firm has made no representation as to the likelihood of success of the negotiations.

In Witness Whereof:

_____, 20__

Dated this _____ day of _____

Seller _____

Firm _____