



Best Deals &
Bank Owned Properties

What is a "Short Sale" anyway?

Buying a home these days can be confusing with "short sales" and "bank owned." Did you ever wonder what that means? Simply put, a short sale occurs when the home owner owes more to the mortgage holder than what the home is worth. The bank agrees to discount the loan amount (which means they allow it to be sold for less than what is owed). This usually occurs when the home owner cannot afford to continue to make the payments on the home and the bank figures it is better to take a lower amount for the property than it would cost them to foreclose. When a bank forecloses they take the property back from the owners and they then auction the property. If they don't successfully auction it then the bank keeps it (bank owned) and sell it themselves through their realtors.

Foreclosure usually hurts the home owners' credit more than a short sale does. It is also more costly to the bank to foreclose as they have to pay lots of legal fees. Also, just because the bank agrees to allow the short sale does not mean that the bank won't also try to collect more of the debt from the seller/owner who is doing the short sale.

Short sales can be really good! Some lucky buyer's have gotten great deals. BUT, hopeful short-sale buyers must have patience as short sales are unpredictable. The average short sale can take from 4 to 6 months and sometimes much longer. So, you have to be willing to wait it out. But, they could also happen within a couple of months. As the Buyer, when you submit an offer on a short sale, the Seller must first approve the offer and then it is sent to the bank for their approval. That is where you wait, and wait and wait some more.

The bank will assign a negotiator who will get all the information on the property, the market value and financials from the seller. It is this negotiator who in the end will make a recommendation to the "powers-that-be" in the bank or finance company on whether to accept the offer, reject the offer or make a counter-offer to the Buyer's offer. Your Agent (the Real Estate agent who represents you) will then let you know what the bank has or has not agreed to. There are a number of things that could happen and it isn't always cut and dry. For instance, the bank may accept your offer but they may want the seller to come to the table with more money. So, the bank, the seller of the property and you – the buyer – must all agree to the terms.

Once you have a price agreed upon and the closing date set then that is when you – the buyer – will usually be advised to get your home inspection done, etc. so that you close on time. I say "usually" as sometimes a buyer may do the inspections and so forth prior

to bank approval, but if the bank does not accept your offer you have just wasted your money on the inspections.

If the bank should respond to your offer with a counter-offer, wanting a higher amount (which they often do) then at that point you can say "no" and walk away from the deal, agree to pay more or, counter offer the bank's counter-offer. I can tell you from experience that the bank almost never will negotiate at that point. They have gotten a "BPO" (Broker's Price Opinion)* and they have determined what they feel the property is worth and what they also must clear in terms of money in their pockets when the deal is done. Your Agent can advise you further on this at that point if it should occur.

A lot of times you will see short sales advertised as "Bank Approved price." What this means is there was an offer in on the property and the buyer's got tired of waiting and walked away or, the bank countered and wanted a higher amount which the Buyer wouldn't agree to. This price will usually be good for a couple of months. If there are still no buyer with an offer the bank likes then after a couple of months the bank will more likely consider and accept lower offers. If the timing goes longer than 2 or 3 months and an offer comes in on the property, then the bank just starts the process over and wants a new BPO and new financials from the seller of the property to re-determine what the price should be.

Then there is that happy day when the bank accepts the short sale offer and it goes to closing. The Title Company makes sure the title is cleared so that the new Buyer gets the property free and clear and has title insurance for that added assurance. Although there are professionals helping the seller's and buyers all along the way, never loose sight of the fact that you as a Buyer are also responsible. You need to read the contracts and what you are signing, ask questions and look for yourself. You can always get legal advise from an attorney as well when you feel the need.

This is not meant to be all inclusive about what a short sale encompasses but it is a general over-view of what happens much of the time. You can check with your Realtor who will be happy to answer any other questions specific to your circumstances. If you have any further questions please feel free to contact me: Sara Goldberg, Realtor at 727-512-8088 or by email at Sara@DreamRealty.com

*BPO - The Broker Price Opinion of a residential property is conducted by a local, licensed real estate professional. The report combines information from a drive-by exterior examination, external data sources, previous sale data, property assessment data, recent comparable sales and current neighborhood listings. The BPO includes estimate of repairs to obtain fair market value and neighborhood information. The BPO is not an appraisal and does not include an inspection of the interior of the property.