

What You Should Know About *Buying* “Short Sales” and Foreclosed Properties

This information is designed to help home Buyers determine whether it is best for them to buy a normal resale home, one that is being sold as a “Short Sale”, or a bank-owned (foreclosed) home. The “Short Sale” information is first because it is the least familiar and most complicated of the three.

1. What is a “Short Sale”?

A Short Sale is a transaction in which a lender agrees to allow a property to be sold and to accept an amount less than (short of) what it is owed. It’s also sometimes called a “pre-foreclosure” sale.

2. When is a Short Sale generally attempted?

When someone is desperate. A homeowner needs to sell, but owes more on the loan (or loans) than the house is worth. This may be because:

- a. the market is depressed and the value of the home is less;
- b. or the owners have taken out a 2nd mortgage for more than the home is worth;
- c. or they started with a 100% loan and there has been no appreciation;
- d. or some combination of such circumstances.

3. What are the benefits of a Short Sale for the Buyer?

- a. You probably can get the home at a price far below what the Seller owes on it.
- b. You may be able to get the home below the current market value.
- c. The home often is in better condition than one that has gone through foreclosure.

4. What are the problems associated with a Short Sale?

- a. The lender(s) might not agree to accept a Short Sale and let the house be sold. They don’t have to agree to it, and the sale could fail to close. You would have to start all over.
- b. There is no guaranteed time limit for the lender(s) to accept a Short Sale. Buyers and Sellers both may be tied up for 1-3 months or longer waiting for the lender to answer the request for a Short Sale, and then the answer may be “No”.
- c. The lender may agree to a Short Sale, but require a price that is higher than your offer—and maybe even higher than the listing price. This is because often the listing price for a Short Sale is well below the market price as an inducement for Buyers to make an offer.

The listing broker knows a Short Sale presents problems for the Buyer, and has to make it attractive enough for a Buyer to go through the hassle. However, the lender is just concerned about whether the figures will work for what they need: what's their bottom line?

5. If I'm thinking about buying a Short Sale home, what steps should I take?

- a. Talk with a Realtor® who has experience with Short Sales to get an idea of what is involved in buying a home with the involvement of a Short Sale.
- b. Get a copy of the "Short Sale Addendum" from your Realtor® or [the Colorado Real Estate Commission](#) (CREC) so you can know what the CREC requires to be disclosed to both buyer and seller.
- c. Ask yourself, "Do I have the time and patience required, or do I have a specific deadline by which I need to be in my new home?"
- d. Compare what you like about the Short Sale property with the price and features of the homes you have seen that are normal resale properties or bank-owned homes.
- e. Buy the home that makes the most sense and has the greatest appeal to you.

6. How does a "bank-owned" or foreclosed home differ from a Short Sale?

- a. A Short Sale is only possible before a home is sold at foreclosure. A "bank-owned" home means it has gone through the foreclosure process and the bank obtained it at the foreclosure sale.
- b. The bank-owned-home purchase is much easier. You make an offer as with a normal re-sale home. The Lender/Seller either accepts it or makes a counter offer. You can close very quickly if you have cash or your loan is pre-approved pending an acceptable property.
- c. Some banks fix up the foreclosed homes so they will sell quicker, so the home you buy may be in better condition than some of the normal re-sale homes you saw.

On the other hand, if you are handy, you might be able to get an especially good deal on a bank-owned home that is a "fix-up" property.

Regardless of whether the home you want to buy is a Short Sale, Bank-Owned, or normal re-sale property, I know what to do as your agent to get you the home you want to buy at the best possible price. Call (303-284-3609) or email me (rudyantle@msn.com) today.

In your service,



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*My mission as a Realtor is to smoothly and securely guide people through their life transitions.
Call me if someone you know is thinking about moving. I'll be honored to help them.*