



## Short Sale Benefits

### Are you a good candidate for a Short Sale?

A short sale happens when a homeowner owes more on the property than what it's worth: You are "upside down" or "under water" with the home. Usually, you've also fallen behind on your payments. When the lien holders agree that the home is not worth what is owed to them, and they agree to take less than what is owed, that is called a short sale, because THE BANK GETS SHORTED.

### The top benefits of a Short Sale to the Seller include:

- No embarrassing Sheriff Sale; Sellers have a sense of control over their lives.
- Free housing for the duration of the short sale process; Sellers are not paying the mortgage but can still live in their home, saving significant money on housing costs, since **Short Sales often take 6 to 8 months or longer**. No need to move out until close to settlement. Save up rent money under your pillow!
- Because of the Mortgage Debt Relief Act, there are **no taxes owed** on the deficiency of a short sale vs. possible **huge tax liability on a foreclosure**. This is perhaps the BIGGEST benefit of a Short Sale. (See the True Story below.)
- The transaction costs the Sellers nothing out of pocket. The Mortgage Assistance Relief Services (M.A.R.S.) federal law states that Sellers should NOT pay for the services of a Loss Mitigation Company, and certainly should never pay anything up front. **The services of Abba Loss Mitigation are always FREE to you!**
- Some sellers will qualify for **relocation assistance** from their lender, possibly \$3,000. (This is not guaranteed; banks vary in their relo programs.)
- Seller's credit will recover quickly from a short sale; can buy a home again soon! Your credit report will not show a short sale. It will just show late payments, and then all of a sudden, it will show that the loan was paid off! Many sellers can buy a home again in a year or two.

## **Conversely, huge problems may occur if a Seller gets foreclosed on:**

When a homeowner gets foreclosed on, they will get a 1099 from each of the lienholders that will be **treated as income for tax purposes**, as well as a huge judgement against them that will haunt them for years.

The IRS will want the tax money from the 1099 “income” which could be tens of thousands of dollars. In order to collect that money, the IRS can and does garnish government paychecks, for instance, from the Social Security Administration.

True story: One elderly client was doing a short sale when her daughter said, “Mom, don’t bother with all of that; you are too old to rebuild your credit anyway. Just come live with me.” So, the homeowner stopped the short sale, abandoned the home, let the foreclosure happen, and moved to another state to live with her daughter. A few months after the foreclosure was complete, she checked her bank account to see whether her Social Security, which had been \$1,200 a month, had been directly deposited into her checking account as usual. She was shocked to find that only \$600 had been deposited from Social Security. The rest was sent to the IRS to pay towards the balance of taxes owed from her foreclosure “income.” Unless laws change, for the rest of her life, her income will be cut in half. We tried to warn her, but her daughter didn’t believe us, and she didn’t seek out other professional advice until it was too late.

When a homeowner is 90 days late on their mortgage, they receive an Act 91 Notice in the mail, letting them know that their mortgage holder is suing them for foreclosure. This is when most homeowners realize that they need to sell their home. But after sending the Act 91 Notice, banks generally take their time with the foreclosure process, and it may be several months until the home is actually put on the sheriff sale list. This is the ideal time to negotiate a short sale with the lender.

## What we will need:

When you purchased your home, you needed to provide the bank documentation that qualified you for the mortgage. When you do a short sale, you will need the same documentation to “un-qualify” you for the mortgage, so that they let you out of it.

- 2 Months of Pay Stubs (if you are working)
- 2 Months of Bank Statements
- 2 years of Tax Returns
- A Hardship Letter in your own handwriting (two paragraphs is enough)

We will also need a listing agreement with a Realtor, and an Agreement of Sale with the Buyer. We will prepare that paperwork on standard forms, and ask you to sign it.

## Your Next Step:

Do not wait until it is too late. Let us help you with a Short Sale and avoid foreclosure! You will be glad that you did. Please reach out to the person who gave you this information. You can also contact Abba Loss Mitigation with your questions:

Abba Loss Mitigation, LLC. “We’ll help you weather the storm.”

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