

Short Sale Considerations

A **short sale** is a process that allows you to sell your home for less than the amount currently owed on your mortgage in order to avoid foreclosure. Your lender must agree to accept less than what is owed on the mortgage.

It might be appropriate to attempt a short sale if:

- You are behind on your house payments.
- Your financial situation isn't improving.
- You owe more money than the house is worth.
- You have insufficient equity to cover costs associated with selling.
- You want to try and prevent a foreclosure.
- You have found alternative housing.

There are some things to consider if you are thinking about short sale:

- Doing a short sale can be a lengthy process with no guarantee that the lender will approve it, or that the process can be completed in time to avoid foreclosure.
- A short sale is not an option to just walk away from your mortgage.
- Your lender will require proof of what caused the mortgage default, what you have done to try and rectify the situation as well as current financial statements and budget.
- Your lender can still proceed with the foreclosure process during the short sale process.
- There may be income tax consequences.
- After the sale, you may be faced with a "deficiency judgment." This means you may have to repay the debt that was not covered by the sale of the property and could result in wage garnishment and confiscation of other assets you may have.
- If there are multiple mortgages on the property, ALL mortgage holders must agree to the terms of the short sale.
- If there are other liens on the property there could also be financial implications for those debts.

If you want to explore a short sale further:

- Contact a non-profit *Homeownership Advisor* to discuss your options.
- Contact your lender to ask if a short sale is an option.
- Find a trusted real estate professional that is experienced with short sales. An agent needs to thoroughly understand the process to help you avoid or minimize many of the considerations mentioned above.
- Read the Mortgage Debt Forgiveness and Deficiency Judgment's fact sheets on www.hocmn.org to learn about possible financial consequences of Short Sales.

This information is provided as a service of the Minnesota Homeownership Center and is not legal advice. Consult a competent legal professional for advice specific to your situation.

For additional information about foreclosure contact a Homeownership Advisor in your area by contacting the Minnesota Homeownership Center today: 651-659-9336 or 866-462-6466 or www.hocmn.org.