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by Joel Gruenke

3 Must Have Qualifications For a Short Sale



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3 Must Have Qualifications for a Short-Sale Homeowner

While the misconceptions of what qualifies a seller for a short sale are many, the reality is actually very simple. Following is an explanation of the three major items that most lenders are looking for to see if you will qualify.

While a short sale is an involved process, this is an excellent place to begin.

1. FINANCIAL HARDSHIP

First and foremost a lender will want to see that you have a 'financial hardship'. A financial hardship is a verifiable issue that has or will cause you to miss payments or have financial difficulties.

Financial hardships can be issues such as:

- Mortgage Payment Adjustment
- Job Loss
- Too Much Debt
- Business Failure

A simple definition for 'financial hardship' is:

A material change in-between the day the mortgage was signed and today that has affected your ability to pay.

2. MONTHLY SHORTFALL

Almost every lender will want to see that you cannot afford to pay your current mortgage. The way that this is demonstrated is on a financial worksheet that your agent will provide. This is essentially a monthly profit and loss statement. While this may sound difficult in reality determining whether you have monthly shortfall or not is actually relatively easy.

The Shortfall equation is:

$$\text{Total Monthly Income} - \text{Total Monthly Expense} = \text{Monthly Shortfall}$$

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Options and Solutions for Homeowners in Foreclosure

A mortgage modification involves the reduction of one of the following: the interest rate on the loan, the principal balance of the loan the term of the loan or all or any of the above. This typically results in a lower payment to the homeowner and a more affordable mortgage.

3. INSOLVENCY

In order to qualify for a short sale, you must not have the means to pay down your mortgage. This means that the mortgage company wants to see that you owe more than you have in cash (known as being insolvent).

You do not however have to be completely broke – this is a common misconception, the lender will want to see that over time you will not be able to pay your mortgage obligation. Having money in the bank for living expenses is common and will not disqualify you.

In order to go through these issues it is recommended that you sit down with your agent and examine each one in detail. While a short sale may seem like a difficult process the right agent can make it a relatively simple one.

Take action and make an appointment with us today and get yourself started on the path to financial recovery.

Our team has specialized training on helping homeowners who may be facing foreclosure. Please call us today for a no cost confidential consultation.

We can be reached at: 215-962-4326

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