

Until recently, the term “Short Sale” was seldom used to describe a real estate transaction. Unfortunately, short sales now make up close to half of all transactions. Despite their growing popularity, most people do not understand them, nor how to proceed with one.

As one can imagine, there are many questions surrounding short sales. This literature addresses several of the questions raised by the parties involved in short sale transactions. It is important to keep in mind that each short sale is unique, and presents its own set of challenges.

Here are some of the most frequently asked questions by parties involved with a short sale:

#### **Q. What is a short sale?**

A short sale occurs when real estate is sold for a price less than what the seller owes on its mortgage(s). In a short sale, the lender(s) agree to take less than what’s owed due to an economic or financial hardship on the part of the seller. Extenuating circumstances, such as the current real estate market, also play a role.

At the closing (settlement), the seller will not be allowed to receive any proceeds. This is because the lender(s) is agreeing to accept less than what is owed. Some lenders also restrict the compensation of other service providers, such as realtors and attorneys. Lenders are concerned with every expense owed by the seller because, in the end, the more the seller has to pay, the less the lender(s) receives.

#### **Q. Is the seller responsible for the shortfall?**

Unless the payoff letter from the lender(s) specifies otherwise, the seller remains legally responsible for the amount of the debt that is forgiven. It’s sound practice for the short sale negotiator to request that the deficiency be waived; however, the ultimate decision rests with the lender(s).

#### **Q. What are the tax liabilities of a short sale?**

The Mortgage Debt Relief Act of 2007 generally allows taxpayers to exclude from their income the discharge of debt on their principal residence. The provision applies to debt forgiven from 2007-2012. Up to \$2 million of forgiven debt is eligible (\$1 million if married and filing separately). The lender(s) is usually required to report the canceled debt to the IRS on a Form 1099-C, Cancellation of Debt.

#### **Q. How is credit affected by a short sale?**

A short sale does adversely affects a person’s credit, though the impact is typically less than a foreclosure. It usually appears on one’s credit report as “settled for less than what was owed,” and could remain on the report for up to seven years. This negative credit impact doesn’t necessarily mean, however, that the seller will be unable to obtain another mortgage at some point prior to the expiration of seven-year period.

#### **Q. How long does a short sale take?**

Each short sale situation is unique, and many factors can influence how long the process will take. In general, short sales take a minimum of 30 days, and may take months to complete. For this reason, both sellers and buyers should be made aware, at the outset, that the process may be long and sometimes very frustrating.

#### **Q. What documents are required?**

Most banks require the same forms in order to process a short sale, some of which include: authorization for representation; preliminary net sheet; hardship letter; proof of income and assets; copies of bank statements; comparative market analysis or BPO); purchase and sales agreement; and a listing agreement.

The Law Office of John L. Coppolino, Ltd. has the forms necessary to handle short sales. In

addition, we will help the seller complete them, if necessary. We can even assist them with the writing of the hardship letter, a key piece of the short sale package.

#### **Who should negotiate for the seller?**

Some sellers (inadvisably) elect to represent themselves. In other instances, the listing realtor attempts to negotiate a short sale on the seller’s behalf. Many quickly realize, however, that their valuable time is wasted with endless calls, e-mails, faxes, and other communications with loss mitigation specialists.

*One of the biggest factors in whether a short sale is successful is the expertise of the party representing the seller. As a general rule, the more experience the representative has, the greater the likelihood of success.*

The Law Office of John L. Coppolino, Ltd. has been negotiating on the behalf of sellers since the most recent wave of short selling began. Because most law offices do not have experience with short sales, word has spread quickly in the real estate community that our office is a place for realtors and sellers to turn to for help when they are dealing with a short sale.

Our experienced and dedicated team of professionals knows what the banks look for, as well as how to deal with objections and obstacles. Each associate has a specific role, which helps ensure a smooth and efficient process. While we cannot guarantee that every short sale attempt will be successful, we do pledge to zealously represent the interests of every seller we work for.

*Law Office of*  
**JOHN L. COPPOLINO**

## IMPORTANT:

Short Sales can be confusing, time-consuming, and frustrating.

Don't spend your valuable time and energy negotiating with the bank(s).

Refer your short sales to a firm that has experience and a successful track record in dealing with short sales.

**Refer them to the:**

*Law Office of*  
**JOHN L. COPPOLINO**

## REFERENCES

Many real estate professionals have utilized our short sales services. If you would like to contact one or more of them, please e-mail John Coppolino, Esq. at:

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The Law Office of John L. Coppolino, Ltd. is a full-service real estate law and title firm. We perform title, closing, short sale and loan modification services throughout Rhode Island, Massachusetts and Connecticut.

*Law Office of*  
**JOHN L. COPPOLINO**

Successfully  
Navigating the  
SHORT SALE  
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