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SHORT SALES AND LONG SHOTS

By Lauren P. Kohl

Short sales have been around for many years but only recently have they become a topic of conversation suitable for cocktail parties and sporting events.

A short sale transaction occurs when a mortgage lender, (and sometimes other junior lien holders), agree to release their lien on a property for less money than the sum that is owed to pay the debt in full. A borrower is not necessarily released from the obligation to pay the remaining balance of the debt. But a purchaser of the home is able to take title free and clear of the mortgage debt.

I am told by the local Realtors that approximately 40% of the homes listed on the Multiple Listing Service are offered as short sales. Therefore, if you are a snowbird looking for a great value this season, chances are you will consider making an offer on a home or condominium to be sold "short" of paying the mortgage(s) in full.

One fact to consider is that most lenders will not tell a seller in advance how little they are willing to accept in a short sale. Therefore, a Realtor has to determine the probable value of a property and list it at that amount. A buyer making an offer at full list price has no guarantee that their offer will be accepted by the

lender(s). Sometimes, however a short sale is approved by a lender and the sale is not consummated because the buyer either became tired of waiting or was unable to obtain financing. In this case, the seller is in possession of a short sale approval and may advertise that a short sale has been previously approved at a certain price.

Generally, short sale approval takes 30-90 days from the date a contract is submitted to a lender. Short sales requiring approval by two or more lenders can often exceed 90 days. Having said that, certain lenders have reputations for taking longer than others. Bank mergers often slow down the process. I suggest you seek the advice of an attorney familiar with short sales prior to making an offer on a short sale property so that an appropriate time frame can be written into the contract.

Most real estate professionals in our area believe that prices have reached or are close to reaching the bottom. If that is true, it would be a shame to make an offer in January and wait three months only to find out that your offer wasn't accepted by the seller's lender(s). You might then find that prices have increased and inventory has decreased while you were locked into a contract for

three months. An attorney can draft specific provisions into your contract allowing you to cancel the contract if you feel the approval process is not progressing appropriately.

If a seller is ultimately unable to obtain short sale approval, the home may be taken back by the lender and offered as a bank owned property (sometimes referred to as a Real Estate Owned (REO) property or foreclosure property). Bank owned properties can be purchased more quickly than short sale properties because they are priced aggressively and don't require bank approval. Keep in mind however, that some bank owned properties are offered at such attractive process that multiple offers are made the first day the property hits the market.

Your Realtor will monitor the Multiple Listing Service on your behalf and notify you daily of bank owned properties that hit the market. Don't be surprised if you end up in a bidding war for these

properties as they often sell for more than the list price. If you see a bank owned property that you like and are certain it is a great deal consider coming in at your best price or be prepared to lose out to another buyer. In any event, you should consult an attorney prior to making an offer on a bank owned property as the contracts typically contain clauses that favor the bank or require a buyer to waive certain rights that would not be waived in a traditional transaction.

It is a great time to get an exceptional value on property in Florida. However, buyers must realize that boiler plate contracts will not always provide them with sufficient protection needed under current market conditions. Don't turn your short sale purchase into a long short. Have an attorney on your side of the closing table.

Areas of Practice: Real Estate Closings, Title Insurance, Residential & Commercial Real Estate Closings, Contract Preparation, Deeds & Mortgages, Wills & Trusts

On Your Side
Of The Closing Table

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Representing local and international clients purchasing and selling real estate, including waterfront, golf course, foreclosures and short sales in the greater Sarasota area.
We protect your interests at closing.

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