

Jason Roberts & Rachel Schneider
present

REI BLUEPRINT



SHORT SALE

Accelerator Presentation Handouts

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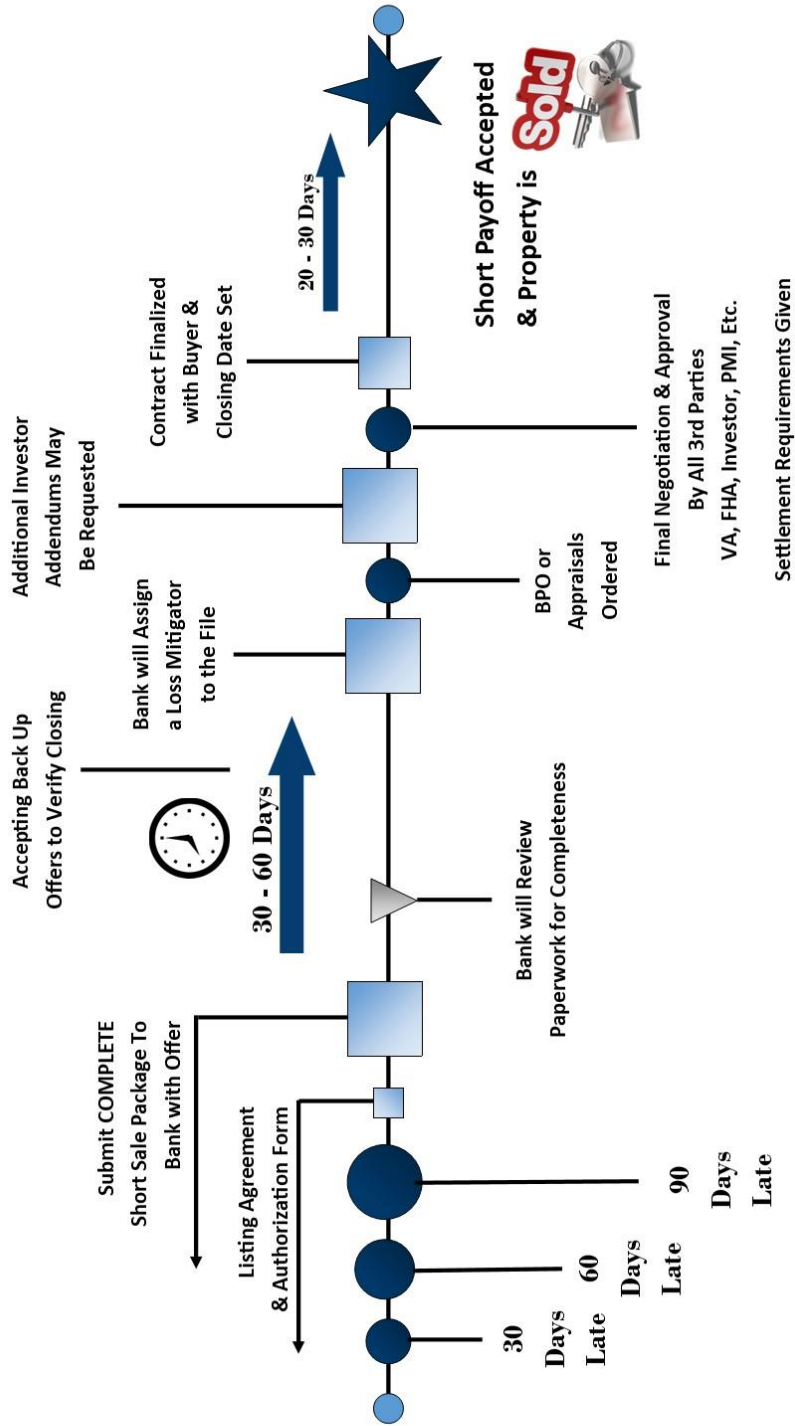
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INTRODUCTION TO SHORT SALES

WHAT IS A SHORT SALE?

A **short sale** is a sale of real estate in which the proceeds from selling the property will fall short of the balance of debts secured by liens against the property, and the property owner cannot afford to repay the liens' full amounts and where the lien holders agree to release their lien on the real estate and accept less than the amount owed on the debt. Any unpaid balance owed to the creditors is known as a deficiency. Short sale agreements do not necessarily release borrowers from their obligations to repay any shortfalls on the loans, unless specifically agreed to between the parties. A short sale is often used as an alternative to foreclosure because it mitigates additional fees and costs to both the creditor and borrower.

Short Sale Timeline



* Typical Short Sale Timeline, Actual Lender Timeline May Vary

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BUILDING YOUR TEAM

KEY TEAM MEMBERS

As with all real estate investing strategies, having a team of reliable and qualified team members to help you through the process is key. This is never more important than in dealing with short sales. As we discussed above, short sales require arm's length transactions with all parties, thus requiring a team of key players. Typical team members include a **real estate agent**, a **title company or closing attorney** and a **negotiator**. Since short sales require constant communication and coordination, it is imperative that you thoroughly vet all team members involved.

REAL ESTATE AGENT

Unlike other real estate investing strategies that can be completed without the help of a licensed real estate agent, short sales require the participation of a real estate agent in order to complete the process. A short sale requires you to not only negotiate with the homeowner to arrive at an acceptable buying price but also the lender; in essence you are negotiating a sales price with two separate parties.

As we discussed above, a homeowner's motivation to complete a short sale is to avoid foreclosure and a deficiency waiver. A lender on the other hand wants to avoid having to foreclose on a property but at the same time wants to recoup most, if not all of the money they have invested into the transaction. In order to do this, they require that the property be listed on the MLS (Multiple Listing Service) to derive the highest offer on the house as well as a listing contract to work the short sale. Additionally, some lenders require a licensed real estate agent for 3rd party authorizations and to gain access to short sale software used to negotiate.

Since a real estate agent is required for all short sale negotiations you can see why it is imperative to thoroughly vet a potential agent partner. Be prepared to meet several different agents; do not agree to team up with the first agent you meet or the one that claims to have "a lot of short sale experience".

Key questions and attributes you are looking for:

- ***Does their state and/or brokerage allow transactional agents?*** (agent that assists buyers and sellers in real estate transactions without representing any party's financial interests.)
- ***Are they an investor friendly agent who has worked with other investors?***
 - These agents tend to be more flexible and creative
 - They understand how the offer and listing needs to be drafted
 - Tend to be located at smaller, local brokerages
 - Ask other investors for recommendations. Great place to inquire is your local REIA (Real Estate Investor Association)

- ***Do they have short sale experience?***
 - Don't be afraid to look for someone who has short sale experience, they just need to have the right short sale experience. Ask them:
 - How many short sales have you completed?
 - When is the last time you did a short sale?
 - How many investors do you work with?
- ***Are they willing to help grow your pipeline?***
- ***Are they willing to wait to get paid on a real estate deal?***
- ***Are they willing to negotiate their commission?***
 - You will be using them on numerous deals and most times on both the buy and sell side of a transaction. Discuss with them a negotiated rate on commission for your business.

If you struggle to find a realtor partner that meets your criteria, it may be time to consider getting your license. Be sure to find an investor friendly brokerage to hold your license and find another agent at the brokerage to refer listings to.

TITLE COMPANY/CLOSING ATTORNEY

Depending on your state, a title company or closing attorney is required to complete a short sale real estate transaction. A **title company/closing attorney's** role is to serve as a combined agent of the title insurance company, buyer, seller and other parties involved in the real estate transaction such as the bank/lender. They review title, issue insurance policies, facilitate closings and file the records paperwork. Because of their important role in your business, it is key to have a good working relationship with your chosen title company. This helps to avoid issues and decreases delays.

When searching for a good title company/closing attorney it is a good idea to shop and ask around. Again, your local REIA (Real Estate Investor Association) is a great place to start. You will be looking for a company who is/has/does:

- **Investor Friendly** – you want a company who is familiar with investor transactions not just traditional real estate transactions
- **Experience with Short Sale Closings**
 - Inquire how many short sale closings they do in a month
 - Confirm that they will include you on all lender communication and approvals
- **Provide Education**
 - Keeps clients informed of all state/city/county tax regulations and updates
 - Knowledgeable of specific property requirements for closing (Imperative that they make you aware of these before closing)
- **Competitive Closing Fees**
- **Flexible with fees and what they can charge**

- **Does not Cap Margins or Profits**
 - Want to confirm that their title insurer does not cap these as well
- **Willing to follow the approval letter exactly and know that additional fees cannot be charged**

NEGOTIATOR

The last key player you will need to have on your team is that of the **negotiator**. A negotiator represents the seller and negotiates with the bank to arrive at a price they are willing to accept to satisfy the debt owed. The negotiator is typically hired by the buyer/investor and communicates and coordinates all of the documents and items the bank requires to complete the transaction. Because of their heavy involvement in the success of your deal you will need to make sure you do your due diligence before hiring them.

There are three primary options when making a decision about who will be your negotiator. You can negotiate the short sale yourself (remember some banks do not allow the buyer and negotiator to be the same individual), you can hire a negotiation company or you can train, educate and create your own negotiator. Let's take each option separately and analyze key questions to ask them before reaching your decision.

You as a Negotiator:

- How much time do you have to dedicate to negotiations?
 - Short sale negotiations involve a lot of back and forth between the seller, lender, buyer and real estate agent
- Do you work a full-time job?
 - Banks are open during business hours; you need to be available to answer questions and submit documents during their working hours to avoid delays
 - Must have the means and flexibility to be available when needed

Hire a Negotiation Company

- Are they investor friendly?
- How many closed and current active investor files do they have?
- What is the volume of files they can handle?
- What specific license and certifications do they hold?
- What are their fees?

Creating and Training Your Own Negotiator:

- Do you have the time and desire to hire, train and manage a negotiator?
- What is your negotiation experience to train someone else?

Pre-Foreclosure/Short Sale Letter

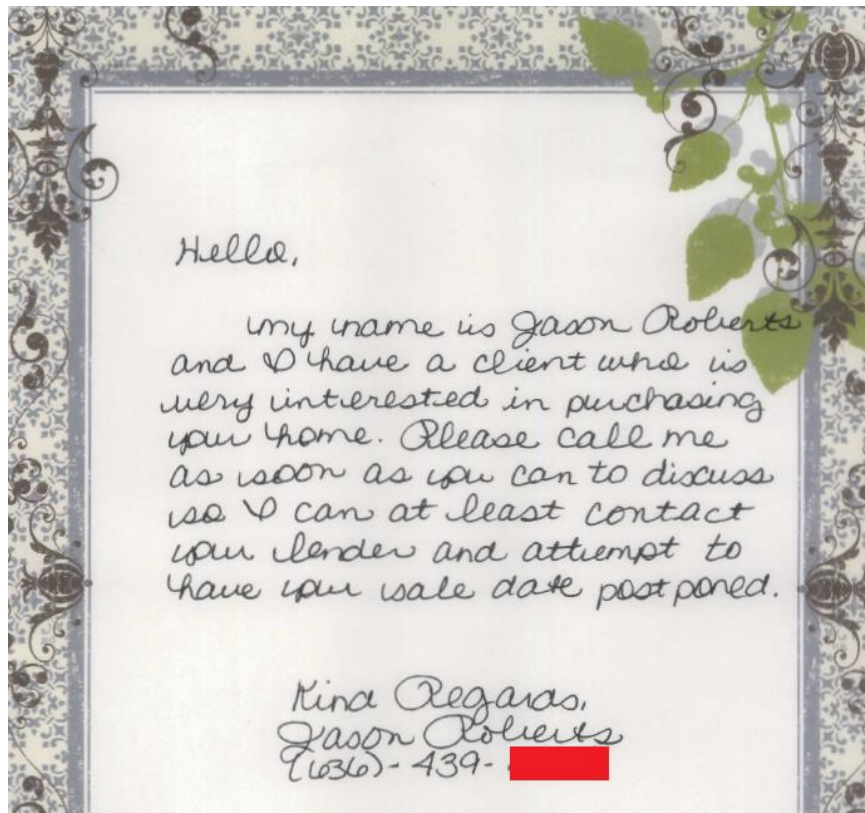
Hello,

My name is _____ and I have a client who is very interested in purchasing your home. Please call me as soon as you can to discuss so I can at least contact your lender and attempt to have your sale date postponed.

Kind Regards,

Your Name

Your contact info



INBOUND CALL SCRIPT

Seller: Hi this is John, and I just got a letter in the mail from you that you had someone interested in my house.

Rep: Ok, could you tell me the address of the property? (Write down the number off caller id)

Seller: 123 Oak Street, how did you get my information?

Rep: OK great, well so that you know, we buy several houses each month in Jefferson County, I've actually lived here in Barnhart for the last 10 years so I'm pretty familiar with the area. The reason I sent you the letter is because I noticed that a local law firm had filed an "appointment of successor trustee" which is the document they file to initiate a foreclosure. Typically the sale date is 21 days from the time they file it, did they give you a sale date?

Seller: Yes they did, its December 17th.

Rep: Oh wow, that's only two weeks away, do you have the money to bring the loan current or can you borrow it? With your house being auctioned at the court house steps in two weeks, what is your plan, or do you have one?

Seller: Don't really have a plan, I don't know what to do.

Rep: Well let me ask you a few questions about your home and then I'll tell you what I can do to help. (Go to seller property questionnaire and ask all the questions on the form)

Rep: OK great...well at this point as you said, your sale is two weeks away...I am 90% sure I can get your sale date cancelled or postponed, but I'm going to need some things from you to make that happen. I would like to come see the house. The next thing I'm going to do is put in a cash offer to your lender, along with everything else they need to stop your sale, which is your paystubs, tax returns, bank statements and a hardship letter. If I can get this information to your lender within the next few days, I believe I can stop the sale, keep you in your home for another few months, and keep the foreclosure judgement off your record. Do you have some time this evening that I could come by and take a look at the property? You don't need to clean it up, we actually have a better chance of stopping the sale the messier it is!

Seller: Well sure, you can come tonight if you want.

Rep: How about six? I also need to make sure that when I come, you have the things I'm going to need ready for me. Again, it's your two most recent paystubs, last two years tax returns, last two months bank statements, and a hardship letter explaining why you got behind. I can't do anything to help without every piece of that documentation, the bank will automatically turn us down if I don't have all of that. Well I'll see you tonight at six.

THINGS TO REMEMBER

1. This isn't really a sale. The reality is, these people are going to be homeless in two weeks if we don't help them. Just be yourself and talk to these people. You are great at talking to new people and meeting new people, use that to your advantage. Find something you have in common with them and just use my script as a guideline.
2. If they ask, "How do I know you're not a scammer?" tell them to check you out on the BBB and that you have an A+ rating. Also, you have been on the news several times, (also common sense, "Well ma'am, even if I was a scammer, I assume your credit is in pretty bad shape from being late on everything so there is nothing I could do anyways")
3. You're not going to run into a ton of resistance. You may get some people that call and say their house isn't for sale. The first thing I say is do you realize it's being sold at auction in less than three weeks?? They may tell you they brought it current or whatever...cool, tell them to call you if anything happens. A good number of these people are going to call up and they want out of their house and don't know what to do. Just take control and tell them, we are going to list your property on the MLS, submit a cash offer, and request that the bank stop the sale. We are very good at stopping sale dates, but I'm going to need to get together with you to see the house and explain the process.
4. Sense of urgency. You have to understand that 99% of all of these people will put their head in the sand and not do anything until the day before the sale. It's not that they don't want help, they just don't know what to do, so you have to stress the fact that you talk to 20 people a day in their exact same situation, and that you are very confident you can help, but every day they wait, decreases your chances of getting the sale stopped because there simply isn't enough time to get it stopped. 20 days until sale may only be 13 business days, there are certain things the banks have to do in order to stop the sale and those things take time
5. Finally, don't worry about knowing everything or messing up. If you don't know the answer to something, say my negotiators handle that end of things but I can have one of them help you with that. Mail is cheap and the only way you learn is by doing, so if you mess up the first ten, there will be a new 10 tomorrow.

Most important thing is make a friend with these people, and set the appointment to come to their house quickly. Our letter gets there about 2 days before everyone else's. If you talk to them on Monday and they tell you to come over on Friday, well Wednesday they are going to get 4 more letters just like yours, and then talk themselves out of meeting with you. The confused mind says no, so tell them, "Ma'am I'd love to meet you on Friday, but if I wait until Friday, that means your bank won't get the package for an entire week from today, giving them only 5-6 business days to stop the sale, which won't happen. Is there any way I could come tonight or tomorrow night?"

OUTBOUND CALL SCRIPT

Rep: Hi this is Jason, I am calling because I noticed that your house is coming up for foreclosure auction soon. Has anyone ever explained your other options besides foreclosure?

Seller: No they haven't.

Rep: OK great, well so that you know, we buy several houses each month in Jefferson County, I've actually lived here in Barnhart for the last 10 years so I'm pretty familiar with the area. I would be happy to explain your different options. Did the bank give you a sale date?

Seller: Yes they did, its December 17th.

Rep: Oh wow, that's only two weeks away, do you have the money to bring the loan current or can you borrow it? With your house being auctioned at the court house steps in two weeks, what is your plan, or do you have one?

Seller: Don't really have a plan, I don't know what to do.

Rep: Well let me ask you a few questions about your home and then I'll tell you what I can do to help. (Go to seller property questionnaire and ask all the questions on the form)

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SHORT SALE SUBMISSION

Time is of the essence when negotiating a short sale. That is why, all lender required documents need to be completed and signed, as well as supporting documentation prior to submission. Banks/lenders will not accept an incomplete file and will reject your offer on the spot if not every "I" is dotted and every "T" is crossed. Utilizing a short sale checklist to ensure completion and accuracy in file submission is a key tool in every successful short sale negotiator's arsenal.

SHORT SALE DOCUMENT CHECKLIST

On the following sheet we have provided you a **Short Sale Document Checklist** with the most common required documents. Please verify with the homeowner's specific lender to see if any additional documents or lender forms will also be required for submission.

Short Sale Document Checklist

Borrower/s: _____

Property Address: _____

Lender: _____

Loan #: _____

Documents to Collect from Client

- ☐ Most Recent Mortgage Statements for All Liens
- ☐ Pays Stubs (2 months)
- ☐ Bank Statements (2 most recent)
- ☐ Signed Tax Returns
- ☐ Hardship Letter (Signed and Dated)
- ☐ Financial Information Form
- ☐ Financial Worksheet
- ☐ Mortgage Assistance Application
- ☐ Letters of Explanation
- ☐ Lender Specific Package (if applicable)

Documents to Have Client Sign

<input type="checkbox"/>	3 rd Party Authorization Form
<input type="checkbox"/>	Real Estate Purchase and Sale Agreement
<input type="checkbox"/>	Agreement and Understanding
<input type="checkbox"/>	Listing Contract and Disclosures
<input type="checkbox"/>	MARS Disclosure
<input type="checkbox"/>	4506-T

Documents to Complete with Client

<input type="checkbox"/>	Seller Property Questionnaire
<input type="checkbox"/>	Home Repair Checklist
<input type="checkbox"/>	Information Required to Input a Listing

BPO/APPRAISAL APPOINTMENT

As you proceed in the short sale negotiation process you may encounter a situation where the lender requests a BPO (Broker Price Opinion) to be completed. A **BPO** is a tool used by a lender to value a property in the current real estate market; similar to an appraisal. Unlike an appraisal, BPO's are completed by other licensed real estate agents as opposed to a licensed appraiser. Lender's use these to determine fair market value on the house, i.e. the value they are willing to accept for payment in full on the debt. It is imperative that you be at the BPO appointment, as you want to inform the agent any and all repairs and issues with the house.

Please note, some lenders will also utilize appraisals, which would be completed by a licensed appraiser.

BPO/APPRAISAL APPOINTMENT CHECKLIST

To insure you are prepared for your scheduled BPO, it is a good idea to utilize a checklist with the documents you may need to present or reference at the appointment. On the next sheet you will find a sample **BPO Checklist**.

BPO/APPRAISAL APPOINTMENT CHECKLIST

Property Address: _____

BPO/Appraisal Agent Name: _____ **Phone #:** _____

BPO/Appraisal Agent Email Address: _____

- ☐ Contract for Purchase of Property
- ☐ Comparable Properties that Support the Listed Value and Purchase Price
- ☐ Repair Checklist
- ☐ Contractor Invoices (If Available)
- ☐ Hardship Letter

Send email to BPO/Appraisal Agent attaching the above package. Put the property address in the subject line & state that you were asked to send this file to them for the BPO/Appraisal Appointment

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