

What is a Short Sale?

A Short Sale, also known as a pre-foreclosure sale, is when you sell your home for less than the balance remaining on your mortgage. If your mortgage company agrees to a Short Sale, you can sell your home and pay off all (or a portion of) your mortgage balance with the proceeds. Fannie Mae's program is called Short Sale/HAFA II.

A Short Sale is an alternative to foreclosure and may be an option if:

- You are ineligible to refinance or modify your mortgage
- You are facing a long-term hardship
- You are behind on your mortgage payments
- You owe more on your home than it's worth
- You have not been able to sell your home at a price that covers what you still owe on your mortgage
- You can no longer afford your home and are ready or need to leave

What are the benefits of a Short Sale?

- Eliminate or reduce your mortgage debt
- Avoid the negative impact of foreclosure
- Start repairing your credit sooner than if you went through a foreclosure
- May be able to get a Fannie Mae mortgage to purchase a home sooner (in as little as 2 years) than if you went through foreclosure (up to 7 years)

What is the process for a Short Sale?

If you qualify for this option, the process is similar to a normal real estate sales transaction. You will work with a real estate agent to market and sell your home. However, your mortgage company will also be working with you and your real estate agent every step of the way to:

- set the sale price (based on current market value),
- collect financial information and negotiate with other lien holders (i.e., your second mortgage company) if applicable,
- review acceptable offers,
- agree to the terms of the sale once a buyer is in place, and
- work with the buyer's real estate agent and mortgage lender to finalize the sale.

In some cases, you may be eligible to receive relocation assistance to use toward your moving expenses and to make the transition to new housing easier.

A Short Sale may take up to 120 days, but this could be shorter or longer depending upon your specific situation. If you are unable to sell your home, you may be able to transfer the ownership of your property to the owner of your mortgage (also called a Mortgage Release or Deed-in-Lieu of Foreclosure).

Next steps

1 Gather your financial information—Make sure you have your basic financial and loan information on hand when you call your mortgage company. You'll need:

- your mortgage statements, including information on a second mortgage (if applicable);
- your other monthly debt payments (e.g., car or student loans, credit card payments); and
- your income details (paystubs and income tax returns).

2 Explain your current situation—Be ready to outline your current hardship and explain why you are having trouble making your mortgage payment, the reasons why this is a long-term problem and inform your mortgage company that you want to sell your home to avoid foreclosure. Your mortgage company will need to understand the reasons why you are having difficulty in order to find the right solution for you.

3 Contact your mortgage company or a Fannie Mae Mortgage Help Center—Tell them you are interested in a Short Sale and you want to see if you qualify.

4 Contact a licensed real estate agent—Tell them you are interested in listing your home for sale (if you have not already done so).

Use these helpful forms to help you prepare:

Financial checklist

Before you call your mortgage company or a housing counselor to discuss potential options, use a financial checklist form to get organized and gather all the information about your finances and current situation. Preparing this before you call is key.

Contact log

It's important to keep track of your discussions with your mortgage company or a housing counselor. Use a Contact Log to keep track of who you spoke with, what was discussed, and any follow-up items you will need to provide. Knowing what you have discussed and what you need to do next is an important step when getting help and working to avoid foreclosure.

Your mortgage company wants to help you avoid foreclosure and, in most cases, will be willing to work with you. The biggest mistake you can make is to wait any longer to take action. Contact your mortgage company today to determine if you are eligible for a Short Sale. If you need further assistance (before or after contacting your mortgage company), contact a Housing Counselor.