

Some Things to Consider Before Buying (or Selling) a Distressed Property

Short sales and foreclosures are such a specialty that the National Association of Realtors now has a designation which Realtors can earn through specialized study. That is the SFR or Short Sales & Foreclosures Resource designation. A more common designation (but not recognized by NAR) is the CDPE or Certified Distressed Property Expert designation.

Although I have studied this topic extensively and have successfully represented several buyers of short sales and foreclosures, I have not chosen to specialize in *listing* such properties. The more I study what's involved in successfully listing such properties, the more I want to leave that task to others. (Just last week I took another continuing education class on this subject.)

I do know enough about the

subject, however, to answer most questions from buyers interested in purchasing distressed properties and from homeowners wondering whether a short sale is right for them.

First, let me talk about the *seller* side. Is a short sale going to work for you? You probably heard that the IRS will no longer expect you to pay income tax on the amount of your forgiven debt, but there are important limitations for which you

should consult a tax advisor. The main thing to know is that it applies to primary residences only — and only to your *purchase mortgage*.

If you refinanced to take cash out of your home and some of *that* debt is forgiven, you'll pay income tax on it. Again, consult your CPA.

Also, you must demonstrate true hardship, and you must document — with tax returns, pay stubs, etc.

— that you are totally unable to bring money to the table from *any* source before a lender will let you sell without a full payoff of your loan. Also, you can't be sure that the lender will actually forgive the debt and not file a deficiency judgment to be collected in the future.

Let me refer you to a short sale specialist if you still want to try it.

Now, let's discuss *buying* a distressed property. Unless you are totally flexible on closing date, a short sale is not for you, but a lender-owned (foreclosed) property will work fine. I recently closed on a short sale transaction for a buyer, but he was living with his parents and could handle the uncertain closing timeframe (the sale took six months). The most important thing is for me, as your agent, to ascertain that the listing agent is experienced and competent in short sales and can be counted on to successfully shepherd the transaction through to closing.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

This Week's Featured New Listing:

Affordable Hobbit's Ledge Townhome

This townhome is located in a unique compound of 35 one-bedroom townhomes just south of Alameda and just east of Garrison Street. This particular unit is in the westernmost building, facing a common space, beyond which are horse properties, thereby providing an unobstructed view of the foothills. It's also the only unit with skylights and one of only two units with HOA-approved laundry hook-ups -- and the front-loading washer and dryer are included! The main-floor has ceramic tile; upstairs the sleeping loft is carpeted. In the vaulted ceiling above that, there is a useful storage loft. This townhome will appeal to employees and students at CCU, Mile Hi Church, or Kaiser Permanente's Lakewood facility, all just across Alameda.



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