

Traditional Sellers, Short Sales, and Bank Foreclosures Compared

	Traditional Seller	Short Sale	Foreclosed/Bank Owned
What is it?	Most often Traditional Sellers still occupy the home. The Seller is the home owner and they can afford to sell the property at the price listed in the MLS without approval by a 3rd party. Moving by CHOICE.	Seller may or may not occupy property. They are facing a financial hardship (the house may or may not be in foreclosure) and have the home listed for sale at a price less than they can afford to accept. They are asking their lender(s) to agree to take less than the amount owed on the home as payment in full so they can sell the home.	Vacant home. The prior home owner lost the home through the foreclosure process or gave the keys back to the bank in what's called a "deed in lieu." Seller is now the bank who filed the foreclosure action. The price listed on the MLS is a price the seller will accept, though it may require additional approvals.
Condition of Property	Usually home is maintained appropriately and may only need minor repairs/cosmetic updates. Utilities are current -water & heat have been kept on.	Homes are often in a state of "disrepair" due to inability to pay for required maintenance/repairs. Homes are often vacant and show signs of distress, wear & tear or lack of care. There are of course short sale properties in "mint condition" but these are the exception.	Vacant properties-remaining personal property & garbage has been removed. Home is left in last known condition & has been winterized to prevent pipes from freezing/water damage & mold, though some foreclosures are damaged prior to the bank's possession.
Disclosures & Warranties	Seller is required by law to disclose defects in the property. Sellers will be able to educate Buyers on work done to the home & any prior problems/issues; frequency & how issue was resolved. Small claims court or arbitration are legal options Buyers may use to pursue Seller if they feel an issue was not properly disclosed.	Seller is required to disclose defects in the property, however may require the Buyer sign an "As-is" Addendum due to the fact they may have vacated the home months ago & are unsure of changes in condition. Disputes after closing may be harder to resolve as seller may have little to no financial assets to seek for damages.	No disclosures/property history available. Buyers must sign "As-is" Addendum as part of Purchase Agreement releasing Seller/Bank from liability on non-disclosed issues. Seller/Bank would have no known prior knowledge of defects since they have not lived in the home-many Banks have not ever seen the property they are selling.
City Inspections (if required)	Seller will have any city required inspections completed per city code. Often Seller will repair major items found on the inspection prior to listing or will negotiate with the Buyer on responsibility of those repairs. Traditional Sellers are typically the most practical and flexible when it comes to inspection issues.	Seller likely does not have funds available to pay for city inspection, so many aren't done until AFTER a Buyer has had their Purchase Agreement signed by the Bank (which could be months after offer was submitted). Sellers typically require Buyers assume responsibility for those issues & escrow 1.5x the cost of the repair at closing if required by Buyer's lender or city code.	City inspections usually completed as required by city code, however, Buyer is required to assume & escrow for the repairs—Many cities require Buyer to escrow 1.5x the cost of the item at closing.
Purchase Agreement Response Timeline	Listing agents can typically get an offer to a Seller & have their response back to the Buyer within hours or a day at most.	Listing agent needs to track down Seller, have them sign Purchase Agreement and then get it submitted to Seller's mortgage company. Can be 3 weeks to 3 months before Seller's mortgage company responds.	Listing agents can get offers submitted to banks (during business hours) and Buyer usually gets a response within 24-72 hours.
Financing Options	Due to condition, most homes will meet FHA, VA & Conventional appraisal and underwriting guidelines.	Current condition may make FHA and VA mortgages harder to get due to tougher condition guidelines but many will still qualify. Conventional normally not a problem.	Some are in good condition but the majority have some issues that make FHA & VA financing difficult- each property must be evaluated separately.
Closing	Sellers and Buyers attend closing together and sign all paperwork. Often a "bonding" moment over the transfer of home to new owners.	Seller will often presign required short sale package from lender & send power of attorney to closing. Closing docs will need to be submitted to mortgage company & deficiency must be signed off on by mortgage company. Sometimes Seller does attend closing.	Seller/Bank will presign all docs and send them to title company for closing. They will require the final HUD-1 settlement statement to be sent to them 72 hours prior to closing for review... sometimes the Seller takes extra hours or days to sign and closing is delayed.
After Closing	Some Sellers & Buyers exchange contact information in case there is a question about how something works in the home. If the Buyer feels there is a problem with the property, they contact their agent who will contact the Sellers agent to try to resolve issue.	Sellers are gone—occasionally a delinquent utility bill will surface. Home may still have debris remaining and/or may not have all of the personal property as agreed upon... sometimes appliances go "missing."	Home is de-winterized, home may or may not have all of the personal property/appliances as seen at the home prior to closing. Seller's "As-Is" addendum covers Seller/bank in the event something goes missing prior to closing.