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**Growing Number of “Distressed” Luxury Loans Means Sellers Need  
Your Short Sale Expertise**

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The recession has created “a perfect storm” for many luxury homeowners. An increasing number are in default. Many are “underwater,” in financial distress, and need to sell. As a result, luxury home short sales are an important (and growing) opportunity for upper-tier agents.

Upscale property is not immune to the current housing crunch. Limited loan availability, higher interest rates for jumbo loans than for conforming loans, and stringent loan qualifying requirements caused sales of luxury properties to slow starting in the fourth quarter of last year. The trend has continued. As a result, the national inventory level of homes priced above \$750,000 rose from 18 months worth in 2007 to 41 months worth by this summer. The National Association of Realtors also reported that as of October 2008, the foreclosure rate on jumbo loans was more than double the foreclosure rate on conforming loans. As a result, expect to see growing numbers of luxury homeowners in default. These consumers not only need your help, they represent an important opportunity.

**Be a foreclosure-avoidance information resource**

Some luxury home owners in default will be able to refinance or qualify for loan modifications; others will need to attempt short sales. You can help by providing basic foreclosure-avoidance information and resource links on your

website. At the very least, point homeowners to the free HUD and HOPE for Homeowners counselors who can educate them about their options.

### **Emotions run high ...**

Short sale success in the luxury home market requires dealing with sellers who not only go through the same denial, blame, fear, and panic emotions faced by others with loans in distress. They may be even more embarrassed than other borrowers in default. These folks view themselves as very successful and coping with the idea of possibly losing their home -- which is a symbol of their success -- is difficult to deal with. Egos can sometimes get in the way of good decision making. Expect emotions to run high.

### **Give them a goal to focus on – minimizing credit damage and tax liability**

Working with distressed luxury homeowners requires that you be a diplomat. It is important to acknowledge that they are in an unexpected economic trap created by changes in the economy. And that many other successful individuals are in the same position. Reinforce the idea that, “The smartest homeowners in this situation are now focusing on how to get out of the trap of a distressed loan with the minimum damage to their credit and minimum tax liability. “

### **Who’s in control here?**

Luxury homeowners are often business owners or in key management positions. They are used to “running the show.” This probably means they can make quick decisions, will understand the statistics you share with them, and will see the benefits of avoiding foreclosure. It may also mean that they want to take charge and manage the short sale process from marketing to negotiation with the servicer. You may have to establish clear ground rules up-front indicating that your job is to manage the short sale process. Releasing control

may be hard for some luxury home sellers. You will have to overcome this and help them keep their eye on the goal of avoiding foreclosure and the resulting embarrassment, credit issues, etc.

### **The importance of accurate financial information**

Qualifying for a short sale requires documenting valid hardship with the submission of complete and accurate financial information. Most likely the loss mitigator will require a fraud notice to be signed by the homeowner verifying that information submitted is complete and accurate. You also have some responsibility for verifying (to the best of your ability) that this information is correct.

Formerly affluent homeowners may have fairly complex financial situations. Review the material to the as best you can and be sure to use a disclaimer on materials submitted. A disclaimer is important and should be reviewed by your broker and an attorney before you use it. If you sense that a seller is hiding assets, not being honest, or otherwise trying to work the system, walk away. Otherwise, the potential risk for you is high. Also remember that simply being underwater on a loan is not a valid hardship.

### **Be sure your tool box includes people skills and patience**

All in all, the luxury homeowner in default may need your short sale skills. But recognize that a luxury short sale transaction requires that in addition to your usual tool box of listing, marketing, and negotiating competencies, you must also be able to work with strong personalities whose emotions are running high. And don't forget that you, the seller, and the prospective buyer must be patient – luxury short sales like other short sales are anything but “short” when it comes to the time involved.

### **Understand the new, mandatory Making Home Affordable Program**

Although homes with mortgage balances exceeding \$729,750 do not yet fall under the new procedures, rules, and guidelines for the Making Home Affordable Program (MHA), there are still lots of luxury properties across the country with loan amounts in the \$500,000 and above range that *will* qualify for the program. Luxury real estate professionals need to know the specifics of MHA. If you don't know the details of the program, it's time to get up to speed, since this program reinvents the way most short sales must be done. This program covers almost 9 out of 10 loans, is in effect now (although servicers' loss mitigators are just getting educated on the details) is mandatory and servicers who don't follow the rules will be fined. Realtors must know the process and use the required paperwork. It's time to get up to speed on the MHA program if you plan to do successful short sales (regardless of price range).

**Get involved. Get trained. Get to work.**

Realtors are key to helping American families deal with the foreclosure crisis. An army of informed real estate brokers and agents can help point homeowners toward the right foreclosure-avoidance resources and assist them when a sale can't be avoided. Learn about foreclosure alternatives. Polish your short sale skills, help your luxury clients in financial distress, protect your upper-tier market share and build your business.

*Editor's Note:* Get up to speed on the new short sale process, better assist your clients in financial distress, and position yourself for more success through [this new online course](#) with Laurie Moore-Moore. *Endorsed by Broker Agent Laurie Moore-Moore is CEO of The Institute for Luxury Home Marketing and co-founder of its new division, The Center for Asset Preservation. For information on the industry's first and only comprehensive training (live and online) on Short Sales under the new Making Home Affordable program, [click here](#). For information on luxury hometraining and the Certified Luxury Home Marketing Specialist designation, [click here](#).*