

VALUE CHALLENGES

Your short sale offer has been countered by the investor on the mortgage. Here are the steps to follow:

1. Present the counter offer to the buyer
 - a. If buyer accepts the counter, get price change addendum signed by all parties and forward executed addendum to law firm promptly.
 - b. If buyer is unwilling to accept seller's lender's counter offer, ask buyer for their "highest and best."
2. If buyer is unwilling to accept the counter offer or raise their offered price to something near counter offer then redo your CMA to determine if lender's counter offer seems reasonable.
 - a. If property seems to be worth what lender is countering and buyer is unwilling to come up, then cancel the purchase agreement to obtain approvable offer from another buyer.
 - b. If property seems to be worth significantly less than what lender is countering and there is reason to believe property may not appraise at that price, then a "value challenge" will have to be submitted to attempt to get current buyer's offer approved.
3. In order for a value challenge with lender to have any possibility of succeeding we need to submit evidence proving that the property is not worth the amount of their counter offer. If buyer is willing to pay for a certified appraisal, that is our best evidence and most successful route to getting lender to lower their required approvable price. If buyer is unwilling to pay for certified appraisal at this time, we will need as many possible/applicable of the following from you, the listing agent:
 - a. 3-5 recently sold GOOD comps that justify buyer's offered price. Comps must be properties in similar style, square footage, and age. Comps must have been closed within last 90 days and be located within one mile of subject property. REO comps are not acceptable. They must be short sales or traditional sales.
 - b. Copy of inspections results showing condition problems with the property that are adversely affecting the value. (ie: mold, damaged roof, failed septic, structural problems, etc.)
 - c. Legitimate bids for repair of above problems.
 - d. Book-A-Showing feedbacks from agents showing property is "above market" value when listed at higher price.
 - e. Provide copy of listing history if property was started at higher price and reduced until offer was received.
 - f. Letter from listing agent, signed and dated, stating why he/she feels property is not worth what lender is asking. List any applicable information that a bpo agent may not have been aware of including but not limited to condition problems, social decay of neighborhood, high traffic area, proximity to railroad tracks or airport, crime stats, neighborhood school closing, high line wires in view, number of showings before offer was received if more than 10, etc.
 - g. Check website at www.corr.state.mn.us to see if there are any registered sex offenders in the area. Search the website by city. Practically every city has one or more. You can also check out www.kidsafe.com, plug in the address and it will show how many predators are within blocks of that address. If there are sex offenders in the area, print and provide the evidence. FNMA, investor on high percentage of home mortgages, has informed us that sex offenders in the area carry heavy weight on limiting value.

In order for a value challenge to have a chance of being successful, we must prove their value is wrong. The more accurate evidence you can provide, the better chance of success.

Prepare the value challenge documentation and provide to law firm as quickly as possible as short sale counter offers commonly have limited response time allowed.

There is no reason to go through the steps of a value challenge unless there is reason to believe that no other buyer would be willing to pay lender's counter price either. Attempting a value challenge simply to get lender to accept low ball offer from buyer will be futile.