



Risk Reduction Report

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PROTECTING YOURSELF IN THE CURRENT MARKET

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As with every industry, the real estate market has its own set of unique highs and lows that you must maneuver so that you can protect yourself from transactional risk. The market today differs a great deal from the market of a few years ago. Instead of dealing with buyers offering sellers more than the listing price and a property being on the market for 2 days, now you're dealing with buyers looking for great deals, short sales and bank owned properties. Protecting yourself in today's market is much different.

Most properties are worth less now than they were a few years ago, with many of them now worth less than their mortgage. Homeowners are trying to get out of these properties and when the sale price does not meet the mortgage balance, sellers are asking their mortgage lender to take less. Mortgage lenders are viewing these as alternative to taking a larger loss by foreclosing on a property. These transactions are referred to as short sales and many times allows the homeowner to avoid foreclosure.

If a short sale isn't possible, many properties go into foreclosure and end up as a property that is owned by the mortgage lender or bank. These are referred to as REO (real estate owned) properties. These properties are classified as a non-performing asset and the banks are eager to sell these properties and to help cover their loss.

With both of these transactions you have additional duties of disclosure to be protected from post transactional litigation.

- Not only does the agent need to disclose what they know about the property condition in a short sale, but they also need to disclose what they know about the homeowner's financial condition. These transactions are subject to the approval of the homeowner's lender and this should be disclosed.
- It is important to note that the agent should disclose everything they know about the property condition. In this market with REO transactions there is usually no disclosure statement from the seller and the property is being sold "as is".
- As an agent you should recommend strongly to your buyer to secure all available inspections of the property from qualified inspection companies. While there may not be any bargaining with the homeowner or lender, at least the buyer will have a better understanding of the condition of the property.
- Recommend a home warranty to the buyer.
- Make sure to completely document information that you give to a buyer.

This is just a brief list of ways to protect yourself while providing your professional services as a Real Estate Agent listing and selling these types of transactions. For more information or resources, contact our office or to apply for coverage click [here](#).