



# Hawai'i Home Advocates

*"Understanding Makes All the Difference."™*

## SHORT SALE

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# What It Is & When It Makes Sense

A plain-English guide for Hawai'i homeowners who owe more than their home is worth.

*"Understanding Makes All the Difference."™*

### ONE MISSION · THREE GOALS

One Mission: To educate homeowners.

Three Goals: To help Hawai'i homeowners —

1. Understand their situation,
2. Learn their rights and options, and
3. Navigate toward the best possible outcome.

Everything here is free. Nothing is required.

And every path leads to your best interest.

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UNDERSTANDING YOUR SITUATION

## Being Underwater Is Not the End

Being “underwater” means you owe more on your mortgage than your home’s current market value. In Hawaii, fluctuating island real estate values can put homeowners in this position — especially those who purchased near market peaks. A short sale is one exit, but it is rarely the fastest and not always the best. Understanding all your options first leads to better outcomes.

### What Is a Short Sale?

A short sale is when your lender agrees to accept less than the full mortgage balance as payment in full — allowing you to sell the home even though the proceeds won’t cover what you owe. The difference between what you owe and what the lender accepts is called the “deficiency.” The lender may forgive the deficiency, pursue it as a judgment, or negotiate it separately.

### First — Confirm You Are Actually Underwater

- ✓ Get a current market valuation before assuming a short sale is needed
- ✓ Hawaii values have risen significantly in many areas — you may have more equity than you think
- A CMA (Comparative Market Analysis) from a licensed Hawaii REALTOR® takes 24–48 hours and is free
- Do not make any decisions based on online estimates — Zillow and similar tools are often inaccurate in Hawaii

### Short Sale Timeline in Hawaii

Step	What Happens	Timeline
Step 1 Hardship Letter	You submit a hardship letter and financial documents to your lender’s loss mitigation department.	1–2 weeks to prepare
Step 2 Lender Review	Lender reviews your hardship, orders a BPO (Broker Price Opinion) or appraisal of the property.	30–90 days
Step 3 Find a Buyer	Property listed and marketed. Offer submitted to lender for approval.	30–90+ days
Step 4 Lender Approval	Lender reviews and approves (or counters) the purchase offer. Final terms negotiated.	30–60 days
Total Timeline	3–9+ months is typical in Hawaii. Complex situations can take longer.	No guarantee of approval

■ **A short sale is NOT guaranteed. Your lender can reject the offer, counter at a higher price, or change terms at any point in the process. There is no obligation for the lender to approve a short sale — ever.**

## YOUR OPTIONS

# Short Sale Is One Path — Not the Only One

Before committing to a short sale, understand all your options. The right path depends on how underwater you are, your timeline, and whether your hardship is temporary or permanent.

## Verify Your Equity Position First ★ Do This Before Anything

- ✓ Hawaii values have risen significantly — you may have equity you don't know about
- ✓ If you have equity, a traditional sale is better in every way than a short sale
- Contact Barbara for a free CMA (Comparative Market Analysis) — takes 24–48 hours
- Do not assume you are underwater without a current professional valuation

## Loan Modification or Forbearance

- ✓ Permanently lower your interest rate, extend your term, or temporarily pause payments
- ✓ Best option if hardship is temporary — job loss, medical, divorce
- ✓ You keep the home and rebuild equity over time
- Apply with your loan servicer's loss mitigation department — ask in writing
- Requires proof of hardship and lender cooperation

## Lender-Approved Short Sale

- ✓ Avoids a full foreclosure record on your credit history
- ✓ Lender may waive the deficiency balance — get this in writing before closing
- ✓ Credit impact moderate — typically 2–4 year recovery vs. 7+ for foreclosure
- Requires a REALTOR® experienced in Hawaii short sales — not all agents handle them
- 3–9+ months with no guarantee of lender approval
- Forgiven deficiency may be taxable income — consult a CPA (Certified Public Accountant)

## Deed-in-Lieu of Foreclosure

- ✓ You voluntarily transfer the deed to the lender in exchange for debt forgiveness
- ✓ Faster than a short sale — avoids the buyer search and lender approval process
- ✓ Less credit damage than foreclosure
- Lender must agree — they may prefer foreclosure if they believe they can recover more
- Lender may still pursue a deficiency judgment — get waiver in writing

## Direct Cash Sale ★ Fastest If Equity Exists

- ✓ If any equity remains — can close in 7–21 days with no lender approval needed
- ✓ Zero agent commissions, no repairs, no showings
- ✓ If slightly underwater — can work alongside lender on short-pay situation
- If deeply underwater — lender cooperation still required for payoff
- Not a substitute for a short sale if you are significantly underwater with no equity

## Let It Go to Foreclosure ■ Avoid If Possible

- Buys some time before eviction — months of free occupancy in some cases
- Severe credit damage — 7+ years on credit report
- Potential deficiency judgment for the remaining balance
- Public record that impacts future financing and employment
- Zero proceeds to you from the sale

## YOUR ACTION PLAN

**Underwater Mortgage -- What to Do Right Now****1****Confirm you are actually underwater -- get a current market valuation first.**

Contact Barbara for a free CMA (Comparative Market Analysis). Hawai'i values have risen significantly in many areas. You may have equity you don't know about -- which changes everything.

**2****Contact your loan servicer's loss mitigation department.**

Ask specifically about short sale, loan modification, forbearance, and deed-in-lieu options. Request everything in writing. Keep copies of every communication.

**3****Write a hardship letter.**

Your lender will require a written explanation of your financial hardship. Be honest, specific, and factual about why you cannot continue payments. Vague letters get rejected.

**4****Understand the tax implications before agreeing to anything.**

A forgiven deficiency balance may be taxable income under IRS rules. Consult a CPA or tax attorney before accepting any lender forgiveness offer.

**5****Get the deficiency waiver in writing before closing.**

If your lender agrees to forgive the deficiency balance, that agreement must be in writing before you sign anything. A verbal promise is not enforceable.

**6****Get a HARPTA waiver assessment.**

If you are selling for less than you paid, explore whether a HARPTA withholding exemption applies. Consult a Hawai'i CPA before closing.

**7****Compare short sale vs. direct cash sale timelines honestly.**

A short sale takes 3-9+ months in Hawai'i with no guarantee of approval. A direct cash sale can close in 2-3 weeks. Know both options before committing to either.

**Do not stop making payments without a written plan.**

Stopping payments without lender agreement accelerates foreclosure and damages your credit before any short sale is approved. Any payment pause must be documented in writing.

**8****Contact Barbara.**

I can help you compare every path honestly -- including connecting you with a Hawai'i short sale specialist if that's the better route. 808-781-6951

## FREE RESOURCES

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*About free legal help in Hawai'i: Free legal representation for housing matters is very limited. Most free resources provide information or referrals, not an attorney who will represent you.*

### **Hawai'i HomeOwnership Center (HHOC)**

HUD-approved nonprofit — free counseling on short sale options and housing alternatives.  
808-523-9500 | [hihomeownership.org](http://hihomeownership.org)

### **DCCA — Office of Consumer Protection**

File complaints against predatory lenders or fraudulent contractors.  
808-587-2712 | [cca.hawaii.gov/ocp](http://cca.hawaii.gov/ocp)

### **Volunteer Legal Services Hawai'i**

Free civil legal help for qualifying low-income residents — housing, landlord-tenant, bankruptcy, and more. Apply online or call for intake.  
808-528-7046 (O'ahu) | 1-800-839-5200 (Neighbor Islands) | [vlsh.org](http://vlsh.org)

### **Hawai'i State Bar — Lawyer Referral Service**

Get matched with a licensed Hawai'i attorney. Many offer a free or reduced-fee first consultation. Available Mon–Fri 8:30 a.m.–4:30 p.m.  
808-537-9140 | [hawaiilawyerreferral.com](http://hawaiilawyerreferral.com)

### **Legal Aid Society of Hawai'i — Elder Law Services Only (age 60+)**

Confirmed services: Advance Health Care Directive, Power of Attorney, and Simple Wills for residents 60+. Does not cover short sales or housing disputes.  
808-536-4302 | [legalaidthawaii.org](http://legalaidthawaii.org)

### **Consumer Financial Protection Bureau (CFPB)**

File complaints against your lender. Free mortgage and short sale guides.  
855-411-2372 | [consumerfinance.gov](http://consumerfinance.gov)

## Ready to talk through your options?

Barbara Coote is here to help — free, no pressure, no obligation.

Turn to the next page for full contact information.

*"Understanding Makes All the Difference."™*



## Barbara Coote

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Licensed Hawai'i REALTOR® RS-81245  
Military Relocation Professional (MRP)

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*"When God closes a door, He opens a window."*

I want to be that window for you.

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*"Informed Decisions are the Best Decisions."*<sup>TM</sup>

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Free. No sign-up. No obligation. Ever.