Facing a Short Sale in Nevada

A Homeowner's Guide

Prepared by IZ Realty | Clear local guidance for Nevada homeowners

Important: This guide is educational information, not legal, tax, or financial advice. Before signing, use the free and professional help listed in this guide and confirm your individual situation.

Facing a Short Sale in Nevada: A Homeowner's Guide

A plain-language guide for Nevada homeowners who owe more than their home is worth. This is general information, not legal, tax, or financial advice. Before you sign anything, use the free and professional help listed at the end. Some decisions here affect your taxes and your credit for years, so getting them right matters.

The one thing to protect above all else: get the lender's approval in writing that says they will not come after you for the leftover balance. That single sentence is the difference between walking away clean and getting a bill or a lawsuit later. More on this below.

What a short sale actually is

A short sale is when you sell your home for less than what you still owe on the mortgage, and your lender agrees to accept that smaller amount and release the loan so the sale can close.

Example in simple numbers:

- You owe $400,000 on your mortgage.
- Your home is now worth $340,000.
- You sell it for $340,000.
- The lender is "short" $60,000. In a short sale, the lender agrees to let the sale happen anyway.

That leftover $60,000 is called the deficiency. What happens to it is the most important part of your whole deal. It does not automatically disappear.

A short sale is one alternative to foreclosure. It is not the only one. Whether it's your best move depends on your situation, which is why step 1 below is talking to a counselor before committing.

Why homeowners choose a short sale

- It usually protects your credit better than a foreclosure. A short sale still hurts your credit, but for many people the damage is less severe and they recover faster than after a full foreclosure. (Ask a counselor how it applies to you; it varies.)
- You avoid the foreclosure itself and the auction of your home.
- You may be able to walk away owing nothing if the lender agrees in writing to waive the deficiency (see below).
- You stay more in control of the sale than you would at a foreclosure auction.

The most important issue: the deficiency (the leftover balance)

In Nevada, the leftover balance after a short sale is not automatically forgiven. Whether the lender can still try to collect it, or sue you for it later, depends entirely on what the written short-sale approval says.

This is the make-or-break point. There are only two outcomes:

1. Deficiency waived. The lender's written approval says they accept the short-sale amount as full settlement and will not pursue you for the rest. This is what you want. Get it in writing, in the approval letter, before you close.
2. Deficiency reserved. The approval is silent on it, or says the lender keeps the right to collect. Then even after you sell and move out, the lender may bill you or take you to court for the shortfall.

Never assume the deficiency is forgiven. Never rely on someone saying "don't worry about it." Only the written approval letter counts. Have an attorney read it before you sign.

There may also be tax consequences: forgiven debt can sometimes be treated as taxable income by the IRS. Sometimes exclusions apply, sometimes they don't. Talk to a tax professional before you close, not after.

The process, kept simple

Here is the short sale from start to finish, in plain steps. A real estate agent experienced in short sales usually handles most of the lender back-and-forth for you.

Step 1 - Get free advice first. Before anything, talk to a HUD-approved housing counselor (free) about whether a short sale, a loan modification, or another option is actually best for you. This one call can save you from a wrong turn.

Step 2 - Confirm you likely qualify. Lenders generally expect to see that you owe more than the home is worth AND that you have a genuine hardship (job loss, medical bills, divorce, income drop, etc.). You usually do not need to be behind on payments, but many short sales involve homeowners who are.

Step 3 - Hire a short-sale-experienced agent. This is not a normal sale. Pick an agent who has closed short sales in Nevada. They price the home, market it, and manage the lender approval. Their commission is typically paid out of the sale by the lender, not by you.

Step 4 - Gather your hardship package. The lender will want a hardship letter (your story, in your words), proof of income, bank statements, tax returns, and a form authorizing your agent to talk to them. Your agent will give you the exact list.

Step 5 - List and get an offer. The home goes on the market. When a buyer makes an offer, it goes to your lender for approval, along with your hardship package and a comparison of local home values.

Step 6 - Lender reviews and responds. This is the slow part. The lender may take weeks or months, may order its own appraisal, may counter the price, and may ask for more documents. Patience is required. If there's a second mortgage or an HOA lien, each of those lenders may have to approve too.

Step 7 - Read the approval letter carefully (the key moment). When the lender approves, you get a written approval letter. This is where you check for the deficiency waiver. Have your agent and ideally an attorney confirm whether the letter releases you from the leftover balance. Do not close until you understand this.

Step 8 - Close. The sale closes through escrow like a normal sale. The lender gets the proceeds, releases the loan, and you move out by the agreed date.

What to watch out for (protect yourself)

- The deficiency waiver. Covered above. It's the whole ballgame. In writing, or it doesn't count.
- Upfront-fee "short sale rescue" scams. You should generally not pay a company a large upfront fee to negotiate your short sale. Be very suspicious of anyone knocking on your door or cold-calling with promises.
- Signing away your home or title. Never sign a document transferring your deed or title to an investor as part of a "we'll handle everything" pitch, until an attorney has reviewed it. Deed scams target homeowners in your exact situation.
- Anyone vague about whose side they're on. If a real estate agent or investor approaches you, ask directly, in writing, whether they represent you or are buying from you for their own profit. In Nevada, a licensed agent or broker must disclose in writing when they are acting as a principal (a buyer for their own gain). If they dodge the question, walk away.
- The tax bill. Forgiven debt can be taxed as income. Check with a tax pro before closing.
- Second mortgages and HOA liens. These can hold up the deal or come back for money. Make sure every lienholder's position is handled in writing.
- Timing against foreclosure. If you are also in foreclosure, the clock is running. A short sale takes time to approve, so start early. Don't let the auction date arrive while the short sale is still pending.

Your other options (so you can compare)

A short sale isn't automatically right. Depending on your finances, one of these may serve you better. A counselor can help you choose:

- Loan modification: change your loan terms so you can afford to stay. Best if you want to keep the home.
- Reinstatement or repayment plan: catch up on what's past due and keep the home.
- Refinance: replace the loan if you can qualify.
- Deed in lieu of foreclosure: hand the home back to the lender by agreement instead of selling it.
- Regular sale: if you actually have equity (the home is worth more than you owe), you may not need a short sale at all. You'd sell normally and keep the difference.

What to do this week

1. Call a free HUD-approved housing counselor before making any decision.
2. Find out roughly what your home is worth and exactly what you owe (all loans plus any liens).
3. If a short sale looks right, hire a Nevada agent experienced in short sales.
4. If you're also facing foreclosure, note your deadlines. Don't let the auction sneak up on you.
5. Talk to a tax professional about possible tax on forgiven debt.
6. Do not sign anything transferring your home or paying a large upfront fee until an attorney reviews it.

Free and low-cost help in Nevada

- HUD-approved housing counseling agencies - free counseling on short sale vs. other options. Find them at hud.gov or via the numbers on any notice from your lender.
- Legal Aid Center of Southern Nevada - free legal help for qualifying homeowners in the Las Vegas / Clark County area, including reviewing your short-sale approval letter.
- Nevada Legal Services - statewide help.
- A Nevada real estate agent experienced in short sales - manages the sale and lender approval.
- A tax professional - for the forgiven-debt tax question.
- A real estate attorney - to review the deficiency-waiver language before you sign.

Verify all current rules and your specific situation with these professionals, because tax law, lender policies, and your own numbers all change the right answer.

Bottom line: a short sale can help you avoid foreclosure, limit the damage to your credit, and potentially walk away owing nothing, but only if the lender's written approval waives the leftover balance. Get free advice before you start, protect your title, watch the tax angle, and never let anyone rush you into signing something you haven't had reviewed.