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**REAL ESTATE SHORT SALES**

Due to the recent downturn in the housing market, many sellers have been attempting *short* sales. But, what is the difference between a *short* sale and a regular sale?

**NO LAW JOB YET? TRY FLYING SOLO**

Graduation is months into the rear-view mirror. Thankfully, the bar exam is over. But for some graduates, law firms haven't called back and job prospects are dwindling. Why wait by the phone to hear from other law firms when you may gain a much more rewarding experience by flying solo?

Once a lawyer has passed the bar exam, it does not take much to start his or her own law practice other than announcing that he/she is open for business. Thus, it is not surprising that sole practitioners are the biggest single category of practicing lawyers. According to the ABA, approximately half of the 1,162,124 licensed attorneys in the United States are sole practitioners and another 25% said they would like to be. "Opening my own practice after law school was one of the most exciting times in my career," states Anthony Cooch, a proud sole practitioner of 15 years. "It was a time when I discovered that there is a razor-thin line between terror and exhilaration."

The sole or solo practitioner hangs out his or her shingle, hoping for any and all clients. It is

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A regular sale contains an offer and an acceptance by the seller. The contract then is filled with contingencies that mainly favor the buyer. The buyer can walk from the deal in many cases as it progresses. The seller does not have this ability unless the buyer breaches the contract. Most notable of the contingencies, usually, is that the buyer must borrow money to buy the house and has a financing contingency to obtain a loan from a lender.

In a *short* sale, everything is the same including an offer by the buyer and an acceptance by the seller, except there is a contingency regarding both the buyer's and the seller's lenders. The seller owes more to the lender than the house is worth and usually more than the contract is for; he must now ask his mortgage lender to allow him to be short some of the money owed on his mortgage.

Thus, two lenders are involved in this transaction – one for the buyer and one for the seller. And as always, the lenders make multiple demands to be able to close. The main difference between a short and regular sale is that the paperwork is slightly different: the seller must be able to prove hardship and document

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Abraham Lincoln, frontier-style law practice; it is small-town America, nineteenth century's contribution to the legal profession.

In this age of specialization, big cities and faceless corporate clients, it is almost an unrealistic dream. Still, every lawyer seems to want the independence of practicing alone and being his or her own boss. This is why 50% of the Bar listed itself as solo practitioners in a recent survey. Another 25% said they would prefer solo practice to law firm practice.

Lawyers who lack business training may find it a difficult road to navigate. Fortunately, many lawyers have established support for solo practitioners such as [www.lawbiz.com](http://www.lawbiz.com).

Solo practitioners can be excellent lawyers and are often regarded as so. Many are specialists who prefer working alone. Benefits of hiring a solo general practitioner include: A more direct one-on-one working relationship, lower fees and costs, and the ability of the solo practitioner to take on smaller cases that are not cost effective for bigger firms. Benefits of being a solo practitioner include: independence and keeping the whole fee when your client pays. Drawbacks are: having to be too many places at the same time, and being stuck when clients pay late or do not pay.

Do the benefits outweigh the drawbacks? Fifty percent of lawyers seem to think so.

### **LEGAL PEARLS**

Free legal advice is worth what you pay for it..

Verbal contracts aren't worth the paper they're written on.

why he cannot pay what he owes the lender. On the other hand, the buyer must prove why and how he can pay back his lender when the seller could not.

Neither of these lenders owns the house and never will unless they are forced to foreclose on it. The seller's lender has a lien on it that must be released so that the buyer's lender can place a new first lien on the house. But why would a seller's lender agree to a *short* sale, thereby causing it to lose money? Mainly so that it won't lose more money. The seller's lender wants to make the deal to avoid the expense of foreclosure and the problem of owning the property with the duty to pay taxes, insurance, and maintenance, without knowing when it will sell. A short sale benefits the seller, seller's lender, and the buyer.

The seller might have an IRS liability for the amount of his short sale. If he pays off a \$250,000 mortgage with \$200,000, he may receive a Form 1099 for \$50,000 from the mortgage company. However, the Mortgage Forgiveness Relief Act passed by Congress in 2007, will probably exempt him from having to pay tax on this paper profit.

### **YOU BE THE JUDGE**

#### **A FALSE STATEMENT ON LOAN APPLICATION**

Susan applied for a loan with her credit union. Because she had a history of bad debts, she gave a false birth date and Social Security number.

The credit union found out, and Susan was charged with the federal crime of making false statements on a loan application.

Susan's lawyer argued she was innocent because the law refers only to false statements about assets and liabilities.

If you were the judge, would you favor

**ANSWERS TO LAST MONTH'S JULY  
LEGAL CROSSWORD PUZZLE**

Solution:



Susan or the credit union?

*Susan was convicted and the judge ruled that false statements made with the intent to secure a loan are enough to convict. Susan was sentenced to one year in prison.*

*(Based on a federal case in California)*

**Additional *YOU BE THE JUDGE* cases  
can be found at: [johnaritter.com](http://johnaritter.com)**