Homeowner’s Guide to Preparing for a Short Sale:

Extra Details for Homeowners Considering a Potential Short Sale

<u>At the First Meeting with the Potential Home Seller</u>

Reminder: Use this form to gather extra details before entering into a seller representation agreement. Let the seller know that, during this discussion, all information they provide in response to these questions will remain confidential with the interviewing agent. Provide the Seller’s Designated Agent Disclosure.

<u>Example Inquiries for Potential Sellers</u>

Extra Details Concerning the Property

1. Has this property been marketed for sale through another agency before? If yes, please specify the dates and the duration it was available on the market
2. Are there any existing loans or liens tied to the property (such as mortgages)? If so, what is the remaining principal amount owed on these mortgages and liens?
    a. What is the balance of the first mortgage, and who is the lender or lien holder?
    b. What is the balance of the second mortgage, and who holds this lien?
    c. Are there any additional liens or debts associated with the property?
3. Are all the loan payments on the property up to date?
4. If not, how many payments have been missed?
5. Have you been in contact with anyone from the lender’s or lien holder’s office?
    a. If so, to whom?
    b. Which department does this individual work in, and/or what is their job title?
    c. Would you be willing to sign an authorization allowing me to communicate with this person or anyone else at the lender’s or lien holder’s office regarding loans secured by the property?
6. Have your monthly payments increased over the past year, or are they expected to rise within the next 12 months? What is the current amount of your monthly payments?
7. Has anyone recently conducted an appraisal or other valuation of this property? If yes, what was their estimate of its fair market value?
8. Are you aware of any ongoing legal proceedings related to this property? If so, please specify the type of action and the date it was initiated (for example, foreclosure, collection lawsuit, or eviction by an association)
    a. Have you discussed this matter with your attorney?
    b. Have you communicated with anyone at the lending institution regarding this issue?
    c. Would you allow me to speak with these individuals concerning your situation and the potential sale of the property?
9. Are the property taxes for this real estate paid up to date?
    a. If they are overdue, how long have the payments been delinquent?
10. Are all dues, fees, and assessments to the condominium or community association paid current?
    a. If they are past due, how long have the payments been outstanding?

Review of Comparative Market Analysis Findings and "Net Sheet"

1. Using the information gathered above, along with the agent's assessment of the property's potential market value, the agent should create and go over a possible "Net Sheet." This document outlines the estimated proceeds after accounting for outstanding loans, liens, and selling costs, assisting all parties in determining whether listing the property now is a practical decision.
2. If the Net Sheet reveals a financial shortfall, the agent should explain the possibility of pursuing a "short sale." Provide a general overview of what this entails and advise the prospective seller to seek guidance from their attorney.

Topics to Cover with Potential Seller

1. Are you (and your spouse, if relevant) currently employed?
2. Would you be open to providing the lender with copies of your tax returns?
3. Do you have a regular attorney you work with? If yes, could you share their name?
4. Are there any situations that have led to or are currently causing financial difficulties?
    a. Employment issues
    b. Medical issues
    c. Marital issues
    d. Other
5. It's advisable to consult with the Seller's attorney about any specific clauses that may be necessary in the final purchase agreement, as well as for guidance on any ongoing legal matters and related processes. Additionally, discuss the possibility that the lender might not forgive the full debt in a short sale and could require the Seller to cover the remaining balance.
6. Sellers should be prepared for potential delays when dealing with short sale transactions.
7. Sellers should also be aware that the pool of interested buyers may be smaller compared to traditional sales, and that many of these buyers might be investors seeking bargain opportunities
8. Emphasize the need for transparency and ongoing communication throughout the process.
9. Consider discussing an estimated timeline and agree on a set period to actively market the property.

The Designated Agent went over these points with the prospective Seller on this

______day of _______________, 20___.

Signed ____ Designated Agent