

UNDERSTANDING SHORT SALES

- 1 **1. SHORT SALE DEFINED.** A short sale is a situation where the Seller's net proceeds, after payment of all
2 applicable closing costs and other charges normally paid by the Seller from the sale of a property, are
3 insufficient to pay all outstanding mortgages and other liens against the property at closing. The term short
4 sale is used to describe a situation where there is more debt owed against a property than the property is
5 worth. In other words, the owner can't sell the property unless the Lien Holder(s) agree to accept a payment
6 that is less than, or short of, the amount actually owed. The Lien Holder(s) are usually mortgage lenders,
7 mortgage insurers, bankruptcy trustees, taxing authorities, or others.
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9 **2. CONTINGENT CONTRACT REQUIRING LIEN HOLDER(S) APPROVAL.** A short sale requires the written
10 approval of the Lien Holder(s). The Seller and any interested Buyer are advised that if an agreement is
11 reached between themselves for the purchase and sale of a property, that the agreement is contingent upon
12 the Lien Holder(s) approval of the terms of the short sale.
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14 **3. LIEN HOLDER(S) REJECTION OR CHANGES TO PROPOSED SHORT SALE.** Lien Holder may accept a
15 proposed short sale, or reject it, for any number of reasons or Lien Holder may indicate acceptance if certain
16 conditions are met. The Seller and/or the Buyer are not obligated to accept any of the changes requested by
17 the Lien Holder(s).
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19 **4. DELAYS IN RESPONSE FROM THE LIEN HOLDER(S).** A purchase contract for a short sale may impose a
20 deadline for written approval by the Lien Holder(s). As a practical matter, the Lien Holder(s) rarely meet that
21 deadline. THE SELLER AND THE BUYER SHOULD BE PREPARED FOR SIGNIFICANT DELAYS IN
22 RECEIVING ANY RESPONSE FROM THE LIEN HOLDER(S). Involvement in a short sale may not prevent
23 the Lien Holder(s) from initiating foreclosure proceedings against the property at any time.
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25 **5. RIGHT OF LIEN HOLDER(S) TO ENCOURAGE ADDITIONAL OFFERS.** As a condition of considering any
26 proposed short sale Lien Holder(s) generally require that the owner keep the property on the market by
27 continuing to show for "back-up" offers, even after the Seller and the Buyer have agreed to the terms of a
28 proposed purchase contract. THE SELLER AND THE BUYER SHOULD UNDERSTAND THAT THE LIEN
29 HOLDER(S) MAY NOT RESPOND TO A PROPOSED SHORT SALE TRANSACTION UNTIL THEY HAVE
30 HAD AN OPPORTUNITY TO COMPARE THE OFFER WITH OTHER PURCHASE OFFERS. THIS
31 PROCESS MAY RESULT IN SIGNIFICANT DELAYS FOR ALL PARTIES.
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33 **6. RIGHT OF BUYER TO CANCEL.** In accordance with most short sale purchase contracts, the Buyer may
34 withdraw from the sale by providing written notice to the Seller if the short sale has not been approved by Lien
35 Holder(s) by a specific date.
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37 **7. BUYER EXPENSES.** In order to close a short sale transaction, it may be necessary for the Buyer to pay
38 costs normally borne by the Seller, including but not limited to title insurance and homeowner's association
39 delinquent dues. In order to perform inspections it may also be necessary for the Buyer to pay delinquent
40 utility bills, pay to turn on utilities and to de-winterize and re-winterize the property. If the transaction does not
41 close, the Buyer will not be entitled to reimbursement for any costs incurred, including but not limited to the
42 appraisal and property inspections. Should the Lien Holder(s) approval of the proceeds from the closing of the
43 short sale not include sufficient funds to compensate the real estate brokerage firm(s), it may become
44 necessary for the Buyer to pay part of or all of that compensation.

SIGNATURE

DATE

SIGNATURE

DATE

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