



# **Seller Short Sale Info Packet**



## **SELLERS SHORT SALE INFORMATION AND DOCUMENTATION**

This Sellers Information Form has been developed by Go Title to provide general information regarding the typical "Short Sale."

### **WHAT IS A SHORT SALE?**

A short sale occurs when a property sells for a price that is insufficient to pay back the loan(s) secured against it (or any other liens against the property, such as delinquent property taxes, Homeowners/Condominium Association fees, etc.) as well as standard sales closing costs. In such a case, in order to complete the sale, you, as a Seller, must either: (1) come to the closing with sufficient cash from other sources to cover these shortfalls; or, (2) your lender(s) must agree to forgive all or a portion of the amounts you are "short" or make other arrangements for repayment (such as execution of a promissory note). This second alternative is commonly known as a Short Sale. Your lender will generally not allow you to receive any proceeds or otherwise obtain any monetary benefit as part of a Short Sale.

### **WHAT OTHER OPTIONS MAY BE AVAILABLE OTHER THAN A SHORT SALE?**

Depending upon your financial condition and other factors such as other liens against the property and available interest rates, you may be able to negotiate a modification of your loan(s), refinance, deed the property back to the lender(s) in lieu of foreclosure, or declare bankruptcy in lieu of attempting a Short Sale. You may also be eligible for government assisted refinancing options such as *FHASecure* (for more information call 1-800-225-5342). Other options may also be available depending upon your individual circumstances and you should consult with legal, tax, credit or financial advisors to help you evaluate these options and determine whether any others may exist and be more appropriate for your circumstances.

### **WHAT IS THE PROCESS FOR GETTING A SHORT SALE APPROVED?**

There is no universal set of rules or regulations that determine whether you are eligible for a Short Sale or whether your lender(s) will approve a Short Sale. Each lender is different and each has established their own criteria, which may or may not be favorable to you. Some lenders will not communicate with anyone but you regarding a possible Short Sale, and others may not discuss the possibility of a Short Sale unless you are in default, or until a contract offer is presented. The basic general steps in the Short Sale process after listing the property for sale are:

- **Proving Financial Hardship:** You must typically prove to your lender(s) that you are experiencing financial hardship and will be unable to continue making loan payments. In some, but not all cases, you may already be in default of your payment obligations. Most lenders will require you to provide specific information such as a financial affidavit, tax returns, bank statements, and pay stubs in order to prove financial hardship.
- **Determining Property Value:** Once you have proven a financial hardship, you must be able to demonstrate that the property is worth less than the total amount owed to your lender and any other lien holders. Frequently, your lender will require a Broker's Price Opinion (BPO) or Comparative Market Analysis (CMA) from a Realtor and it may also order an appraisal of the property from a licensed appraiser of their choosing. In some cases, you may be responsible for this expense.
- **Finding a Buyer:** A qualified buyer must submit an offer to purchase the property, which is then submitted to the lender for approval. Each lender with a mortgage or lien against the property must approve of the potential purchase to the extent that their loans will not be paid in full at closing. Many lenders will not even consider a Short Sale, review the property's value, or evaluate your financial hardship until a bona fide offer to purchase is received.
- **Final Approval:** Once your lender acknowledges your inability to continue satisfying your payment obligations and the fact that the property is not worth as much as the loan(s) secured by the property, you or your representative must convince the appropriate decision makers at each lender that it is in their best interest to approve the Short Sale. Most lenders have a specific department that handles these requests which is commonly referred to as either the Loss Mitigation, Pre-foreclosure, or Loan Workout department.

### **HOW WILL I KNOW IF MY LENDER HAS APPROVED A SHORT SALE?**

In all likelihood your request for a Short Sale will be subject to different levels of approval by your lender. At various times throughout the process, you (or your representative who is communicating with your lender) may be told or otherwise get the impression that your lender views your request favorably or believes that it will be approved. However, you should not assume that a Short Sale has received Final Approval unless and until you have written confirmation from the lender setting forth its approval and all of the specific terms of the compromise. Your lender will in all likelihood have the ability to withdraw its approval up until that time or perhaps later. If your Short Sale is approved, you should inform your Realtor immediately and the approval should be provided to the settlement agent so that they can prepare the appropriate documents needed for the closing of the transaction.

### **HOW LONG WILL IT TAKE TO GET A SHORT SALE APPROVED?**

Every Short Sale situation is different, depending on your individual circumstances, the nature of the loan(s) and other liens against your property, and your lender's criteria and staffing. If your lender will consider a Short Sale prior to the submission of an offer to purchase, the process may take less time because you should be able to provide your lender with all of the required documentation in advance and the lender may order an appraisal of the property sooner. Even if your lender will not consider a Short Sale prior to submission of an offer, you should have all of your financial information (mortgage documents, bank statements, pay stubs, tax returns, etc.) organized and immediately available to avoid unnecessary delays. In the current market environment where Short Sale requests are occurring with much greater frequency, your lender may not be able to respond to your inquiry or evaluate your request as quickly as you would like. While some lenders are able to review and approve Short Sale requests quicker than others, many lenders take at least 3-4 weeks, if not longer. In addition, it is important to understand that there is no assurance that your lender will approve of your Short Sale request. You should begin to consider any and all other options available to you now in the event your request is denied.

### **WHAT SHOULD BE DISCLOSED TO PROSPECTIVE BUYERS AND BROKERS?**

Because only your lender will have the ability to approve a Short Sale, depending on MLS Rules, your Realtor may be permitted to disclose in the Multiple Listing Service (MLS) and other advertising the fact that the sale of the Property and payment of the offered brokerage commissions is subject to lender approval. If your Lender requires a reduction in the brokerage commissions as a condition of accepting a particular Short Sale contract and the cooperating broker is unwilling to agree to a reduction in their commission, you and your Lender will be notified of the cooperating broker's decision and that the amount the Lender is willing to approve is unacceptable. Any contract that you accept should be an "As Is" contract as it will likely be considered more favorably by your lender. It should also have a provision making the contract contingent on lender approval. If the lender approval provision is not included in the contract, you may be obligated to close the transaction and pay off your loans in full from other sources of funds if you do not obtain Short Sale approval.

### **WHAT ARE SOME NEGATIVES THAT MAY BE ASSOCIATED WITH A SHORT SALE?**

Even if you are not in foreclosure, a Short Sale may adversely affect your credit rating as it is a reflection of your inability to satisfy this financial obligation. Go Title recommends that you consult with an attorney and/or tax or financial advisor regarding these issues prior to pursuing a Short Sale.

### **HOW DO I GET STARTED?**

The following forms for Short Sale Listings are included in this package and should be signed and returned to your Go Title Agent:

- *Seller Short Sale Information and Documentation Checklist* - A list of documents you should gather to begin the Short Sale process.
- *Short Sale Addendum – Exclusive Right of Sale Agreement* - includes important terms and conditions regarding the listing of your home and other information concerning the Short Sale process.
- *Authorization to Release Information* (Optional) - Your authorization for Go Title to communicate on your behalf directly with your lender(s).



## **SELLER SHORT SALE INFORMATION CHECKLIST**

NAME(S): \_\_\_\_\_

PROPERTY ADDRESS: \_\_\_\_\_

Certain information and documentation will be required by your lender(s) in order to begin the "Short Sale" approval process. While a complete list of required information and documents may be provided to you by your lender, the following information and documentation list will help us begin to prepare your submittal:

- o Hardship Letter explaining your situation and the reasons you have fallen behind or are delinquent on your loan;
  - visit [www.solutionsshortsales.org](http://www.solutionsshortsales.org) for info on hardship letters
- o Last two months' pay stubs;
- o Last two years' W-2s/1099s;
- o Last two years' tax returns;
- o Last two months' bank statements;
- o Most recent Mortgage statements (1st and 2nd Loans if applicable)
- o Supporting documents as evidence of hardship (medical bills, judgments, etc.)
- o Signed and dated Short Sale Package (Provided by Agent)
  - Completed Financial Statement
  - Short Sale Addendum to the Listing Agreement
  - Authorization to release information
  - Short Sale Disclaimer of Liability
  - 4506-T

Visit [www.solutionsshortsales.org](http://www.solutionsshortsales.org) for additional information on the short sale process.

***THE INFORMATION LISTED ABOVE SHOULD BE GATHERED BY YOU AND PROVIDED ONLY TO YOUR AGENT(S).***

## PERSONAL FINANCIAL STATEMENT

Date Prepared: \_\_\_\_\_ Loan Number: \_\_\_\_\_

Borrower's Name: \_\_\_\_\_

Borrower's Employer: \_\_\_\_\_

Co-Borrower's Name: \_\_\_\_\_

Co-Borrower's Employer: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Evening: \_\_\_\_\_

Number of Dependents: \_\_\_\_\_

Property Address: \_\_\_\_\_

Mailing Address (if different) \_\_\_\_\_

**MONTHLY INCOME:**

Borrower's Monthly **NET** income: \$ \_\_\_\_\_

Co-Borrower's Monthly **NET** income: \$ \_\_\_\_\_

Other Income: \$ \_\_\_\_\_

(Please circle) Child Support, Alimony, Rental, Other \_\_\_\_\_ )

**MONTHLY EXPENSES: MONTHLY PAYMENT**

**MONTHLY PAYMENT**

**BALANCE OWED**

Mortgage Payment: \$ \_\_\_\_\_ 2nd Mortgage: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Child Care: \$ \_\_\_\_\_ Other Mortgages: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Alimony/Child support: \$ \_\_\_\_\_ Rent: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Telephone: \$ \_\_\_\_\_ Doctor Bills: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Cell Phone/ Pager: \$ \_\_\_\_\_ Medical Bills: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Gas/ Oil: \$ \_\_\_\_\_ Auto Loan Pmt: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Electricity: \$ \_\_\_\_\_ Auto Loan Pmt: \$ \_\_\_\_\_ \$ \_\_\_\_\_

**MONTHLY EXPENSES: MONTHLY PAYMENT**

**MONTHLY PAYMENT**

**BALANCE OWED**

Trash / Sewer: \$ \_\_\_\_\_ \* Homeowner Ins: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Food: \$ \_\_\_\_\_ \* Property Taxes: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Water: \$ \_\_\_\_\_ \* If not included in mortgage payment

Auto Insurance: \$ \_\_\_\_\_

Transportation/Gasoline: \$ \_\_\_\_\_

Life Insurance: \$ \_\_\_\_\_

Cable / Satellite: \$ \_\_\_\_\_

Clothing: \$ \_\_\_\_\_

Prescriptions: \$ \_\_\_\_\_

**OTHER MONTHLY EXPENSES** (Example: Credit Cards, Department Store Cards, IRS Lien):

Paid to:	Balance:	Monthly Payment:
1. _____	\$ _____	\$ _____
2. _____	\$ _____	\$ _____
3. _____	\$ _____	\$ _____

If additional space is needed, please continue list below or on reverse side.

The undersigned, jointly and severally, represent and warrant that the information submitted in this personal financial statement, questionnaire and financial schedule is true, correct and complete in all material respects. The information and documentation provided does not omit any material fact or matter that makes the information or documentation presented misleading.

Borrower \_\_\_\_\_ Date \_\_\_\_\_

Borrower \_\_\_\_\_ Date \_\_\_\_\_



## SHORT SALE ADDENDUM – EXCLUSIVE RIGHT OF SALE AGREEMENT

This Short Sale Addendum is hereby incorporated into the Exclusive Right of Sale Listing Agreement (“Listing Agreement”) by and between \_\_\_\_\_ (“Broker”) and \_\_\_\_\_ (“Seller”) for the property located at: \_\_\_\_\_ (“Property”).

1. **SHORT SALE LISTING:** Seller has informed Broker that the amount of money necessary to pay in full all loans and other obligations that are secured by the Property, and estimated closing costs and broker commissions, may exceed the value of the Property itself. In order to sell the Property, Seller may be required to (a) deposit his/her own funds into escrow, or (b) seek an agreement with Seller’s lenders or other creditors (“Lender”) to reduce the amount of indebtedness secured by the Property (i.e., Short Sale), or both.

2. **PROFESSIONAL ADVICE:** Seller has been advised that Seller may be able to avoid selling the Property by, among other things, negotiating a modification of the loan with the Lender, or refinancing. Broker and its representatives cannot and will not determine whether or not a Short Sale is in Seller’s best interest. Seller is advised to seek independent legal, credit, financial and/or tax advice regarding the decision to sell the Property and to seek a Short Sale, and the consequences thereof. Broker and its representatives are not permitted or qualified to give legal, credit, financial or tax advice and Seller agrees not to rely on any such advice if offered. Seller acknowledges and represents that he/she has independently determined that a possible Short Sale is in Seller’s best interest.

3. **LENDER CONSIDERATIONS:** Seller acknowledges that (i) a Short Sale is subject to Lender’s approval and that Lender may require, among other things, a showing of hardship before considering a Short Sale; (ii) Lender may require Seller to provide copies of financial statements, sworn financial affidavits, tax returns, pay stubs, or other financial information in connection with Lender’s consideration of the Short Sale; and (iii) Lender may not consent to a Short Sale. Seller agrees to release and hold Broker and its representatives harmless for any and all acts or omissions of any Lender.

4. **CREDIT CONSEQUENCES:** Seller is advised that a Short Sale may have a negative impact on Seller’s credit rating as a negotiated payoff of a debt for less than the original amount even if a foreclosure proceeding has not been commenced or completed.

5. **BROKER AUTHORITY:** Seller authorizes Broker and its representatives to: (a) market the Property for sale and advertise in the MLS and other media that the sale of the Property is subject to Lender’s approval of a Short Sale, and (b) inform prospective buyers and/or their representatives of the Seller’s need to obtain approval from the Lender(s) to accept less than a full loan payoff as a precondition of sale.

Seller does \_\_\_\_\_ OR does *not* \_\_\_\_\_ (**initial one**) authorize Broker and its representatives to discuss with any Lender or other lien holder, on Seller’s behalf, (i) the status of Seller’s loan and/or obligations, (ii) Seller’s general financial condition, and (iii) the terms and conditions which will be required by either party to effectuate a Short Sale. If Seller does grant such authorization, Seller shall complete any required authorization forms necessary for Broker to do so. If Seller does not authorize Broker to engage in such communications, it shall be a material obligation of Seller under the Listing Agreement and Addendum for Seller to use Seller’s best efforts to perform all acts necessary to facilitate a Short Sale of the Property.

6. **ACKNOWLEDGEMENTS/ENTIRE AGREEMENT:** Seller acknowledges that: (a) Seller has received, read and understood Go Title’s Sellers Short Sale Information Form, (b) Broker is representing Seller in an authorized transaction brokerage relationship and that Broker and its sales associates (including the Seller’s listing associate) may also be representing one or more prospective buyers interested in the Property in an authorized transaction brokerage relationship, (c) in the event the Lender will not consider or approve a Short Sale, Broker reserves the right, in its sole discretion, to terminate the Listing Agreement upon written notice to Seller, and (d) in the event that the Lender obtains title to the Property, Broker may be retained by the Lender to market and sell the Property. This Short Sale Addendum constitutes the entire agreement between Seller and Broker with regard to the services to be provided by Broker and its representatives in connection with the listing of the Property as a Short Sale.

7. **COMMON CONTRACT PROVISIONS:** Due to the uncertainty regarding whether a Short Sale will be approved and, if so, how long it will take to obtain such approval, most buyers will insist upon the inclusion of a provision that gives them the right to cancel the purchase and sale contract and receive a full refund of any deposits at any time up until the time they have received notice of such approval. Go Title recommends the use of the Florida Association of Realtors (FAR) Short Sale Addendum on all FAR contracts which are subject to a Short Sale.

8. **MLS REQUIREMENTS:** Seller acknowledges that the continued marketing of the Property after a contract has been accepted (but while awaiting lender approval) is subject to local MLS rules. Notwithstanding anything herein to the contrary, Seller acknowledges and agrees that Broker is required to comply with all such rules.

9. **BROKER COMPENSATION:** Seller agrees to pay, and remains obligated for, the entire commission due under the Listing Agreement regardless of whether any Lender agrees to pay any or all of the agreed upon commission. To the extent that any Lender authorizes a partial payment to Broker (or any cooperating broker) as part of the Short Sale, any such payment shall constitute a credit against the sum owed to Broker by Seller, and Seller shall be responsible for payment to Broker of the remaining balance to Broker no later than the time of closing. Neither Broker nor any cooperating broker has the obligation to accept a reduction in the commissions otherwise owed or offered in order to consummate a Short Sale of the Property.

10. **BROKER PRICE OPINION:** Broker or its representatives may provide you with a Broker Price Opinion (BPO) or Comparative Market Analysis (CMA) to help you (and sometimes your Lender) estimate the market value of the Property. You acknowledge that the BPO or CMA is not an







## **Short Sale Seller's Acknowledgement and Disclaimer of Liability**

I, the undersigned seller of real estate, acknowledge that it has been disclosed to me that every attempt will be made to successfully market my property and obtain lender approval of a short payoff in order to save my home from foreclosure.

I understand that foreclosure is a possible consequence of not paying my mortgage. No one at Go Title has advised me to stop making mortgage payments to my lender. I understand that if my property ends up in foreclosure, it is a result of not paying my mortgage and I hold Go Title, its agents, principals, and independent contractors, harmless from any damages as a result of the foreclosure judgment and property repossession, including damage to my credit score.

In the event of a short sale on my property, I understand that there is no guarantee that the lender/beneficiary on my property will approve a payment for less than the full amount due on the loan. I have been advised that the goal of Go Title is to mitigate my loss or potential for loss, or to put me in a better financial position than I would be if I did nothing and let the property go to foreclosure. I acknowledge that oftentimes, especially with second mortgages, the best result that we can hope to achieve is a "lien release only" which means that after the short sale is completed I may still be responsible for the balance on the loan even though the house is sold because I signed the Note. I am still willing to try a short sale and put myself in a better position because I feel it is my best option under all the circumstances.

And, although every effort will be made to obtain full release/payoff status of my loan, the listing agent cannot guarantee that there will be no possibility of lender-instigated judgment against me for any loan deficiency.

I understand that a short sale means that I will at some point have to move out of my home, and I am prepared to give possession over when I am directed to do so at closing. I will cooperate fully with my listing agent by allowing showings at all reasonable times, and by requiring that my tenants do so as well. I will leave the property in broom-swept condition and I will maintain the property, if it is vacant, throughout the short sale process which means leaving utilities on, keeping the lawn and pool maintained, and ensuring that the property is secure with a lock and key.

I understand that even if I remain current on my mortgage payments throughout the short sale process, negative information may be reported to the credit bureaus should a lender accept a reduced payoff. No specific representations have been made to me about how a short sale will affect my FICO score in points.

Furthermore, I understand that I WILL NOT receive any cash compensation from this transaction. While every effort will be made to avoid me having to come to closing with cash or sign a new Promissory Note, I understand that either of those are sometimes a condition of short sale approval. If presented with one of these requirements I understand that I have a duty to review the situation as a whole and make the best business decision for me and that if it makes good sense for me to do so, I will still proceed with the short sale. If Go Title obtains written loan approval letters and a ready, willing and able buyer for my transaction and I am not willing to close the transaction because the language in the approval letter is unsatisfactory, or because I changed my mind in selling, I agree to pay to Go Title a fee of not less than \$500.00 for the time and effort that goes into the short sale process.

I further have been advised that there may be tax ramifications associated with saving my home from foreclosure, including but not limited to, the issuance of an IRS tax form 1099-C for any shortfall of the mortgage debt. No one at Go Title has given me tax advice. I have been encouraged to ask questions regarding the possibility of imputed income tax as a result of a 1099-C prior to beginning the short sale process.

It is my duty to refer all potential buyers of the property to my listing agent. Any legitimate buyer of my property should be willing to communicate through the listing agent. I have been advised of the many scams that exist in which non-licensed persons posing as investors or "short sale consultants" attempt to take the title of my home or "flip" the home through an option contract. Go Title is paid through commissions and fees that are absorbed by the lender and fully disclosed on the HUD settlement statement which I will sign at closing, and I understand that it will be a separate buyer and not Go Title who will most likely purchase my home. No representations have been made to me otherwise. No one at Go Title will take title to my home from me in a land trust, or ask me to sign an Option Contract with them, and no one at Go Title has asked me for an up-front fee for the short sale listing and sale process.

I understand that my real estate professionals, specializing in mitigating foreclosure losses, have disclosed that they are not attorneys or certified public accountants and I understand that I have been advised to consult with any of these professionals with regard to any specific questions I may have relative to these areas of expertise.

I further understand that the listing agent and/or their associates may become the listing agent for the beneficiary/investor or other new owner, if the property goes into foreclosure sale and is sold.

If my property is being rented, I understand that my mortgage lenders might have the right to receive said rental income through an assignment of rents, and I understand that I have been advised of the risks of receiving rental income and not paying the mortgages during short sale negotiation.

INITIAL \_\_\_\_\_

I HAVE BEEN ENCOURAGED TO SEEK INDEPENDENT LEGAL ADVICE PRIOR TO SIGNING THIS DOCUMENT AND BEGINNING THE SHORT SALE PROCESS.

\_\_\_\_\_  
SELLER/BORROWER

\_\_\_\_\_  
SELLER/BORROWER

Accepted by Go Title Representative: \_\_\_\_\_

DATE \_\_\_\_\_