

Short Sale Disclosure and Agent Guidelines

Real Estate Agents and Buyers making an offer on a short sale listing.

This form must be completed and returned or we will not accept your offer!

What is a short sale? A short sale refers to the sale of real property for an amount less than the amount owed on the property. The lender (FHA, VA, or Bank) agrees to accept less than the full balance due on the debt and usually "forgives" all or a large portion of the difference.

PLEASE CONSIDER THE FOLLOWING FACTS WHEN MAKING AN OFFER:

- 1. NO ELECTRONIC SIGNATURES:** Docusign, Veri-sign, etc..
- 2. CLOSING DATE:** **Short Sales can take 60-120 BUSINESS days OR longer to close** and the final closing date is contingent upon the lender. **If the buyer must be in the home SOONER than this time frame, OR cannot tolerate delays beyond 60 days, they should NOT make an offer.** This time frame is dependant on where the file is in the short sale process. For example, if final short sale approval has been granted, then the process can take as few as 20 days. **We recommend a closing date of 45 days beyond the offer submission date.** ****Client Initials** _____ ****Agent Initials** _____
- 3. COMMISSIONS:** **ALL COMMISSIONS WILL BE SPLIT 50/50 – This is not a negotiation.** Commission may not exceed 6% on FHA or VA liens. For Conventional liens, the lender may only pay 4-5%. Commissions will be provided upon short sale approval. ****Agent Initials** _____
- 4. SPECIAL PROVISIONS: All offers MUST include the following contingencies:**
 - **"Property is being sold AS IS."** (Due to severe loss being taken by the lender, repairs cannot be made by the seller or the lender.)
 - **"The contract of sale is conditional upon final approval of Seller's lender and/or HUD."**
 - **"Inspection Period: Buyer will be granted a 10-day inspection period at no charge."** The inspection period will commence once the buyer's agent receives written notification from the listing agent that the short sale file is approved by the seller's lender. During the inspection period, buyer may terminate the contract for any reason and any earnest monies will be released back to the buyer."
- 5. CLOSING COSTS:** Lender will pay typical and customary closing costs such as title policy, agent commissions, taxes, etc..
 - **On FHA Short Sale:** HUD will allow up to 1% of the buyer's mortgage amount for closing cost to be included in the "Seller's Cost" on the HUD-1 for all transactions that involve NEW FHA-insured mortgages.
 - **On CONVENTIONAL Short Sale:** Seller's lender **MAY OR MAY NOT PAY** any buyer's closing cost or assistance programs. You are welcome to submit your offer, on CONV liens, with these costs included and we will forward to the seller's lender – **BE AWARE that the addition of seller concessions can, and most likely will, extend short sale approval.**
- 6. SURVEY:** The seller cannot be obligated to pay for a survey, and the seller's lender will not pay for the survey on the seller's behalf. There can be no "obligation clause" that requests the seller to pay the cost of providing a survey, AT THEIR EXPENSE, because the short sale lender (seller's mortgage company) will NOT pay that expense **under any circumstances**, and the seller is prohibited from contributing financially to the transaction. In other words, if the seller fails to provide the Survey and/or any Affidavit in the prescribed time period, s/he would be in breach of contract. The document would contain a promise that the seller cannot fulfill—thus forcing a breach of contract. Having explained this, we also understand this creates an obligation for the buyer to provide the cost of a survey.

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It must be understood that the short sale lender sees the survey as a **"buyer expense"** since it is a document that is required by the buyer's lender. As a professional courtesy, we will work diligently to obtain an existing survey from the seller and will provide it to the buyer's agent, but we make no warranties or claims as to its accuracy or validity. The survey provided will NOT be accompanied by an Affidavit.

- 7. RESIDENTIAL SERVICE CONTRACTS/HOME WARRANTY:** The lender **will not** pay for any residential service contracts or home warranty on behalf of the buyer.
- 8. HOA FEES:** We recommend a 50/50 split for the HOA Transfer Fees. This makes the cost equitable between buyer and seller
- 9. MULTIPLE OFFERS:** **We work with the lender one contract at a time.** In the event that we receive multiple offers on this property, we will not counter for your best and final offer. Our policy is to select and submit the best offer, keep this in mind when submitting your offer.
- 9. PRE-APPROVAL LETTER:** **The offer must include a pre-approval letter** from the buyer's lender if 3rd-Party Financing is being accomplished. **NOTE:** If the offer is a CASH offer, the lender will still want to see a document that shows proof that funds are available.
- 10. PROPERTY UTILITIES:** In all cases the property is being sold at a reduced price and the seller is in a hardship situation and cannot afford to have utilities turned on. Once the file is approved, our standard procedure is to ask the **buyer(s)** to turn the utilities on in their name if they wish to do an inspection. Since the file will close in several weeks and the utilities will be in the buyer(s) name anyway, this is our standard protocol. In the event that the buyer chooses not to move forward with the transaction by exercising their termination option or the short sale lender does not go forward with the contract, **the incurred cost of utilities will remain the buyer(s) responsibility.**

In closing, the short sale program offers the buyer an excellent opportunity to get a great deal—provided the buyer is patient. For those of us accustomed to fast-paced real estate sales, the short sale process can be particularly complex, frustrating, and slow. However, the short sale process is a win-win program. Buyers, Lenders, Mortgagees and Agents all benefit from a successful short sale. Buyers can purchase the property at or below market value. Lenders get the majority of their money back, Sellers get the relief they need and are able to sell their property to avoid foreclosure and Buyers usually acquire equity at the sale. In addition, Real estate agents can facilitate the transaction and receive compensation (commissions) from the sale of the property.

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I have read and understand this document:

Property Address: _____

Buyer's Agent: _____
Printed Name Signed Name

Buyer(s): _____
Printed Name Signed Name

Printed Name Signed Name