

## **BUYER'S INFORMATION FORM - SHORT SALE PROPERTIES**

This Buyer's Disclosure for Short Sale Properties is being provided by Coldwell Banker Residential Real Estate to provide you with general information regarding the typical "Short Sale" transaction from a buyer's point of view.

### **What is a Short Sale?**

A Short Sale occurs when a property sells for a price that is insufficient to pay back the loans secured by the property (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 order to complete such a sale, the Seller must either: (1) come to the closing with sufficient cash from other sources to cover these shortfalls; or, (2) the Seller's lender must agree to forgive all or a portion of the amounts the Seller is "short" or make other arrangements for repayment (such as execution of a promissory note). This second alternative is commonly known as a Short Sale. The Seller's lenders will generally not allow the Seller to receive any proceeds or otherwise obtain any monetary benefit as part of a Short Sale.

### **Is a Short Sale a "Better Deal" than Other Properties?**

Buying a property through a Short Sale may be a "good deal," but that is not always the case. First, there is no assurance that a Seller will obtain approval of the sale from the lender. Each lender has its own requirements to qualify. Most lenders will not allow the Seller to pay for repairs or to provide repair credits. As such, your best, and perhaps only, opportunity to purchase a Short Sale property will be on an "As-Is With Right to Inspect" basis (which allows you to inspect the property and cancel the contract if repairs exceed an agreed upon amount). Also, lenders will typically limit or not allow closing costs and other credits to be given to a buyer on a Short Sale. While you may consider purchasing a property that is subject to Short Sale approval, there may be other properties available through a traditional transaction which you may find better satisfies your goals.

### **How Long Will It Take To Get A Short Sale Approved?**

Every Short Sale situation is different and depends upon many different factors such as the Seller's individual circumstances, the nature of the loan(s) and other liens against the property, and the Seller's lender's criteria and staffing. Many lenders will not even begin to review a Seller's request until a contract for sale has been executed, which may further delay the process. In addition, many lenders will require the Seller to provide detailed financial information and may also perform appraisals of the property to determine whether it is in fact worth less than the outstanding mortgage amount. While some lenders are able to review Short Sale requests quicker than others, many lenders can take several weeks or more.

### **What Should I Include in My Contract for a Short Sale Property?**

Because the Short Sale approval process may take several weeks or longer, it is important that you include in your offer to purchase provisions that limit the time that the Seller may have to obtain approval for a Short Sale, as well as other protections that address when the time periods provided under the Contract will begin, and what the Seller may or may not do should other offers be presented before the Contract has been approved by the Seller's lender(s). If these protections are not in your contract for a Short Sale property, you may be tied up in a contract for a significant period of time or may lose out on the ability to purchase the property because the owner submits other offers to their lender(s) for approval which may be accepted.

**COLDWELL BANKER RECOMMENDS THAT YOU CONSULT WITH AN ATTORNEY REGARDING ALL OF THESE ISSUES PRIOR TO AND DURING THE PURCHASE OF A SHORT SALE.**