

SELLER'S SHORT SALE INFORMATION FORM

This Sellers Information Form has been developed by Coldwell Banker Residential Real Estate 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 FHA Secure (for more information call 1-800-225-5342) or visit www.hud.gov. 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 (do not provide these documents to your Coldwell Banker Realtor). 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 will probably be required 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.

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. **COLDWELL BANKER RECOMMENDS THAT YOU CONSULT WITH AN ATTORNEY AND/OR TAX OR FINANCIAL ADVISOR REGARDING THESE ISSUES PRIOR TO PURSUING A SHORT SALE.**

WHAT IS A SHORT SALE RESALE/FLIP TRANSACTION?

Although not common, occasionally a buyer will submit an offer on a Short Sale property with the intention of re-listing it for resale while under contract. These offers usually include provisions that make the sale contingent on the buyer finding someone who will purchase the property on or soon after the closing date of your transaction. These transactions may carry additional risks as you may lose valuable marketing time while under contract with a buyer who will only be required to close if they find a third party to purchase the home. Moreover, these offers typically include provisions that allow the buyer or someone selected by the buyer to exclusively handle all communications/negotiations of the transaction with your lender(s). Because of the potential risks associated with these transactions, Coldwell Banker recommends that prior to accepting this type of offer that you consult with an attorney. Additionally, we withhold any such offer until we (i) inform the buyer in writing that we will notify your lender of the existence and nature of the offer and that Coldwell Banker and you do not warrant the completeness or accuracy of any information that may be provided by, or on behalf of, the buyer, and (ii) we then receive the buyer's authorization to submit the offer.

HOW DO I GET STARTED?

The following forms for Short Sale Listings are available from your Coldwell Banker sales professional:

- 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.
- Seller Short Sale Information and Documentation Checklist - A list of documents you should gather to begin the Short Sale process.
- Authorization to Release Information (Optional) - Your authorization for Coldwell Banker to communicate directly with your lender(s) on your behalf (will not apply in a resale/flip transaction).

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