

## SELLERS SHORT SALE INFORMATION FORM

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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 *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 available 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 will also usually 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. If your Short Sale is approved, 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 and until you have written confirmation from the lender that they have approved and the specific terms to which they agree, you should not assume they have given approval, regardless of what you may be told verbally. 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, your Broker will 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. 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?**

If a Short Sale results in the reduction or "forgiveness" of part of your loan balance, as a condition of approving a Short Sale, some lenders may require you to sign a promissory note for the difference between the total amount you owe and the amount the lender is receiving from the Short Sale (the "Deficiency"). Even if your lender does not require a promissory note and is forgiving the Deficiency, the IRS may treat the amount of the loan being forgiven as imputed or "phantom" income, and you may be required to pay taxes on that amount. Also, 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.

## **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 to Coldwell Banker to communicate on your behalf directly with your lender(s).

# SELLER SHORT SALE INFORMATION AND DOCUMENTATION 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 will be provided to you by your lender, the following information and documentation list will help you begin to prepare your submittal:

- a. Hardship Letter explaining their situation and the reasons they have gotten behind or are delinquent on their loan;
- b. Completed Financial Statement (sample form attached)
- c. Last two months' pay stubs;
- d. Last two years' W-2s/1099s;
- e. Last two years' tax returns;
- f. Last two months' bank statements;
- g. Supporting documents as evidence of hardship (medical bills, judgments, etc.).

Other Information and Documents:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

***THIS INFORMATION SHOULD BE MAINTAINED BY YOU AND PROVIDED ONLY TO YOUR LENDER(S). DO NOT PROVIDE THIS DOCUMENTATION TO YOUR COLDWELL BANKER REPRESENTATIVE.***

# 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**

Mortgage Payment: \$ \_\_\_\_\_  
 Child Care: \$ \_\_\_\_\_  
 Alimony/ Child support: \$ \_\_\_\_\_  
 Telephone: \$ \_\_\_\_\_  
 Cell Phone/ Pager: \$ \_\_\_\_\_  
 Gas/ Oil: \$ \_\_\_\_\_  
 Electricity: \$ \_\_\_\_\_  
 Trash / Sewer: \$ \_\_\_\_\_  
 Food: \$ \_\_\_\_\_  
 Water: \$ \_\_\_\_\_  
 Auto Insurance: \$ \_\_\_\_\_  
 Transportation/Gasoline: \$ \_\_\_\_\_  
 Life Insurance: \$ \_\_\_\_\_  
 Cable / Satellite: \$ \_\_\_\_\_  
 Clothing: \$ \_\_\_\_\_  
 Prescriptions: \$ \_\_\_\_\_

	MONTHLY PAYMENT	BALANCE OWED
2nd Mortgage:	\$ _____	\$ _____
Other Mortgages	\$ _____	\$ _____
Rent Paid:	\$ _____	\$ _____
Doctor Bills:	\$ _____	\$ _____
Hospital Bills:	\$ _____	\$ _____
Auto Loan Pmt:	\$ _____	\$ _____
Auto Loan Pmt:	\$ _____	\$ _____
* Homeowner Ins:	\$ _____	\$ _____
* Property Taxes:	\$ _____	\$ _____

\* If not included in mortgage payment

**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 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. **THIS PERSONAL FINANCIAL STATEMENT SHOULD NOT BE PROVIDED TO YOUR COLDWELL BANKER REPRESENTATIVE. WHEN REQUESTED, PLEASE PROVIDE IT DIRECTLY TO YOUR LENDER.**

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

**AUTHORIZATION TO RELEASE INFORMATION**

TO WHOM IT MAY CONCERN:

I/WE, \_\_\_\_\_, hereby  
give permission for \_\_\_\_\_ to  
receive information concerning the property and the mortgage loan secured by  
the property located at: \_\_\_\_\_

Loan/Account No.: \_\_\_\_\_

Lender / Lien Holder: \_\_\_\_\_

Lender Address: \_\_\_\_\_

Lender Phone No.: \_\_\_\_\_

Thank you in advance for providing your full cooperation.

A FACSIMILE OR OTHER COPY OF THIS FORM WILL SUFFICE JUST AS  
THOUGH IT WERE THE ORIGINAL FORM.

THIS AUTHORIZATION IS VALID UNTIL THE LOAN IS PAID OFF IN FULL OR  
WE NOTIFY YOU OTHERWISE IN WRITING.

\_\_\_\_\_  
Authorization SS# Date

\_\_\_\_\_  
Authorization SS# Date

\_\_\_\_\_  
Authorization SS# Date

