

INFORMATION FOR PURCHASERS CONCERNING SHORT SALES

The term “short sale” is used to describe a sale where the debt owing against a property combined with the costs associated with the sale exceed the property’s market value. In such cases, the Seller’s lender(s) (“creditor(s)”) may or may not agree to accept less than the amount owed in order to allow the property to be sold.

Below are some scenarios that may occur when the sale of a property is subject to creditor approval. By signing below, I acknowledge that my agent has provided the following information to me.

1. The property may be foreclosed upon prior to settlement, which would prevent the Seller from selling the Property.
2. With a short-sale, creditor(s) **approval may take several weeks or months**. The sales contract is subject to the approval of all creditor(s) who must agree to release their lien(s) on the property in order for the sale to close.
3. Any changes to the sales contract that affect the creditor’s net proceeds may need reapproval.
4. Obtaining creditor(s) approval of a short sale involves documentation similar to the documentation lenders require from Purchaser to obtain a loan. In general, **Sellers must generally establish that they are incapable of paying the loans by:**
 - A. Submitting W-2 forms from employers, bank statements, tax returns, and
 - B. Providing a “hardship letter” stating the reasons the creditor(s) should agree to a short sale.
5. If the mortgage is insured, the **mortgage insurance company may have additional requirements for approval**.
6. Creditor(s) approval may require the Seller to sign a promissory note for the difference between the amount owed and the net proceeds of the sale. If the Seller does not agree to sign this note, settlement will not occur.
7. **A full title examination is required to identify all creditor(s)** and the amount each is owed. Sellers who cannot afford their mortgages may also have judgment liens, utility liens and homeowner’s association or condominium liens that affect the creditor’s net proceeds.
8. Purchasers may consider delaying the **appraisal or home inspection until the title examination and/or the creditor’s approval is complete**.

9. Because delays are likely, many Purchasers choose **not to lock in their mortgage interest rates** until creditor(s) approval is received. If purchasers choose to lock in their interest rate, it can be costly to get that rate lock extended. On the other hand, if Purchasers do not lock in an interest rate, it may be higher when creditor(s) approval is received.

10. After creditor(s) approval has been received, it **may be difficult or impossible to get money for repairs**. Many short sales are offered in **“As-Is” condition**.

_____ / _____ _____ / _____
 Date Purchaser’s Signature Date Purchaser’s Signature

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