



# *Short Sales*

Approvals, Purchase Offers, and HUDs

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Real Estate Broker



*"The Best in Real Estate"*

# *Short Sale Process*



1. The listing agreement is signed.
2. The lender is notified by the Agent and given copies of the listing agreement and Authorization to Convey Information.
3. The property is marketed and the short sale is discussed with other Agents.
4. When an offer is received, it is presented to the lender(s), along with an estimated HUD.

# *Short Sale Process*



What should the HUD list under expenses?

- The initial HUD should ask for everything in the purchase offer. Let the lender shoot down any terms it does not wish to agree to:
  - Buyer closing costs
  - Repair credits
  - Home warranty
  - Termite report
  - Natural hazard report
  - Transaction Coordinator

# *Short Sale Process*



What should the Agent check for in the Approval Letter?

- The Agent should carefully read the approval letters) and determine what items the lender will pay for and what items it will not.
- Pay particularly close attention to the items the buyer is requesting the seller to pay for:
  - Buyer closing costs
  - Repair credits
  - Home warranty
  - Termite report
  - Natural hazard report

# *Short Sale Process*



What else should the Agent check for in the Approval Letter?

- ALWAYS check for deficiency judgment language that protects the seller client.
- If it is not present, ask for it to be inserted.
- In some states, lenders ARE going after deficiency judgments.

Countrywide Home Loans  
Mail Stop, SV3-70  
450 American Street  
Simi Valley, CA 93065

**Notice Date:** October 16, 2008

**Account No.:** 66290626 & 66420898

**Property Address:**

San Diego, Ca. 92103

San Diego, Ca. 92103

**IMPORTANT MESSAGE ABOUT THIS ACCOUNT**

This letter will serve as Countrywide Home Loans's demand for payment and advises you that Countrywide Home Loans and/or its Investors and/or Insurers have agreed to accept a short payoff involving the above referenced property and the referenced account(s). This demand should be used by the closing agent as our formal demand statement. No additional statement will be issued. This approval is exclusive to the offer from the buyer referenced in this letter.

**WHAT THIS MEANS TO THE SELLER**

Countrywide Home Loans and/or its Investors may pursue a deficiency judgment for the difference in the payment received and the total balance due, unless agreed otherwise or prohibited by law, if the short sale closes on the loan referenced above. In addition, if this loan is covered by mortgage insurance, the mortgage insurance company may reserve the right to pursue the seller for the deficiency based on the terms of the mortgage insurance policy. Furthermore, there may be tax consequences associated with entering into a short sale. The seller is encouraged to seek the guidance from an independent tax advisor, and/or an attorney, before proceeding with the short sale.

If this short sale is contingent upon Countrywide Home Loans and/or its investors receiving a promissory note, we will reserve the right to collect the full amount on the new promissory note which may lead to us pursuing a deficiency on that balance should the need arise. If the short sale does not close, then we will pursue all remedies under our note and mortgage.

The conditions of the approval are as follows:

1. Closing must take place no later than November 14, 2008 or this approval is void.
2. The approved buyer(s) is/are Charles [REDACTED] and the sales price for the property is \$310,000.00.
3. Another buyer cannot be substituted without the prior written approval of Countrywide Home Loans.
4. Closing costs including realtor commission is not to exceed \$21,552.73.
5. Proceeds to Countrywide Home Loans to be no less than \$288,447.27
6. The property is being sold in "AS IS" condition. No repairs will be made or be paid out of the proceeds, unless specifically stated otherwise.
7. Seller is to contribute \$3,000.00, to assist in the closing of this transaction. This contribution will be in the form of:

Please write the account number on all correspondence.

SPO Approval 8552 08/20/2008

# What are the Loan Effects on a Short Sale?

## Deficiency Judgment Rights Preserved

# What are the Loan Effects on a Short Sale?

## Deficiency Judgment Rights Preserved

PROMISSORY NOTE (Signed and returned prior to closing): \$0.00  
CERTIFIED FUNDS CONTRIBUTION (Due before closing): \$3,000.00

If a promissory note is required, it must be signed and returned to Countrywide Home Loans prior to the close of escrow. It is the responsibility of the closing agent to ensure that the promissory note is signed and returned to Countrywide Home Loans.

If a promissory note has already been signed and agreed to between the seller, investor and the Mortgage Insurance Company, a signed certified copy must be provided to Countrywide Home Loans prior to the close of the short sale transaction. It is the responsibility of the closing agent to ensure that Countrywide Home Loans receives the copy.

**\*\*\* Sales proceeds will be returned if the note has not been received. This will result in a delay of the transaction and/or possible cancellation of this short sale transaction. \*\*\***

8. The sellers will not receive any proceeds from this short sale transaction. If there are any remaining escrow funds or refunds, it will not be returned to the seller; it will be sent to Countrywide Home Loans to offset the loss.
9. The property must be free and clear of liens and encumbrances other than those recognized and accounted for in the HUD-1 approval, on which this approval is based.
10. Countrywide Home Loans does not charge the borrower for statement, demand, recording, and reconveyance fees on short payoff transactions. Do not include them in your settlement statement. Countrywide Home Loans prepares and records its own reconveyances.
11. Other: All funds must be wired. Any other form of payment of funds will be returned. Payoff funds must be received within 48 business hours of the HUD-1 settlement date.
12. Other: Should the closing be delayed and the Investor/Insurer agree to an extension of the original closing date, the Borrower(s)/Seller(s) will be responsible for any per diem fees through the new date(s) of closing, extension fees and foreclosure sale postponement fees. The Borrower(s)/Seller(s) will be responsible for any additional costs or fees over the stated approved amounts.
13. Realtor's commission, paid from proceeds, not to exceed \$15,300.00.

If the seller is entitled to receive any proceeds based on a claim for damage to the property under any policy of insurance, including homeowner's, lender-placed, casualty, fire, flood, etc., or if seller is entitled to receive other miscellaneous proceeds, as that term is defined in the deed of trust/mortgage (which could include Community Development Block Grant Program (CDBG) funds), these proceeds must be disclosed before we will consider the request for short sale. If we receive a check for insurance or miscellaneous proceeds that were not previously disclosed, Countrywide Home Loans will have the right to keep the proceeds and apply them to Countrywide Home Loans's loss after the short sale. We similarly would have the right to claim the proceeds to offset our losses if it were not previously disclosed and it was sent directly to the borrower.

# What are the Loan Effects on a Short Sale?

## Deficiency Judgment Rights ELIMINATED

Workout Department, SV3-65  
450 American Street  
Simi Valley, CA 93065

December 3, 2008

[REDACTED]  
San Diego, CA. 92103

Account No.: 66290626 & 66420898

[REDACTED]  
San Diego, CA. 92103

Dear [REDACTED]

This letter will serve as Countrywide's demand for payment and advises you that Countrywide Home Loans and its Investors and/or Insurers have agreed to accept a short payoff involving the above-referenced property (the Short Sale transaction). This demand should be used by the closing agent as our formal demand statement. No additional statement will be issued. This approval is exclusive to the offer by the buyer referenced in this letter. The conditions of the approval are as follows:

1. Closing must take place no later than **January 05, 2008, or this approval is void.**
2. The approved buyer(s) is/are **Charles [REDACTED]** and the sales price for the property is **\$310,000.00**. Another buyer cannot be substituted without Countrywide's prior written approval in connection with this short sale.
3. Proceeds to Countrywide to be no less than **\$288,447.27 for loan#66290626 & \$3,000.00 for loan#66420898.**
4. Total closing costs, including realtor's commission, not to exceed **\$18,552.73**. **This figure includes \$00.00 for buyer's closing cost.**
5. The property is being sold in "AS IS" condition. No repairs will be paid for out of the proceeds, unless specifically stated otherwise.
6. The Seller(s) is Ralph Pearce
7. Seller to contribute \$3,000.00, to assist in the closing of this transaction. This contribution will be in the form of:

PROMISSORY NOTE	\$	0.00
CASH	\$	3,000.00

If a promissory note is required, it must be signed and returned to Countrywide prior to the close of escrow. It is the responsibility of the closing agent to ensure that the promissory note is signed and returned to Countrywide.

If a promissory note has already been signed and agreed to between the seller, Investor and the Mortgage Insurance Company, a signed, certified copy must be provided to Countrywide prior to the close of the short sale transaction. It is the responsibility of the closing agent to ensure that Countrywide receives the copy.

**\*\*\* Sales proceeds will be returned if the note has not been received. This will result in a delay of the transaction and/or possible cancellation of this short sale transaction. \*\*\***

1. The sellers will not receive any proceeds from this short sale transaction. If there are any remaining escrow funds or refunds they will not be returned to the seller, they will be sent to Countrywide to offset the loss.



# *What are the Loan Effects on a Short Sale?*

**Deficiency Judgment  
Rights  
ELIMINATED**

3. Countrywide does not charge statement, demand, recording and reconveyance fees on short payoff transactions. Do not include them in your settlement statement. Countrywide prepares and records their own reconveyances.
4. Countrywide or its investors will not pursue a deficiency judgment if the shortsale closes on the referenced loan. However, if a new Note is taken out for the remaining balance owed on the loan, we reserve the right to collect on this new Note pursuant to its terms. If the shortsale does not close, then the referenced loan secured by the Note and Security Instrument shall remain in full force and effect and we will pursue all remedies under the Note and Security Instrument.
5. Other: All funds must be wired. Any other form of payment of funds will be returned.
6. Other: Should the closing be delayed, and the Investor/Insurer agree to an extension of the original closing date, the Seller(s) will be responsible for non-refundable per diem through the new date(s) of closing, extension fees and foreclosure sale postponement fees. The Seller(s) will be responsible for any additional costs or fees over the aforementioned approved amounts.
7. Realtors commission, paid from proceeds, not to exceed \$15,300.00.
8. If the property was acquired by any means of fraud, Countrywide reserves the right to pursue any and all actions available to it to offset its losses. If it is determined that Seller(s) and/or Buyer(s) participated in any way to the fraud, this short sale will be void, and the Note and Security Instrument will remain in full force and effect.
9. If the Seller(s) is entitled to receive any proceeds based on a claim for damage to the subject property under any policy of insurance, including homeowner's, lender-placed, casualty, fire, flood, etc., or if Seller(s) is entitled to receive other miscellaneous proceeds, as that term is defined in the Security Instrument (which could include CDBG grant funds), such proceeds must be disclosed before we will consider the request for short sale. If we receive a check for insurance or miscellaneous proceeds that were not previously disclosed, Countrywide will have the right to keep those proceeds and apply them to Countrywide's loss after the short sale. We similarly will have the right to claim those proceeds to offset our losses if they were not previously disclosed and they were sent directly to the Seller(s).

\*\*\*\*\* IMPORTANT INSTRUCTIONS \*\*\*\*\*

The closing agent must fax a copy of the final estimated Settlement Statement prior to Closing along with this signed approval letter. You cannot close without final approval of the closing costs. Failure to return these items may result in sale being voided.

# What are the Loan Effects on a Short Sale?

## Deficiency Judgment Rights Preserved



4828 Loop Central Drive  
Houston, TX 77081  
Telephone (800) 999-8501  
Fax (713) 793-4363  
www.littonloan.com

January 5, 2009

Re: Litton Loan #: 19665447  
Borrower: [REDACTED]  
Property Address: [REDACTED]

Dear Borrower(s):

Litton Loan Servicing LP hereby agrees to participate in the assisted short sale of the above referenced property. This demand letter should be used by the closing agent as our formal demand statement. No additional statement will be issued. This approval is exclusive to the offer by the buyer referenced in this letter. The conditions of approval are as follows:

1. The closing and funding must take place no later than **January 9, 2009**, or this approval is void.
2. The approved buyer(s) is/are **Non-relatives** for the purchase price of **\$310,000.00**. Another buyer cannot be substituted without Litton's prior written approval. Commissions cannot exceed 6%. With a \$3,000.00 seller contribution.
3. Proceeds to Litton Loan Servicing LP shall be no less than **\$292,876.69**. Litton reserves its right to adjust its approved net proceeds or cancel this approval if any of the terms on the preliminary HUD-1 provided are altered without our prior approval. The property is being sold in "As-Is" condition. No repairs will be paid out of the proceeds, unless specifically stated
4. The seller will not receive any proceeds from this short sale transaction. If there are remaining escrow funds or refunds of any kind, they will be sent to Litton Loan Servicing LP to offset the loss. **\*\*All extensions given five weeks after the original approval letter has been sent out, will result in a .5% commission reduction\*\***
5. Should the closing be delayed and the investor agrees to an extension of the original closing date, the seller shall be responsible for per diem charges, extension fees and foreclosure sale postponement fees. The seller shall also be responsible for any additional costs and fees over the aforementioned approved amounts.
6. Litton Loan Servicing LP will provide a satisfaction of debt within the statutory time limit governed by the Property State.
7. **The closing agent must provide a copy of the final HUD-1 closing statement at least 24 hours prior to closing for final approval by Litton.**

**\*\*Failure to comply with these instructions can void this approval and invalidate a closing transaction\*\***

**Closing agent must send a copy of the wire confirmation immediately following closing along with a copy of the final, fully executed HUD-1 settlement statement to:**

Litton Loan Servicing LP  
ATT: Loss Mitigation Department - Nathan Hayes  
[nathan.hayes@littonloan.com](mailto:nathan.hayes@littonloan.com)  
Fax: 972-653-6382

Wiring instructions  
Bank name: Chase Bank  
City, State: Houston, TX  
Name: LLSLP-RCA ACQ  
ABA # 113000609  
Account # 00113206339

Please Reference: **Short Sale and Loan #**  
Attn: **Georgia Chirtos**

# What are the Loan Effects on a Short Sale?

Deficiency Judgment  
Rights  
ELIMINATED



4828 Loop Central Drive  
Houston, TX 77081  
Telephone (800) 999-8501  
Fax (713) 793-4363  
www.littonloan.com

January 5, 2009

Re: Litton Loan #: 19665447  
Borrower: [REDACTED]  
Property Address: [REDACTED]

Dear Borrower(s):

Litton Loan Servicing LP hereby agrees to participate in the assisted short sale of the above referenced property. This demand letter should be used by the closing agent as our formal demand statement. No additional statement will be issued. This approval is exclusive to the offer by the buyer referenced in this letter. The conditions of approval are as follows:

1. The closing and **funding** must take place no later than **January 9, 2009**, or this approval is void.
2. The approved buyer(s) is/are **Non-relatives** for the purchase price of **\$310,000.00**. Another buyer cannot be substituted without Litton's prior written approval. Commissions cannot exceed **5%**. With a \$3,000.00 seller contribution to the 2<sup>nd</sup> lienholder.
3. Proceeds to Litton Loan Servicing LP shall be no less than **\$288,400.00**. Litton reserves its right to adjust its approved net proceeds or cancel this approval if any of the terms on the preliminary HUD-1 provided are altered without our prior approval. The property is being sold in "As-Is" condition. No repairs will be paid out of the proceeds, unless specifically stated
4. The seller will not receive any proceeds from this short sale transaction. If there are remaining escrow funds or refunds of any kind, they will be sent to Litton Loan Servicing LP to offset the loss. **\*\*All extensions given five weeks after the original approval letter has been sent out, will result in a .5% commission reduction\*\***
5. Should the closing be delayed and the investor agrees to an extension of the original closing date, the seller shall be responsible for per diem charges, extension fees and foreclosure sale postponement fees. The seller shall also be responsible for any additional costs and fees over the aforementioned approved amounts.
6. Litton Loan Servicing LP will provide a satisfaction of debt within the statutory time limit governed by the Property State. *Litton Loan Servicing and its investors will not pursue a deficiency judgment if the short sale closes on the above referenced loan. However, if a new Note is taken out for the remaining balance owed on the loan, we reserve the right to collect on this new Note pursuant to its terms. If the shortsale does not close, then the referenced loan secured by the Note and Security instrument shall remain in full force and effect and we will pursue all remedies under the Note and Security instrument.*
7. **The closing agent must provide a copy of the final HUD-1 closing statement at least 24 hours prior to closing for final approval by Litton.**

**\*\*Failure to comply with these instructions can void this approval and invalidate a closing transaction\*\***

**Closing agent must send a copy of the wire confirmation immediately following closing along with a copy of the final, fully executed HUD-1 settlement statement to:**

Litton Loan Servicing LP  
ATT: Loss Mitigation Department - Nathan Hayes  
[nathan.hayes@littonloan.com](mailto:nathan.hayes@littonloan.com)  
Fax: 972-653-6382

Wiring instructions  
Bank name: Chase Bank  
City, State: Houston, TX  
Name: LLSLP-RCA ACQ  
ABA # 113000609  
Account # 00113206339

# *Short Sale Process*



- What Should an Agent do if the Approval Letter does not match all the terms of the Purchase Offer?

## **You May:**

- Ask the Seller if you may share the approval with the buyer.
- Send the buyer's agent a copy of the approval.
- Ask them to review the terms of the approval.
- Accentuate the positive – “we got the price your client wanted.”

# *Short Sale Process*



- What can an Agent do to ensure there are no problems or complications before the close?

## **Communication Points:**

- Keep the buyer's agent informed every step of the way.
- The seller's signature provides a valid contract "subject to" lender approval.
- The lender's approval acts not as a counter offer, but as an addendum to the original contract, similar to the REO addendums.

# *Short Sale Process*



- After providing the buyer's agent a copy of the approval letter, send them an addendum that states:
  - Buyer and Seller agree to the terms of the lender approval letter.
  - The terms of the lender approval letter shall supersede any terms of the purchase offer that conflict.

# *Short Sale Success Depends on:*



1. Having an Experienced Short Sale Agent represent and market the property.
2. Having an Experienced Short Sale Agent negotiate with the Lenders and the Buyer's Agent.
3. Having an Agent and Borrower that are aggressive with follow up and follow thru on the Lender's requests for documentation, etc.
4. Ongoing communication between the Agent and Lender (not the homeowner and lender).
5. Ongoing communication between the Agent and the Buyer's Agent and Buyer to keep them motivated and encouraged throughout the process.
6. The Seller should understand that even if they are not making the mortgage payments, they should make the property tax and HOA payments. Lenders typically will not pay for these items, and neither will a Buyer.

# *Short Sale Success Depends on:*



7. If the Seller wishes to maximize their opportunities for a successful short sale, they should be prepared to include kitchen appliances and other permanent fixtures of the house.
  - Owners who insist on taking these may well lose the buyer over the items.
  - Many buyers are first time homebuyers and need a minimum 3.5% cash down payment plus closing costs to purchase the home.
  - They do not have the funds to buy all new appliances, etc., once they move in.
8. The Seller should be prepared for a timely move-out if a buyer is obtained and the escrow proceeds. Any delays may cause additional penalties assessed by the lender.
9. The Seller should have a well-prepared and reviewed Financial Statement. The numbers must make sense.
10. The Seller should have a well-prepared and reviewed Hardship Letter.