

## AN EXPLANATION OF SHORT SALES

THIS FORM is provided by \_\_\_\_\_ (the "Company"). The following is an explanation regarding some of the practical and legal issues involved in Short Sales.

- 1. SHORT - SALE DEFINED.** The term "Short Sale" is used in the real estate business to describe a situation where there is more debt owing against a property than the property is worth. In other words, the owner cannot sell the property unless the creditors agree to accept a payment that is less than the amounts actually owed to those creditors. The creditors are usually mortgage lenders, mortgage insurers, bankruptcy trustees, and federal, state and local taxing authorities (such as the IRS or State Revenue Commission).
- 2. CONTRACT CONTINGENT ON THIRD PARTY APPROVAL.** A Short Sale requires the written approval of the creditors. Consequently, the owner of the property, and any interested buyer, are advised that even if they reach an agreement between themselves for the purchase and sale of the property, that agreement will be contingent upon receipt of creditor approval of the terms of the Short Sale.
- 3. THIRD PARTY REJECTION OR CHANGES TO PROPOSED SHORT SALE.** Based upon the obvious financial loss, creditors may reject a proposed Short Sale. If, however, the creditors do not reject the proposed Short Sale, they may send to the owner a list of requested changes to the proposed purchase contract. Some of those changes may affect the owner and others may affect the interested buyer. For example, the creditors may require that the property be sold in "As-Is" condition. Also, the creditors will normally not permit the owner to pay for any of the buyer's closings costs, repairs, etc. The owner and the interested buyer are not obligated to accept any of the changes requested by the creditors in which case, there will be no Short Sale. If, however, the owner, the interested buyer, and the creditors reach a written agreement with each other, then, at that point, the Short Sale transaction may proceed to closing,
- 4. DELAYS IN RESPONSE FROM THE CREDITORS.** Most purchase contracts for Short Sales impose a deadline for written approval by the creditors. As a practical matter, the creditors rarely meet that deadline. **THE OWNER AND THE INTERESTED BUYER SHOULD BE PREPARED FOR SIGNIFICANT DELAYS IN RECEIVING ANY RESPONSE FROM THE CREDITORS.**

THE OWNER AND ANY INTERESTED BUYERS SHOULD UNDERSTAND THAT THE CREDITORS MAY NOT EVEN RESPOND TO A REQUEST FOR APPROVAL OF A PROPOSED SHORT SALE TRANSACTION. In the event creditor approval of the terms of a proposed Short Sale is not received prior to expiration of any time deadline in any applicable purchase contract, then the owner and the prospective buyer shall determine whether the purchase contract to allow more time for obtaining creditor approval, or whether the purchase contract shall simply be allowed to expire, with no further obligations between the parties and with the earnest money deposit being returned to the prospective buyer. Any extension

of a purchase contract shall be at the discretion of both the owner and the prospective buyer, with no obligation on the part of either party to extend.

5. **PROPERTY TO REMAIN ON THE MARKET.** Pending approval by the creditors of the terms of any Short Sale and pending completion of settlement and closing on said Short Sale, the owner shall continue to market the property for sale and solicit from interested buyers offers for purchase. If the terms of any of such offers are acceptable to the owner, then the owner may accept such offer(s) as a back up contract in the event that any prior contracts of sale shall be allowed to expire, without mutual extension, prior to creditor approval of the terms of Short Sale.

**ACKNOWLEDGEMENT OF RECEIPT**

The undersigned acknowledge that they have read and understand this document.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date/Time

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date/Time