

DISCLOSURE OF SHORT SALE INFORMATION FOR BUYERS AND SELLERS

1 **1. TERMS**

2 **A. SHORT SALE**

3 A short sale may occur when a Seller owes more on the property than the Seller can obtain in a fair market sale of
4 that property. In layman's terms, Seller is "upside down" on his property. In certain situations, the Seller's Third
5 Party Creditors (defined below) will agree to accept less than what is owed on the property as payment in full in
6 order to avoid a foreclosure situation. If a short sale occurs, the Seller will probably not receive any proceeds from
7 the sale of the property. All funds received will go to the Seller's Third Party Creditors. While there are some
8 benefits to a short sale for the Seller, there are also numerous disadvantages which the Seller must consider.

9 **B. THIRD PARTY CREDITORS**

10 Third Party Creditors as used herein are those parties who have a security interest in the Property. Secured interests
11 include but are not limited to mortgages, home equity lines, and liens. Liens may have resulted on the property
12 based upon judgments against the Seller, failure to pay taxes, failure to pay those who have performed work on the
13 property or have supplied the materials for work performed on the property (i.e., mechanic's and materialmen's
14 liens), and failure to pay fees associated with homeowner's associations.

15 **2. FACTORS TO CONSIDER BEFORE ENTERING INTO SHORT SALE.**

16 **A. CREDIT**

17 Seller is advised that a short sale will have a negative impact on Seller's credit which may take years to overcome.

18 **B. REMAINING BALANCES.**

19 Seller understands that Third Party Creditors may not agree to the terms of any short sale proposed. If a short sale is
20 approved, these Third Party Creditors may not forgive any remaining unpaid balances on the debts which are owed
21 to them and may require Seller to repay any remaining balances as a personal obligation even after the closing of the
22 short sale. Seller is also advised that in the event that any remaining obligations are forgiven by Third Party
23 Creditors, these amounts may be treated as income for tax purposes and Seller may owe income tax on these
24 amounts.

25 **C. ALTERNATIVES TO SHORT SALES**

26 There may be alternatives to short sales available to Seller. These include but are not limited to renegotiation of
27 mortgage terms, repayment plans with Third Party Creditors, refinancing, bankruptcy, or deeds in lieu of
28 foreclosure. Seller is encouraged to contact the HUD Counseling Line at (800) 569-4287 for additional information
29 about alternatives to short sales and/or foreclosure.

30 **D. LEGAL AND FINANCIAL ADVICE**

31 Given that each individual seller's situation is different and the negative impact of a short sale, Sellers are
32 encouraged to obtain their own independent legal and financial advice from an attorney and accountant of their
33 choice. These professionals can advise Seller as to the legal, financial and tax implications associated with short
34 sales and can advise Seller as to the best way to proceed based upon the Seller's unique circumstances. Please be
35 advised that real estate agents cannot give legal or tax advice and you should not rely on them to do so.

36 **E. THIRD PARTY CREDITOR APPROVAL**

37 Both Seller and Buyer are advised that all Third Party Creditors must approve any short sale. This process may take
38 a significant amount of time and may not necessarily result in approval. It is within the sole discretion of the Third
39 Party Creditor whether to approve the sale and they can withhold approval even if the Buyer and Seller have agreed
40 to all terms.

41 **3. COOPERATION OF SELLER**

42 Seller must agree to cooperate with real estate agents, title companies, closing attorneys, and Third Party Creditors in
43 order to determine the total amount owed on property. Seller is advised that obtaining Third Party Creditor approval for
44 a short sale is similar to qualifying for a loan. As such, Seller must agree to cooperate and to timely provide any and all
45 documentation required and/or requested by Third Party Creditors. Such documentation may include financial
46 statements, W-2s, 1099s, tax returns, bank statements, pay stubs, appraisals, and a letter of hardship outlining the reasons



47 behind Seller's inability to repay the debts. Seller should be aware that Lenders will not speak to real estate agents
48 without written authorization to do so. If Seller would like assistance from their real estate agent in working with their
49 Third Party Creditor(s) to facilitate the short sale, then Seller must notify the Third Party Creditor in writing that they
50 have permission to speak with their Seller's real estate agent.

51 **4. APPROVAL OF THIRD PARTY CREDITORS**

52 Third Party Creditors must approve any short sale. The Buyer and Seller are advised that Third Party Creditors are not
53 parties to the Purchase and Sale Agreement between Buyer and Seller and therefore are not obligated to approve the
54 Purchase and Sale Agreement even after Buyer and Seller have agreed upon terms. Neither the Seller nor the real estate
55 agents involved can control delays caused by the Third Party Creditors or the costs and expenses incurred by the parties
56 if the Third Party Creditors do not allow the closing of the short sale. Buyer and Seller are advised that Third Party
57 Creditor Approval may take some time. Buyer and Seller may want to put a time limit in the Purchase and Sale
58 Agreement making the contract contingent upon Third Party Creditor approval within a particular amount of time.

59 **5. CHANGES TO PROPOSED SHORT SALE**

60 Third Party Creditors may reject a proposed short sale unless specific changes are made to the Purchase and Sale
61 Agreement. For example, the Third Party Creditor may require that the Seller not be responsible for paying for any
62 repairs, closing costs, inspections, termite treatment, etc. They may even require that the property be sold "AS IS". The
63 Buyer and Seller do not have to agree to these proposed changes. However, the Third Party Creditor may not approve
64 the sale unless these changes are made.

65 **6. RIGHT TO CONTINUE TO MARKET AND PRESENT ADDITIONAL OFFERS TO THE THIRD PARTY CREDITOR(S)**

66 The Third Party Creditors may require that the Seller continue to market the property and continue to submit additional
67 offers to them for approval, even after the Buyer and Seller have agreed upon terms and submitted their contract for
68 approval. This process of receiving multiple offers may cause significant delays in the approval process.

70 **7. HOLD HARMLESS AND INDEMNITY**

71 Buyer and Seller are advised that real estate agents have no control as to whether Third Party Creditors approve their
72 proposed short sale agreement. As such, the agents are not responsible for any costs incurred in providing requested
73 documentation or for those costs resulting from delays experienced in the approval process.
74

75 The party(ies) below have signed and acknowledge receipt of a copy.

76 _____	_____
77 <input type="checkbox"/> SELLER or <input type="checkbox"/> BUYER	<input type="checkbox"/> SELLER or <input type="checkbox"/> BUYER
78 _____ at _____ o'clock <input type="checkbox"/> am/ <input type="checkbox"/> pm	_____ at _____ o'clock <input type="checkbox"/> am/ <input type="checkbox"/> pm
79 Date	Date
80 _____	_____
81 Print/Type Name	Print/Type Name
82 _____	_____
83 Address	Address
84 Phone: _____ (H) _____ (Cell)	Phone: _____ (H) _____ (Cell)
85 _____ (W) Email: _____	_____ (W) Email: _____

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