



UNDERSTANDING SHORT SALES

1. SHORT SALE DEFINED. A short sale is a situation where the Seller's net proceeds, after payment of all applicable closing costs and other charges normally paid by the Seller from the sale of a property, are insufficient to pay all outstanding mortgages and other liens against the property at closing. The term short sale is used to describe a situation where there is more debt owed against a property than the property is worth. In other words, the owner can't sell the property unless the Lien Holder(s) agree to accept a payment that is less than, or short of, the amount actually owed. The Lien Holder(s) are usually mortgage lenders, mortgage insurers, bankruptcy trustees, taxing authorities, or others.

2. CONTINGENT CONTRACT REQUIRING LIEN HOLDER(S) APPROVAL. A short sale requires the written approval of the Lien Holder(s). The Seller and any interested Buyer are advised that if an agreement is reached between themselves for the purchase and sale of a property, that the agreement is contingent upon the Lien Holder(s) approval of the terms of the short sale.

3. LIEN HOLDER(S) REJECTION OR CHANGES TO PROPOSED SHORT SALE. Lien Holder(s) may reject a proposed short sale due to their financial loss. If however, the Lien Holder(s) do not reject the proposed short sale, they will usually require changes to the purchase contract. Some of the changes may affect the Seller and others may affect the interested Buyer. For example, the Lien Holder(s) may require that the Property be sold in "As-Is" condition and not permit the Seller to pay for any of the Buyer's closing costs, repairs, etc. The Seller and the Buyer are not obligated to accept any of the changes requested by the Lien Holder(s) however, in that case it is unlikely the short sale would be approved by the Lien Holder(s).

4. DELAYS IN RESPONSE FROM THE LIEN HOLDER(S). A purchase contract for a short sale may impose a deadline for written approval by the Lien Holder(s). As a practical matter, the Lien Holder(s) rarely meet that deadline. **THE SELLER AND THE BUYER SHOULD BE PREPARED FOR SIGNIFICANT DELAYS IN RECEIVING ANY RESPONSE FROM THE LIEN HOLDER(S).** Involvement in a short sale may not prevent the Lien Holder(s) from initiating foreclosure proceedings against the property at any time.

5. RIGHT OF LIEN HOLDER(S) TO ENCOURAGE ADDITIONAL OFFERS. As a condition of considering any proposed short sale, Lien Holder(s) generally require that the owner keep the property on the market, even after the Seller and the Buyer have agreed to the terms of a proposed purchase contract. **THE SELLER AND THE BUYER SHOULD UNDERSTAND THAT THE LIEN HOLDER(S) MAY NOT RESPOND TO A PROPOSED SHORT SALE TRANSACTION UNTIL THEY HAVE HAD AN OPPORTUNITY TO COMPARE THE OFFER WITH OTHER PURCHASE OFFERS. THIS PROCESS MAY RESULT IN SIGNIFICANT DELAYS FOR ALL PARTIES.**

6. RIGHT OF BUYER TO CANCEL. In accordance with most short sale purchase contracts, the Buyer may withdraw from the sale by providing written notice to the Seller if the short sale has not been approved by Lien Holder(s) by a specific date.

7. BUYER EXPENSES. In order to close a short sale transaction, it may be necessary for the Buyer to pay costs normally borne by the Seller, including but not limited to title insurance and homeowner's association delinquent dues. In order to perform inspections it may also be necessary for the Buyer to pay delinquent utility bills, pay to turn on utilities and to de-winterize and re-winterize the property. If the

transaction does not close, the Buyer will not be entitled to reimbursement for any costs incurred, including but not limited to the appraisal and property inspections. Should the Lien Holder(s) approval of the proceeds from the closing of the short sale not include sufficient funds to compensate the real estate brokerage firm(s), it may become necessary for the Buyer to pay part of or all of that compensation.

SIGNATURE

DATE

SIGNATURE

DATE

Approved by Legal Counsel of the Kansas City Regional Association of REALTORS® for exclusive use by its REALTOR® members. No warranty is made or implied as to the legal validity or adequacy of this Contract, or that it complies in every respect with the law or that its use is appropriate for all situations. Local law, customs and practices, and differing circumstances in each transaction may dictate that amendments to this Contract be made. Copyright 2009. Created February 2009.