

# Homeowner's Guide To Short Sales



Information provided by:  
First Centennial Title  
775.689.8510  
[www.FirstCentennial.com](http://www.FirstCentennial.com)

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*Information provided by First Centennial Title*

# Sellers Contacts

Real Estate Agent

Escrow Officer

Lender

Title Officer

Physical Inspector

Insurance Agent

Other Important Contacts: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# Options for Distressed Homeowners

Although Homeowners who are at risk of default or who have defaulted on their mortgage may believe that foreclosure is their only solution to mortgage problems, there are options available to them.

## Home Affordable Foreclosure Alternatives Program (HAFA)

HAFA is the government's newest tool to help homeowners avoid foreclosure. HAFA provides incentives for lenders and homeowners to carry out a short sale or deed-in-lieu of foreclosure. The current incentive for homeowners is \$3,000 for a successfully completed short sale or deed-in-lieu of foreclosure.

## Home Affordable Modification Program (HAMP)

HAMP is for homeowners who are struggling with mortgage payments and think that a lowered interest rate could bring their payments to an affordable level. These loan modifications are ideal for homeowners whose mortgage payments are just out of reach.

## Second Lien Modification Program (2MP)

2MP is for homeowners who are struggling with payments in part because of a second lien on their home. For those who are eligible, the program offers a way to lower payments on their second mortgage. 2MP is a complementary program to the Home Affordable Modification Program (HAMP), so it is meant for those who have already modified their first mortgage through HAMP.

## Home Affordable Refinance Program (HARP)

If you are unable to lower the interest rate on your mortgage (possibly due to decreased home value), but are caught up on your mortgage payments, HARP may allow you to refinance.

## Sell and Bring Cash to Closing

Although many homeowners today may not have the necessary cash to cure deficiencies at closing, they may have to liquidate assets, e.g., U.S. Treasury Bonds, individual retirement accounts (IRAs), to do so. By curing deficiencies at closing, homeowners can avoid the credit damage that a short sale or foreclosure can cause. However, homeowners are strongly encouraged to consult with their finance and tax professionals before bringing liquid assets to closing.

## Lender Workout

Lenders often will work with distressed homeowners to help them keep their homes by reducing or rolling back interest rates, forgiving back payments, adding them to the loan amount or possibly recasting the entire loan and wrapping all fees into a fixed-rate mortgage.

## Mortgage Loan Workout Options

- **Forbearance.** Lenders may let you make a partial payment, or skip payments, if you have a reasonable plan to catch up. Tell your lender if you expect a tax refund, a bonus, or a new job.
- **Reinstatement.** Reinstatement refers to making a payment that covers all you late payments, usually at the end of a forbearance period.
- **Repayment Plan.** If you can't afford reinstatement, but can start making payments to catch up, the lender may let you pay an additional amount each month until you are caught up.
- **Loan Modification.** Your lender may agree to amend your mortgage to help you avoid foreclosure. The options include:
  - Adding all the missed payments to the loan amount and increasing the monthly payment to cover the larger loan.
  - Giving you more years to pay off the loan, lowering your interest rate, and/or forgiving part of the loan, to lower your monthly payment.
  - Switching from an adjustable rate mortgage to a fixed rate mortgage, so you aren't exposed to increases in your monthly payment.
  - Requiring amounts for taxes and insurance to be included with your monthly mortgage payment so you avoid big bills in addition to your mortgage.
- Sign over the Property to the Lender in Exchange for Debt Forgiveness. This can hurt your credit, but is better than having a foreclosure in your credit history. ([www.realtor.org](http://www.realtor.org))

## Qualifying Sellers for a Short Sale

Not every owner is a short sales candidate and, unfortunately, not every owner can be saved from foreclosure.

In the qualifying process, the real estate professional should confirm, among other items:

- Whether or not the homeowner has a valid hardship
- Whether or not there is sufficient time to accomplish a short sale
- That the homeowner will contract or had already contracted with the appropriate finance, tax and legal professionals
- The amount that is owed on the property
- Whether or not the homeowner has liens in addition to the mortgage, e.g., tax liens, homeowner association (HOA) liens
- The condition of the property
- That the homeowner will be cooperative in completing the short-sale documentation and in maintaining the property for showings

## Defining Hardship

Many panicked homeowners seeking a short-sale solution may be unclear on what constitutes a valid hardship - an event and events that change a homeowner's ability to keep current in mortgage payments. Loss of equity, for example, is not considered a hardship. However, lending institutions may entertain short sales for homeowners who have experienced any of the following:

- Job loss
- Business failure
- Illness and medical costs
- Divorce or death of a spouse
- Natural disasters
- Homeowner is at risk of imminent default

# Home Affordable Modification Program: Overview

The Home Affordable Modification Program is designed to help as many as 3 to 4 million financially struggling homeowners avoid foreclosure by modifying loans to a level that is affordable for borrowers now and sustainable over the long term. The program provides clear and consistent loan modification guidelines that the entire mortgage industry can use.

Borrower eligibility is based on meeting specific criteria including:

- 1) borrower is delinquent on their mortgage or faces imminent risk of default.
- 2) property is occupied as borrower's primary residence.
- 3) mortgage was originated on or before Jan. 1, 2009 and unpaid principal balance must be no greater than \$729,750 for one-unit properties.

After determining a borrower's eligibility, a servicer will take a series of steps to adjust the monthly mortgage payment to 31% of a borrower's total pretax monthly income:

- First, reduce the interest rate to as low as 2%,
- Next, if necessary, extend the loan term to 40 years,

Finally, if necessary, forbear (defer) a portion of the principal until the loan is paid off and waive interest on the deferred amount.

***Note:** Servicers may elect to forgive principal under HAMP on a stand alone basis or before any modification step in order to achieve the target monthly mortgage payment.*

## The HAFA Mortgage Program

### HAFA - Home Affordable Foreclosure Alternatives

In light of the rising number of property foreclosures in the United States, the government has expanded the Home Affordable Modification Program (HAMP) to include provisions and incentives for servicers to allow short sales or deeds-in-lieu as positive options for eligible homeowners in default who wish to avoid foreclosure. The new program is called Home Affordable Foreclosure Alternatives (HAFA).

Participation in HAFA cannot save the homeowner from losing his or her property, but it can eliminate the effects of a foreclosure on the homeowner's credit. Financial incentives for participation in the program include a \$1,000 servicing bonus for lenders and a \$1,500 relocation bonus for displaced homeowners.

HAFA is designed for homeowners who have applied to HAMP for assistance but have had no success with their loan modification program. To participate in HAFA, homeowners must still meet HAMP's eligibility criteria (principal residence, first-lien mortgage, serious delinquency, unpaid balance under \$729,750, and a mortgage payment over 31 percent of gross income).

**Homeowners must be considered for HAFA within 30 days if they cannot meet HAMP's requirements or if they specifically request consideration for HAFA. However, the homeowner only has 14 days to respond to a written notice that HAFA may be available to them, giving the lender time to meet their 30-day deadline.**

As with other short sales and deeds-in-lieu, the lender or loan servicer of the primary mortgage must approve of the transaction and conduct their own independent appraisal. Under HAFA, however, they must also agree to accept the proceeds from the sale of the house as payment in full, waiving their right to collect the balance of the loan from the homeowner.

It is up to the lender or servicer of the first-lien mortgage whether they or the homeowner negotiate with any subordinate lienholders. Lenders of HELOCs and other subordinate liens may be allowed to keep a limited portion of the proceeds (up to \$3,000 each) of a short sale, with the first-lien lender's approval. These funds are part of an incentive program for subordinate lienholders to waive their right to collect the balance due on their loans. The original lender may not be held responsible if any subordinate lienholders decline to participate and decide to sue the borrower for the amount of their unpaid debt.

HAFA's Short Sale Agreement (SSA) has certain stipulations for all parties involved. Their SSA requires that the deadline for the homeowner to find a buyer and complete the transaction be not less than 120 calendar days from the date the SSA is mailed to the homeowner. The lender has the option of extending this deadline another 245 calendar days, for a total term of 12 months. The SSA also mandates that a HAFA transaction must be 'arms-length', and that the end buyer must agree to hold the property for at least 90 days after closing. Finally, the SSA gives the listing real estate agent the right to an undiscounted 6 percent commission at closing.

A short sale is any sale of property, usually during the foreclosure process, in which the lender(s) agrees to accept less than the balance due on the mortgage(s) or lien(s) in order to avoid the cost of foreclosure. Per HAFA requirements, the primary lender may not pursue the homeowner, but the secondary lenders do not have to agree to that provision. Assuming that they agree to the short sale in general, they can forego the financial incentive to waive collection rights and continue to pursue the homeowner for their own balances due, in which case their recovery options are then covered by state law. The vacancy date is determined by the terms of the closing.

Unlike a short sale, a deed-in-lieu simply allows the homeowner in default to transfer the deed to the property back to the lender in exchange for partial or full payoff of the mortgage. The vacancy date must be at least 30 days after the deed-in-lieu agreement is signed.

In either case, HAFA requires that the lender agree to suspend all foreclosure sales in good faith, pending the outcome of either transaction. In the case of a short sale, the lender also must agree to pay the administrative closing costs.

The Department of the Treasury, which authorizes all programs under the Making Home Affordable umbrella, has designated Freddie Mac as its compliance agent.

The HAFA program is set to begin on April 5, 2010. Servicers may initiate a HAFA transaction earlier in 2010 under certain conditions. As of this writing, all HAFA agreements must be finalized and signed by December 31, 2012.

# Non-Profit Agencies Recommended by Reno-Sparks Association of Realtors

## HUD Approved Counseling Agencies

### Consumer Credit Affiliates

Phone: 775.337.6363

3100 Mill Street, Suite 111

Reno, NV 89502

Email: [cca@ccanevada.org](mailto:cca@ccanevada.org)

Website: [www.ccanevada.org](http://www.ccanevada.org)

### Nevada Legal Services

Phone: 775.284.3491

650 Tahoe Street

Reno, NV 89509

Website: [www.nlslaw.net](http://www.nlslaw.net)

### NID Housing Counseling Agency

Phone: 775.322.5695

1000 Bible Way, Suite 72

Reno, NV 89501

Email: [help@teamworknevada.org](mailto:help@teamworknevada.org)

Website: [www.nidonline.org](http://www.nidonline.org)

### Washoe County Senior Law Project

Phone: 775.328.2592

1155 E. 9th Street

Reno, NV 89512

Email: [slawproj@washoecounty.us](mailto:slawproj@washoecounty.us)

Website: [www.washoecounty.us/seniorsv/legal/srhousing.htm](http://www.washoecounty.us/seniorsv/legal/srhousing.htm)

Other HUD approved Credit counselors in the State of Nevada can be found at: [www.hud.gov](http://www.hud.gov)



# SHORT SALE FLOWCHART

## Definition of a Short Sale:

A seller facing the threat of Foreclosure enters into an agreement with their Mortgage Lender/Lenders to accept a price for the property which is less than what is actually owed. The Seller makes no profit on a Short Sale.

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### Listing the Property:

The seller chooses a Realtor who is a Short Sale Specialist that will guide them thru the process and recommends meeting with Finance, Tax and legal Professionals. The expertise of these professionals is essential.

### Qualifying for a Short Sale Program:

In order for a homeowner to qualify for a short sale the following must be true:

- Homeowner does not necessarily need to be late on their payments
- Homeowner has little to no equity in their property
- Homeowner has legitimate hardship as defined by their bank
- Homeowner is at risk of imminent default (not necessarily delinquent)

### Defining a Hardship by Majority of Lenders:

- Temporary or permanent loss of Job
- Significant cut in pay
- Divorce
- Illness or death in family
- Increase in property taxes
- Increase in payment due to Interest resetting
- Relocation
- Natural Disaster

**Listing taken/Hardship Letter/Authorizations Obtained**

**Short Sale Package Requested From Lender**

**Initial Requirements From Lender**

**Offer Accepted—Negotiating Process with Lender Begins  
Bank has ability to counter**

**Final Requirements Sent to Seller's Lender with HUD**

**Upon Seller's Lender Approval - Settlement Amount Obtained  
Short Sale or Release of Lien Disclosed by Lender  
Fast track to close—Inspections done, all contingencies removed**

**Docs signed by all parties. Monies deposited by Buyers and/or Sellers.  
Escrow closes in compliance with instructions.  
Short Sale Lender (s) are paid the amount they approved in writing.**

**Another Successful Closing with First Centennial Title!**

APPROVAL

CLOSING



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# FORECLOSURE FLOWCHART

Property Owner stops making loan payment

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## Beneficiary/Lender Records Notice of Default (NDF)

A Notice of Default may be recorded the day after the default occurs, unless the note provides for a grace period, in that case, the day after the grace period expires. Foreclosure time clock starts the day after NDF is recorded.

## Curative Period

Owner (Borrower) has 35 days to bring loan current. On day 36, Lender/Beneficiary can call the loan due in full. \*Owner-occupied properties have up to 5 days prior to Trustee's Sale.

## Notice of Sale (NOS) Recorded

Approximately 90 days after the NDF is recorded it is published in the newspaper once a week for three consecutive weeks. Notices must also be posted in three public places.

## Trustee's Sale

Generally held at the Courthouse a week following the last publication, and a minimum of 21 days after the NOS is recorded.

FORECLOSED

## Trustee's Deed Upon Sale

30 days from the Trustee's Sale a Trustee's deed must be recorded

The Foreclosure process takes a minimum of 120 days



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## CLIENT INFORMATION

DATE: \_\_\_\_\_

MLS#: \_\_\_\_\_

SELLER: \_\_\_\_\_ SELLER SS#: \_\_\_\_\_

CO-SELLER: \_\_\_\_\_ CO-SELLER SS#: \_\_\_\_\_

PROPERTY ADDRESS: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

HOME #: \_\_\_\_\_ CELL #: \_\_\_\_\_

EMAIL: \_\_\_\_\_

CO-SELLER CELL#: \_\_\_\_\_ CO-SELLER EMAIL: \_\_\_\_\_

EMPLOYER: \_\_\_\_\_ PHONE#: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CO-SELLER EMPLOYER: \_\_\_\_\_ PHONE#: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

LIENS:

1st LENDER: \_\_\_\_\_ ACCT#: \_\_\_\_\_

PHONE#: \_\_\_\_\_ FAX#: \_\_\_\_\_

2nd LENDER: \_\_\_\_\_ ACCT#: \_\_\_\_\_

PHONE#: \_\_\_\_\_ FAX#: \_\_\_\_\_

OTHER LIENS: \_\_\_\_\_

ADDITIONAL COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

LISTING AGENT: \_\_\_\_\_ AGENT'S PHONE: \_\_\_\_\_

# SHORT SALE PRE-QUAL

**Loan (s)** **Value \$** \_\_\_\_\_

1<sup>st</sup> Lender: \_\_\_\_\_ Balance \$ \_\_\_\_\_

2nd Lender: \_\_\_\_\_ Balance \$ \_\_\_\_\_

Delinquency: \_\_\_\_\_ Purchase Money: Yes / No

Date Funded: \_\_\_\_\_ Cash Out: Yes / No \$ \_\_\_\_\_

Additional Liens: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Borrower (s)

Housing Expense – interest, or principal interest plus taxes, insurance and HOA \$ \_\_\_\_\_

(If pick-a-pay, calculate at the interest required to pay interest due each month)

Hardship: \_\_\_\_\_

Gross Income: \$ \_\_\_\_\_ \*Debt Ratio: \_\_\_\_\_ %

Assets: \_\_\_\_\_

Contribution: \_\_\_\_\_

Cooperation: \_\_\_\_\_

\_\_\_\_\_

**Property** **BPO Range \$** \_\_\_\_\_ **Target Price \$:** \_\_\_\_\_

Value vs. Comps: \_\_\_\_\_

Condition: \_\_\_\_\_

Marketability: \_\_\_\_\_

Vacant/Occupied: \_\_\_\_\_

Distance: \_\_\_\_\_

Non-Owner Occupied / Primary Residence: \_\_\_\_\_

Is the property subject to a Homeowner's Association: Yes/No

Are HOA Dues Current: Yes / No If No, amount of delinquency \$ \_\_\_\_\_

## FORECLOSURE DISCLAIMER

I, the undersigned, acknowledge that it has been disclosed to me that every attempt will be made to successfully market my property in order to save my home from foreclosure. In the event of a short sale on my property, I understand there is no guarantee that the lender beneficiary on my property will approve a payment for less than the full amount due on the loan.

Furthermore, I understand that I am unlikely to receive any cash compensation from this transaction.

I further have been advised that there may be tax ramifications associated with saving my home from of the mortgage debt.

\_\_\_\_\_ is a licensed real estate brokerage and has disclosed that they are not attorneys or certified public accountants. I understand that I have been advised to consult with any of these professionals with regard to any specific questions I may have relative to these areas of expertise.

And, although every effort will be made to obtain full release/payoff status of my loan, the listing agent cannot guarantee that there will be no possibility of lender-instigated judgment against me for any loan deficiency.

I also understand that the listing agent and/or their associates may be a bidder in the eventuality that my property does go to foreclosure sale and, if successful, may ultimately resell the property for a profit.

I further understand that the listing agent and/or their associates may become the listing agent for the beneficiary/investor or other new owner, if the property goes to foreclosure sale and is sold

\_\_\_\_\_

Name

\_\_\_\_\_

Date

\_\_\_\_\_

Name

\_\_\_\_\_

Date

## Authorization to Release Lending Information

LENDER:

\_\_\_\_\_

ACCOUNT NUMBER:

\_\_\_\_\_

PROPERTY ADDRESS:

\_\_\_\_\_

BORROWER:

\_\_\_\_\_

SS#:

\_\_\_\_\_

BORROWER:

\_\_\_\_\_

SS#:

\_\_\_\_\_

Dear Lender:

This "Authorization to Release Lending Information" is my written permission to you to release my Account Statement, loan payoff, and other information regarding the referenced account and to \_\_\_\_\_ (Authorized Party) and/or paralegals or assistants calling from the office.

Thank you.

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

## The Hardship Letter

The central document in the Short Sale package that will be submitted to the mortgage lenders that will be taking a loss is the Hardship Letter. The Hardship Letter provides the homeowner with an opportunity to state their case as to why they can no longer afford to make their mortgage payment.

The Hardship Letter should be an honest, heartfelt statement outlining the circumstances that have created the problem. It should include these components:

- A brief apology for having to ask the lender to take a loss.
- A description of the steps the homeowner has taken (used credit cards, borrowed from family, borrowed from retirement accounts) to stay current on the mortgage.
- A clear statement that the homeowner has extended all available options to stay current on the mortgage and that a Short Sale is the only remaining option, other than foreclosure.

While it is important for the home owner to provide a complete picture of their hardship, it is also important to avoid a letter that is excessively long. In order to get a loss mitigator to understand the hardship, the loss mitigator needs to read the letter and connect with the writer. Limit the letter to a manageable length. If possible, attach to the Hardship Letter any documents, receipts or notices that support the homeowner's hardship.

Examples:

- Layoff notice
- Letter from employer outlining a reduction in pay or a reduction in hours
- Cancellation notices for medical insurance or auto insurance due to non payment
- Delinquency notices from creditors and/or services and utility providers
- Letters from doctors regarding injury or illness
- Disability benefits letter
- Divorce or separation papers
- Receipt for excessive payments for medications or emergency payments
- Any documents supporting a family crisis hardship

### **BORROWER HARDSHIP LETTER EXAMPLE #1**

I am unable to keep current with my mortgage due to divorce. I am receiving no financial support from my husband and I have been a homemaker for the past 12 years. I am employed, but because of my lack of skills, I am unable to earn much more than minimum wage. I have two children at home ages 7 and 9. With the cost of daycare and my other obligations, there is just no way to make the mortgage payment. I have used up any available credit just to keep food on the table. I cannot keep up my home and must sell it. The real estate market is such that I owe more than my home is worth. My only other option would be to file bankruptcy. I am an honest, hardworking person and it is devastating for me to find myself in this awful position.

I would deeply appreciate any help you can offer.

Sincerely,

### **BORROWER HARDSHIP LETTER EXAMPLE #2**

My wife has recently suffered a devastating illness. She is unable to continue working and it may be years before she is well enough to work. She has been the primary wage earner in our family for the past 10 years. My income cannot come close to covering our monthly expenses. We find ourselves deeper in debt every month with no relief in the foreseeable future. I have sold our second car and anything else we do not absolutely need. Our home is large and the minimum monthly expenses for the upkeep, electricity, gas, etc. are very high. Our only hope at this time is to sell our home. Unfortunately, if we sell our home in the present slow real estate market, we will be upside down about \$30,000.00. Our only other alternative is bankruptcy. We would appreciate any help you are able to provide.

Sincerely,

### **BORROWER HARDSHIP LETTER EXAMPLE #3**

As a result of upward adjustments to our monthly mortgage payment, my wife and I are unable to afford our mortgage. As I sit here today it's not clear to me how I ever thought that we could afford the mortgage once payments started adjusting. I wish my loan officer would have explained to us where our monthly payments were going to be when they adjusted. We have borrowed money from family and we have taken cash advances on credit cards, but we are falling further and further behind with no real hope of affording the payment. At this point, we can't do it any longer. Both my wife and I are very sorry that this has happened. We are losing our dream house, and we know you are losing too. We just don't have any other options. Please work with us on a Short Sale. We don't want to go through foreclosure, but if we can't do a Short Sale, we will not be able to avoid it.

Thank you for your consideration,



## TRIED AND TRUE STEPS IN SUBMITTING A SHORT SALE PACKAGE

Received	Sent	
<input type="checkbox"/>	<input type="checkbox"/>	Determine if the client is in the process or has declared bankruptcy
<input type="checkbox"/>	<input type="checkbox"/>	Copy of the note to determine type of loan and prepayment
<input type="checkbox"/>	<input type="checkbox"/>	Signed Authorizations from Seller to Realtor and First Centennial
<input type="checkbox"/>	<input type="checkbox"/>	Hardship Letter
<input type="checkbox"/>	<input type="checkbox"/>	Back up Documentation for Hardship
<input type="checkbox"/>	<input type="checkbox"/>	Financial Statement if provided by the lender
<input type="checkbox"/>	<input type="checkbox"/>	Federal Income Tax Returns—two years back
<input type="checkbox"/>	<input type="checkbox"/>	W-2's for two years
<input type="checkbox"/>	<input type="checkbox"/>	Bank Statements for three months (check, savings, mutual funds)
<input type="checkbox"/>	<input type="checkbox"/>	Paycheck stubs—last three for each mortgagor
<input type="checkbox"/>	<input type="checkbox"/>	Benefits i.e. disability, unemployment, retirement and/or social security
<input type="checkbox"/>	<input type="checkbox"/>	Listing agreement
<input type="checkbox"/>	<input type="checkbox"/>	Purchase Contract
<input type="checkbox"/>	<input type="checkbox"/>	Comparables if required
<input type="checkbox"/>	<input type="checkbox"/>	Marketing efforts...how long listed, what prices, condition of property
<input type="checkbox"/>	<input type="checkbox"/>	Settlement Statement—Estimate of proceeds—showing \$-0- to Seller
<input type="checkbox"/>	<input type="checkbox"/>	Copies of any invoices supporting figures on settlement statement
<input type="checkbox"/>	<input type="checkbox"/>	Junior Lien holder's balances or releases

When faxing in the documents be sure you include the loan number on all pages. At the bottom of each page please write the page number of the total number of pages sent (page 5 of 105). Suggest these be sent in smaller packages to avoid jamming.

Ask if the Lender would prefer to receive via Federal Express as this could be tracked.

Lender may want to know the value of mortgagor's 401K or retirement benefits.

*A huge amount of patience is a necessity during the course of this process.*

# LIFE OF A SHORT SALE ESCROW

1. Open Escrow
2. Prepare HUD - email to agents
3. Order Title Search
4. Receive buyer prelim, upon receipt, send prelim to agents
5. Review other liens (if any) and taxes, receive updated statements as necessary
6. Revise HUD several times for agents as needed
7. Receive short sale approval letters
8. Update HUD send to agents
9. Update prelim for lender, agents, clients once we have a close date set
10. Review Addendum , needed to update final terms
11. Finalize Escrow Instructions & Pertinent documents according to final terms
12. Order HOA docs only upon short sale approval
13. Obtain signatures
14. Process Financing (taking 35-45 days)
15. Buyer's request or prepare new loan application
16. Buyers obtain loan approval and determine that terms are correct
17. New Lender requests HUD with our fees
18. Receive loan documents or instructions, revise HUD & GFE
19. Request loan docs, can be concurrent with loan documents or separate
20. Lender generates final TIL we can set final signing appointments (buyer & seller)
21. Submit for Short Sale Final Approval
22. Review file to determine that all conditions have been met and that all documents are correct and available for signature
23. Termite inspection, contingencies released, fire insurance ordered, additional documents, bill of sale etc., have been prepared or waived
24. Signing appointments buyer & seller
25. Return Loan documents
26. Cannot close without final short sale HUD approval
27. Obtain funds from buyer / seller via wire if possible
28. Request loan funds
29. Receive Loan funds, authorization to record
30. Order recording
31. Close File, prepare statements and disburse funds
32. Complete closing forward final documents to all interested parties (buyer, seller, lender, agents)
33. Final e-mail, fax and federal express to complete short sale process

# WHAT IS AN ESCROW?

*An escrow is an independent "stakeholder" account and is the vehicle by which the interests of all parties to the transaction are protected.*

*The escrow is created after you execute the contract for the sale of your home and becomes the depository for all monies, instructions and documents pertaining to the sale. Some aspects of the sale are not part of the escrow. For example, the buyer and seller must decide which fixtures or personal property items are included in the sales agreement. Similarly, loan negotiations occur between the buyer and the lender. Your real estate agent can guide you in these non-escrow matters.*

## HOW DOES THE ESCROW PROCESS WORK?

The escrow officer takes instructions based on the terms of your Purchase Agreement and the lender's requirements. The escrow officer can hold inspection reports and bills for work performed as required by the purchase agreement. Other elements of the escrow include hazard and title insurance, and the grant deed from the seller to buyer. Escrow cannot be completed until these items have been satisfied and all parties have signed escrow documents.

## HOW DO I OPEN AN ESCROW?

Either your real estate agent or the buyer's agent may open escrow. As soon as you execute the Purchase Agreement, your agent will place the earnest money deposit into an escrow account at the escrow company.

## WHERE DOES THE BUYER'S MONEY GO?

Written evidence of the deposit is generally included in your copy of the sales contract. The funds will then be deposited in a separate escrow or trust account.

## WHAT INFORMATION DO I NEED TO PROVIDE?

You may be asked to complete a Statement of Identity as part of the paperwork. Because many people have the same name, the Statement of Identity is used to identify the specific person in the transaction through such information as date of birth, social security number, etc. This information is considered confidential.

## HOW LONG IS THE ESCROW?

The amount of time necessary to complete the escrow is determined by the terms of the purchase agreement. It is normally 45 to 60 days, but can range from a few days to several months.

## WHAT HAPPENS NEXT?

Unless he/she is paying cash, the next step will be that the buyer will apply for a mortgage loan. Your real estate agent will be able to keep you informed about the progress of the loan application. During the escrow process, you are still required to make your payments on existing loans so that you do not incur any late fees or damages to your credit rating.

# ESCROW INSTRUCTIONS...

Escrow instructions define all the conditions that must occur before the transaction can be finalized. The escrow instructions represent your written statement to the escrow holder protecting your interests and specify, in a debit and credit format, the disposition of the sales proceeds and the conditions under which the Grant Deed may be recorded in favor of the new buyer.

A Grant Deed is the document which legally transfers your title to the property to the new owner. You will sign the Grant Deed as part of the escrow instructions and the deed will be notarized by your escrow officer or another qualified notary public. Proper identification is needed for this procedure. The Grant Deed is recorded at the time escrow closes.

Your escrow officer or real estate agent will contact you for an appointment to sign your escrow instructions and the Deed. At this time, the escrow officer will inform you of the amount of proceeds you will receive from the sale of your home. If you are also purchasing another home, arrangements can be made to transfer funds to your purchase escrow.

# YOUR APPOINTMENT...

An appointment is required for the sign-off. Please call your escrow officer to arrange a convenient time and expect the process to take approximately one hour.

There are several acceptable forms of identification which may be used during the escrow process. These include: ***A current driver's license, Passport, etc.*** One of these forms of identification must be presented at the signing of escrow in order for the signature to be notarized.

On rare occasions, funds are insufficient to close escrow and you, the seller, must deposit money into the escrow. Should this situation occur, you will need to obtain a cashier's check or certified check issued by a Nevada financial institution made payable to the escrow company in the amount indicated to you by your escrow officer or escrow assistant. A personal check may delay the closing since the escrow company is required by law to have good funds before disbursing funds from escrow. Similarly, an out of state check could cause a delay in closing, due to delays in clearing the check.

# WHAT A TITLE COMPANY DOES

## PREPARES A PRELIMINARY TITLE REPORT AND POLICY

**Prelim report:** A preliminary report contains the following vital information, which can affect the close of escrow: ownership of the subject property, how the current owners hold title, matters of record that specifically affect the subject property or the owners of the property, a legal description of the property and an informational plat map.

**Title report:** A report showing the condition of title before a sale or loan transaction. After completion of the transaction, a title insurance policy is issued.

**Policy:** Title insurance is insurance against loss resulting from defects of title to a specifically described parcel of real property. Defects may run to the fee (chain of title) or to encumbrances on the property.

## PAYS OFF EXISTING LOANS

*The title company pays off existing loans when so ordered.*

## RECORDING DOCUMENTS

*The title company records the appropriate documents with the county office, giving public notice.*

# THE PRELIMINARY REPORT

The preliminary report indicates the type of title insurance offered by the title company. It also indicates the exclusions and exceptions from coverage under which the policy will be issued...

## REVIEWING THE PRELIMINARY TITLE REPORT

*The preliminary report should be reviewed immediately with special attention to the following areas...*

- Verify the ownership vesting. Make sure the names on the report are the same as the names on the purchase contract.
- Read the informational notes for important facts about the property.
- Carefully review the exceptions: bonds, deeds of trust, current taxes, CC&R's and easements.
- Look for surprises. If you can't locate an easement, if an unexpected deed of trust appears, etc., call your escrow officer right away. Let your title company be the problem solver. Top notch escrow officers and title companies go out of their way to resolve problems quickly and accurately.

# INSPECTIONS

Real estate contracts often contain contingency clauses that allow buyers to inspect the property physically (usually at their expense). This inspection provides a comprehensive review of the infrastructure of the property.

Which inspections to order is usually a matter of observation and knowledge of what is critical to a particular region or area. Below is a list of the three most common types of inspection:

## STRUCTURAL PEST CONTROL

- To determine any active infestation by wood destroying organisms
- Section I on the report will be items that need immediate attention because of active infestation. Lenders usually want the work performed prior to funding the loan.
- Section II on the report will be items that could cause infestation and, if not corrected, could cause damage.

## PHYSICAL INSPECTION

- This inspection encompasses roof, plumbing, electrical, heating and any other accessible area of the structure.
- A detailed report will be written with recommendations for repair or for further inspection by a specialist.

## SOME OTHER INSPECTIONS

- Well and Septic
- Contractor's Home Inspection
- Hazardous Materials
- Chimney Inspection
- Heating and Air Conditioning
- Structural Engineering
- Energy Audit

# HOME WARRANTIES

*As a Real Estate professional, it is my duty to inform both Buyers and Sellers about the advantages of home warranty protection. This policy protects the Buyer by paying for certain repairs and costs of major mechanical systems and major appliances in the home such as heating and air-conditioning. There are a variety of plans available, and I would be happy to gather a selection of plans for you to review.*

## BENEFITS OF HOME WARRANTY COVERAGE TO THE SELLER

- **Home may sell faster and at a higher price**
- **Optional coverage during the listing period**
- **Protection from legal disputes that occur after the sale**
- **Increases the marketability of your home**

## BENEFITS OF HOME WARRANTY COVERAGE TO THE BUYER

- **Warranty coverage for your major systems and built-in appliances**
- **Protects your cash flow**
- **Puts a complete network of qualified service technicians at your service**
- **Low deductible**

# MOVING EXPENSES

*When you meet the IRS's definition of a qualifying move, the following items are tax deductible:*

## TAX DEDUCTIBLE MOVING EXPENSES:

- The cost of trips to the area of a new job to look for a home. Your home shopping expedition does not have to be successful for the cost to be deductible.
- The cost of having your furniture and other household items shipped, including the cost of packing, insurance and storage for up to 30 days.
- The cost of getting your family to the new home town, including food and lodging expenses on the trip.
- The cost of lodging and 80% of food expenses for up to 30 days in the new home town, if these temporary living expenses are necessary because you have not yet found your ideal home or it is not ready when you arrive.
- Certain costs associated with the sale of your old home and purchase of the new one. These expenses, including real estate commissions, legal fees, state transfer taxes and appraisal and title fees, could be used either to reduce the gain on the sale of the previous home or to boost the basis of the new one. But it's usually beneficial to count them as moving expenses up to the allowable dollar limits, because that gives you an immediate tax benefit.

*Provided for informational purposes only. Consult your tax or legal advisor for advice on your particular situation.*



# HELPFUL REMINDERS

If you wish to transfer funds to another escrow or wire transfer funds, arrangements must be made in advance with the escrow officer.

In the event that you wish to use a Power of Attorney, arrangements must be made one to two weeks in advance with the escrow officer and the Power of Attorney must be approved by the buyer's lender and your title company. These arrangements should be made as early as possible in the transaction.

Please bring appropriate identification with you to the escrow company, so that your identity can be verified by the notary public.

Should the funds deposited in escrow be insufficient for closing, you will need to bring a cashier's check or certified check to the title company for the remainder of the purchase price. Either type of check should be from a Nevada bank or savings and loan and should be issued in the exact amount of the balance due. The amount of the balance may be obtained by phoning the escrow officer prior to signing the papers. The check should be made payable to your escrow company.

The following is a brief list of the best sources for assistance for certain common questions...

<b>Details of your Sales Agreement</b>	<b><i>Real Estate Agent</i></b>
<b>Possession and key to home</b>	<b><i>Real Estate Agent</i></b>
<b>Loan Requirements and financial matters</b>	<b><i>Lender Mortgage Company</i></b>
<b>Escrow Instructions</b>	<b><i>Escrow Officer or Escrow Assistant</i></b>
<b>Title Reports or Policy</b>	<b><i>Title Officer or Title Assistant</i></b>

# Terminology

## Foreclosure:

Action taken by a lender to repossess real estate thus ending the homeowner's rights to the property. The property is sold to payoff the debt owed against the property.

## Short Sale:

When the payoff amount of the loan is greater than the fair market value of the property. The parties may qualify to sell the home for less than what is owed. Permission must be obtained from the lender in writing.

## Pre-Foreclosure:

Period between recordation of Notice of Default for non-payment of the homeowner's loan and the Bank repossessing said property. Time period approximately 4 months.

## REO- (Bank Owned):

REO stands for Real Estate Owned. The Bank has gone through the state governed foreclosure process and now has title to the property which gives them the ability to sell.

## NOD:

Short for notice of default (NOD), this is an official notice from the lender that the borrower has defaulted on the mortgage. The NOD formally begins the foreclosure process. The NOD also outlines the reinstatement period.

## Reinstatement period:

The time stipulated in the NOD in which the borrower may reinstate the loan—making required payments and bringing one's account into good standing.

## Notice of Sale:

If, after receiving the notice of default, the borrower does not or is unable to reinstate the loan, a notice of sale is recorded. The notice of sale explains when and where the foreclosure sale will be held.

## Foreclosure Sale:

Also known as the sheriff's auction, sheriff's sale, or trustee's sale, this is when the property is auctioned for sale to the highest bidder.

### Short Sale:

A short sale is a situation in which the seller (1) owes more money on the loan (and any other liens on the property) than the sale of the property will likely produce on the market and (2) is unable or unwilling to bring money to closing. In a short sale, the lender has not yet foreclosed on the property, which provides a window of opportunity for the owner to sell the property in order to at least partially satisfy the amount owed to the lender.

### Why Short Sales Are Preferable to Foreclosure:

Short sales are considered preferable to foreclosures because short sales (1) lessen the impact a foreclosure can have on the surrounding community and (2) won't damage the distressed owner's credit as much as a foreclosure. For example, if the borrower is still current with other payments, a short sale may lower the borrower's credit score by as little as 50 points.

### Deed In Lieu of Foreclosure:

A deed in lieu of foreclosure occurs when the borrower agrees to trade the property to the lender in exchange for the cancellation of the note. This foreclosure alternative is more likely to work in states where there is a long foreclosure timeline. The lender will be able to get the property much sooner than going through the foreclosure process, which lessens the probability of the property being in disrepair as well as eliminates the lender's costs to foreclose.

Market conditions as well as state specific laws will influence whether and how a lender accepts a deed in lieu or foreclosure. Typically, lenders are less willing to consider a deed in lieu of foreclosure in declining markets. However, in appreciating markets, lenders may accept properties in lieu of foreclosure.

### Foreclosure:

If the homeowner is only weeks away from the foreclosure sale taking place, the homeowner may not be able to pursue any of the previous options, including a short sale. The homeowner should contact the lender immediately and see if there is any way to explore foreclosure alternatives. Also, in some situations, foreclosure may even be in the best interest of distressed homeowners, although doing so will wreak the most havoc on their credit.

If the lender will not explore foreclosure alternatives, real estate professionals should instruct their clients and customers to contact their attorneys for advice.

### Do Nothing or Walk Away:

If homeowners are simply unhappy that the value of the property is less than what they paid or owe, they need to contact an attorney for advice. Walking away from the loan or asking the lender to proceed with a short sale simply because the value went down may not be a viable option and if it is, there will often be additional financial consequences.

