

Avoiding Short Sale Pitfalls

PITFALL 1

SHORT PAY LENDER WON'T PAY CERTAIN FEES

Below are examples of charges the Short Sale Lender may not allow, including but not limited to:

Home Warranty	Termite Report and/or Completion	HOA Document Fee	HOA Transfer Fee
Natural Hazard Disclosure	Notary Fee	Retrofit Work	Septic
Gas Shutoff Valves	City Reports	Messenger/Overnight	Other Fees

Delinquencies

Delinquent Property Taxes (Secured and Unsecured), IRS/Franchise Tax Board Liens, Delinquent HOA Dues

Title and Escrow Charges

Ancillary Title and Escrow fees (sub-escrow, wire, inspection, etc.)

Second Loans

Second lien holders may not receive a full payoff on their loans from the proceeds of a short sale. If there is a shortfall, other parties may be asked to contribute to make up the shortage in order to obtain formal and final short sale approval for the second loan. If this occurs, the first lien holder will have to approve any and all contributions in writing.

RECOMMENDATION: Clear communication with the Asset Manager/Lender Representative is the best way to avoid surprises when it comes to payment of fees. Many times the agent can explain the legality of fees etc., and avoid this issue. Escrow/Title is not authorized to talk to the bank on behalf of the Sellers.

PITFALL 2

SHORT SALE LENDER FORMS

The Short Sale Lender may require Seller, Buyer, Agents and Escrow to sign their Short Sale Approval letter and an Arms Length Transaction Affidavit, **which may restrict the date the property can be resold**. Escrow does not create these documents; they are a condition of final short pay approval and closing from the Lender.

RECOMMENDATION: Have them signed and delivered to escrow as soon as possible, in order to avoid delays. The Buyer's Lender may also want copies of these documents as a requirement to fund their loans.

PITFALL 3

BUYER MAKING CHANGES TO VESTING AFTER ACCEPTED CONTRACT HAS BEEN APPROVED BY SHORT PAY LENDER

RECOMMENDATION: Advise the Buyer that adding or deleting a Buyer to the transaction may not be allowed by the Short Sale Lender and could cause delays, including but not limited to changing into a Buyer's trust, if it wasn't stated that way in the original purchase contract submitted for short sale approval. Ask your Buyer's before submitting the purchase contract how they intend to take title.

PITFALL 4

NOT CLOSING BY THE EXPIRATION DATE ON THE APPROVED SHORT PAY AGREEMENT

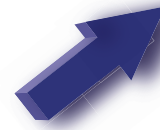
If there is only one Short Sale Lender the close of escrow must be on or before the date specified on the Lender's Short Sale Approval letter. If there are 2 or more lenders involved, with different close dates, Escrow must close on or before the earliest short sale close date as stated on the Short Sale Approval letter.

If the Lender is willing to grant an extension, a new Short Sale Approval letter **EXTENDING** the close of escrow date will be required which can take several days to obtain. Escrow must have a Formal Estimated HUD (statement of costs) approved by the Short Sale Lender as early as 72 hours prior to the close of escrow. This may be a loan condition for the Buyer's new loan.

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