

The Perfect Real Estate Assistant

Session 15 - Assistant Session Buyer System & Short Sale System

Coach:

Monica Reynolds
Vice President MAPS
KW MAPS Coaching
monica@kw.com

Customer Service:

fasttrack@kw.com
Phone: 512-439-8684

Session 15—Assistant Session: Buyer System and Short Sale System

Objectives for Today's Session

1. Develop a buyer system.
2. Create an email campaign for buyers.
3. Create a buyer package.
4. Create a short sale package.

Guidelines for this course:

1. Join MAPS on Facebook to stay up to date on all MAPS events and programs:
<https://www.facebook.com/mapscoaching>
2. Only paid participants may listen and contribute.
3. To ask a question you may type your questions into the “Questions” Box.
4. If you would like to speak, click on the hand icon located on your dashboard and the coach will call on you when possible.
5. Complete all assignments prior to the session.
6. Be PREPARED!

Notice

The Telephone Consumer Protection Act (TCPA) regulates calls and text messages made using certain technologies. The TCPA includes the National Do Not Call Registry and also regulates telemarketing calls. Real estate agents who violate these laws face stiff regulatory penalties and/or potentially catastrophic legal damages. Contact an attorney to determine if your practices follow TCPA guidelines. In addition to federal laws, several states have laws governing telemarketing. Consult an attorney to determine applicable laws in your area.

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Get Ready!

Complete the questions on this page as a warm-up to prepare for your coaching session.

Are you able to handle an incoming buyer call if your agent is not there?

Do you and your agent have a professional buyer package?

Do you recommend excellent lenders to your buyers?

Do you know what a Short Sale is?

How do you handle short sales?

Do you have a short sale package?

Notes:

Tips on Buyer Standards

1. Every buyer must come to the office
2. Always use Buyer/Broker agreement
3. Buyer Package
4. Buyer must be qualified by a lender

5. _____

6. _____

7. _____

8. _____

IMPORTANT INFORMATION FOR BUYERS

It is important that you choose an experienced agent who is there for you. Your agent should be actively finding you potential homes, keeping you informed of the entire process, negotiating furiously on your behalf, and answering all your questions with competence and speed.

First, find an agent who represents you and not the seller. This is beneficial during the negotiation process. If you are working with a buyer's agent, he/she is required not to tell the seller your top choice. In addition, he/she is also focused on getting you the lowest asking price.

Also, when you use a buyer's agent, you will see more properties. Not only are they plugged into their Multiple Listing Service, also they are actively finding homes that are listed as For Sale by Owners, or homes that sellers are thinking about listing.

Develop a Plan of Action

Buying a home will probably rank as one of the biggest personal investments one can make. Being organized and in control will contribute significantly to getting the best home deal possible with the least amount of stress. It's important to anticipate the steps required to successfully achieve your housing goal and to build a plan of action that gets you there. Before you can develop a plan of action, take time to lay the groundwork for your decision-making process.

First, ask yourself how much you can afford to pay for a home. If you are not sure on the price range, find a lender and get pre-approved. Pre-approval will let you know how much you can afford so that you can look for homes in your price range. Getting pre-approved helps alleviate some of the anxieties that come with home buying. You know exactly what you qualify for and at what rate, you know how large your monthly mortgage payments will be, and you know how much you will have for a down payment. Once you are pre-approved, you avoid the frustration of finding homes that you think are perfect but are not in your price range.

Second, ask yourself where you want to live and what is the best location for you and/or your family. Things to consider:

- Convenience for all family members
- Proximity to work, school, and other locations important to you and your family such as church, shopping, entertainment
- Crime rate of neighborhood
- Local transportation,
- Types of homes in neighborhood, e.g., condos, town homes, co-ops, newly constructed homes, etc.

Finding the Right Seller

The best seller is one who is highly motivated. A highly motivated seller is more likely to sell for less than his or her house is worth. And it matters that you find out why; learning the reason why can help you get the price you want and help the seller get what they want – a timely sale.

When given the opportunity to meet with sellers, ask them why they are selling. Or ask your agent to find out why the buyer is selling. The reasons could be anything from job change to a new location to financial problems. If you can solve their problem, whether it is cash related or time related, do so. For example, if the sellers are highly motivated because they need to move quickly, give them a fast sale – and a lower price. If you can make an offer, even a low one, that gives them cash in a short time, they are more likely to accept.

There are also some sellers that you should avoid. Not every seller is as genuinely motivated as they make themselves to be. Some possible hints:

- They stall on having the home appraised or inspected,
- Is unable to clear up liens against their property,
- Does not own 100% of their property,
- They push back the move-out date,
- Does not have a replacement property or back up plan, etc., etc., etc.

It is impossible to find the perfect seller. But it is possible to find out which sellers are legit, and which ones aren't.

Importance of Inspection

As a buyer, you are entitled to know exactly what you are getting. Don't take for granted what you see and what the seller or the listing agent tells you. A professional home inspection is something you **MUST** do, whether you are buying an existing home or a new one. An inspection is an opportunity to have an expert look closely at the property you are considering purchasing and getting both an oral and written opinion as to its condition.

Beforehand, make sure the report will be done by an inspector certified by a professional organization such as the American Society of Home Inspectors (ASHI) or the National Association of Certified Home Inspectors (NACHI). You should go along with the inspector during the inspection so you can ask questions about the property and get answers that are not biased. In addition, the oral comments are typically more revealing and detailed than what you will find on the written report. Once the inspection report is complete, you should review the inspection report carefully.

You must request an inspection when you present your offer. It must be written in as a contingency; if you do not approve the inspection report, then you don't buy. Most real estate contracts automatically provide an inspection contingency.

Getting a Legitimate Lender and Getting Pre-Approved

It used to be that buyers could go house shopping and when they have found their dream home then they go to get pre-approved. However, this has proven to be one of the least effective methods in landing the dream home.

Most lenders can pre-qualify you for a mortgage over the phone. Based on general questions about your income, debt, assets, and credit history, lenders can estimate how much mortgage you can qualify for. But being pre-qualified and pre-approved are two different things. Pre-approval means that you have applied for a mortgage; you have filled out the mortgage application, received your credit report, and verified your employment, assets, etc. When you are pre-approved, you know exactly what the maximum loan amount will be.

A pre-qualified letter is not verified and in essence, does not count for much if you are competing with other buyers who are pre-approved. When you are pre-approved, you and the seller know exactly how much house you can afford. It gives you credibility as an interested buyer and lets the seller know immediately that you will qualify for a loan to buy their property.

In addition to being pre-approved, it is important to be pre-approved with a legitimate lender. Legitimate lenders include banks, mortgage bankers, credit unions, savings and loan associations, mortgage brokers, and online lenders. Some lenders to avoid; those who lose a form or misplace a file, those who gather information from you in an unorganized manner, those who are not informed about interest rates, points or costs, and those who cannot provide you with the right information.

Avoiding Financial Stress

By asking the right questions, and knowing exactly what your needs are, you can find the right loan for you. There are certain approaches that you can take while mortgage shopping that can cost or save you money. It is still true that the better qualifications you have, the lower your interest rate will be.

Before speaking with a lender, know what monthly dollar amount you feel comfortable committing to. Then when you discuss mortgage pre-approval with your lender, it is easier for you to determine the monthly amount and what value of home the monthly amount translates into. Do not put yourself in the position where you will be paying more each month than you intended simply because the “dream” house requires it.

Do your research on the types of mortgages available to you and find the one that best suits your needs. There are several considerations to be made in terms of finding the best mortgage for each individual:

- What type of market are you in? Are the interest rates falling or rising?
- Do you want a fixed mortgage rate where you will always know what your payment will be?
- What are your long-term goals? Do you intend to resell the property? Do you only need the mortgage for a short time?

Why You Should Not Make Any Major Credit Purchases

Don't go on a spending spree using credit if you are thinking about buying a home, or you are in the process of buying a house. Your mortgage pre-approval is subject to a final evaluation of your financial situation.

Every \$100 you pay per month on a credit payment could cost you about \$10,000 in home eligibility. For example, a car payment of \$300/month could mean that you qualify for \$30,000 less in a mortgage.

Even if you have accumulated enough savings, you should consider not making any large purchases until after closing. The last thing you want is to know that you could have purchased a new home had you curbed the urge to spend.

Emails for Buyers



Day 1

Subject: Welcome to the Monica Reynolds Real Estate Website

Hello,

This will only take a second...we want to thank you for visiting our real estate website, www.monicareynolds.com. I hope that you found the site easy to use and effective for your search. Do you have any questions that I can answer? We are here to support you in your home search as well as to offer assistance with any financing questions that you may have.

We have a great team with over 20 years of experience. We are certain we have an expert on our team that will match what you are looking for in an agent and/or loan officer. Please feel free to respond to this email or call me directly with your questions. Again, I look forward to speaking with you and assisting you however I can. Remember, experience matter when locating and negotiating a great deal.

Look forward to hearing from you soon.

Day 2

Subject: Interested in properties before they hit the market?

Hello,

We are constantly on the cutting edge of properties available before they hit the market. These include foreclosures, short sales and bank owned. Can you let me know what price range and neighborhood you are interested in? These types of properties normally go fast so please let me know as soon as you can. Also, when are you available to view homes?

Day 3

Subject: Just Reduced!

Good Day

I just pulled a list of the properties that have recently reduced their prices. These owners tend to be more motivated than normal sellers. If you are looking for a good deal, we should schedule a time to view homes. Would you like me to send you a list based on your criteria? When would you be available to view homes?

Day 4

Subject: Relocating or Local?

Hello

I am not sure if you are residing locally or if you are relocating to our area. Two important things to note:

If you live locally and have a home to sell, I am more than willing to give you a free estimate of your home's value. If you are relocating to a new area, I have an amazing relocation package to send you. Which of these do you need at the moment?

Day 5

Subject: Are you receiving our listings?

Good Day!

I just wanted to check with you to make sure the listings we are sending still meet the criteria of what you're looking for. I know things change along the way and I just wanted to get you the best properties to look at.

Please let me know if there are any "tweaks" we should make. Thanks for coming back to www.monicareynolds.com and we look forward to continuing to work with you.

Day 6

Subject: Home prices are skyrocketing!

Hi There!

Homes that would have sold for \$200,000 a decade ago are selling for \$300,000 today. Find out how much your home could sell for!

Day 7

Subject: Value?

Hello

This is a long shot but often people use our website to try and gain an understanding of their own home value. Is this the case with you? If so, I would love to give you a free online, no hassle estimate or an in-depth broker price opinion...Interested?

Day 8

Subject: FREE!

Hello

My office manager just gave me 2 free home inspection certificates that I can give out this week to buyers who would like to view homes on Saturday or Sunday. This is a \$300. - \$400. Savings! Are you available this weekend?

Day 9

Subject: This is the time to buy!

Hello

Are you wondering if this is the right time to buy? It is absolutely the right time to buy. When the rates go up...your buying power diminishes. Please allow me to explain. Call me at 888-888-8888.

Day 10

Subject: Are we doing our job?

Hi! I've been sending you listings to look at from www.monicareynolds.com but I haven't heard from you in a while. I don't want to clog up your email with unwanted material, so just let me know if you want me to continue sending the properties to look at or if I can assist you in any way. Thanks for using our website – hope it is helping with your search!

Sincerely,

BUYER QUESTIONNAIRE

Prequalify the Buyer.....You need to know: 1) Motivation 2) Time Frame 3) Lender

Contact Information:

Address: _____

Phone Numbers (1) _____ (2) _____

Email Address: (1) _____ (2) _____

Source: COI JL/JS Sign Call AREF NREC PC PCREF EXP
FSBO OTHER SOCIAL MEDIA OH (Open House) FACEBOOK ADS

✓ **Energy, Enthusiasm = \$50,000 call**

CLIENT CONVERSATION: Thanks for calling. This is _____. You are calling about a great property. While I look up that information let me ask you a couple of questions that will help make your search easier to find a great home!

How long have you been looking for a property?

Have you seen anything you liked?

Have you made any offers?

How many homes have you seen?

Describe the perfect property for you.

What price range are you most interested in?

What area are you most interested in?

What is the perfect time frame for you to move?

Do you currently own or rent?

Rent: When is your lease up?

Own: Do you have to sell to buy? Where is your home located? Is it on the market? May I ask who you have it listed with currently?

Have you spoken to a lender yet?

If Yes: May I ask who you have spoken to? Do you have an approval letter? It's great to check out rates and closing costs I will also recommend you speak to a lender we use.

If No: Great I can help. The first step is to speak to a lender by phone for about 5 minutes. What time today are you available? _____

I have _____ at _____ o'clock or _____ at _____ o'clock available.

What is the best time to show you property? _____

Oh, before I forget, are you working with another agent?

If Yes: Great, so may I ask you when I show you this property or other properties and you want to write an offer...will you be using me to write the offer for you?

If No: Tell me more about who you will use etc. (Remember customer service as you close and say goodbye).

Not working with agent/close conversation: Great I look forward to meeting you and I will work hard to find you a terrific home. Here is my contact information and I will email it to you immediately. Thanks again, and I will call / meet you

Have a great day.

Buyer Questionnaire (cont.)

LM: Left msg.

AS: Appt. set

S: Showing

C: Conversation

Contact Times

1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Introduction Letter for Buyer Package

Dear (BUYER),

Thank you for the opportunity to represent you in the purchase of your new home. I think of my clients as individuals with specific needs. With this in mind, my team and I strive to give you exceptional service. In response to the more challenging market, we have experienced over the years, we have become more determined and assertive with marketing and technology. This has allowed us to be highly successful in securing results for our clients.

This is absolutely the very best time to be a buyer. Timing is everything and here are 3 reasons to confirm your decisions to buy.

- Interest rates are at a 60-year low. Expect to get a great mortgage with an interest rate at _%.
- Inventory is up and abundant, so you have lots of choices.
- Sellers are negotiable and definitely cooperating to do what it takes to sell their home.

The first step to purchasing a home is to select the right Realtor to effectively and profitably represent your interests.

Thank you for the privilege of allowing one of my professional team members to show you the best possible listings available.

The _____ Team is prepared to answer all your questions and handle your purchase professionally and successfully.

Sincerely,

(AGENT'S NAME)

BUYER INFORMATION

Date of 1st Contact _____ Source of Client _____

Buyer's Name(s): _____

Current Address: _____

E-Mail Address: _____

Contact #s: _____ / _____
 _____ / _____

Referral Yes No Fee?

Referral Information _____

Best times available each week for showing? _____

- _____ 1. Working with another agent? YES NO
- _____ 2. Agency Disclosure signed _____
- _____ 3. Buyer's Representation Agreement Signed _____
- _____ 4. Buyer pre-qualified by _____ for \$ _____
- _____ 5. Input into Command or CRM:
 Update telephone and address – Contact Type = buyer-currently represented
- _____ 6. Input Prospect info into MLS for Auto Search (mark TP contact type "auto email")
- _____ 7. In MLS Run Search for matching properties for the 1st time
- _____ 8. Keep track of all listings shown to buyer – print & file them in the folder, mark date of showing

Property requirements:

Price _____

Type (circle) house condo townhouse duplex land

Bedrooms/Baths _____

Attached Detached

BUYER INFORMATION

Date of Profile:		Source:	
Names:		Personality Types:	
Address:		Email Address:	
Home Phone:	Work Phone:	Cell Phone:	
Area:			
Type:		Price Range:	
Lender:		Approval Letter:	
Size:		Down payment:	
Source of Down payment:		Financing:	
Additional Information:			
Income:		Current Housing:	
Career:		Motivation:	
Education:		Possession Date:	
Kids:		Challenges:	
Schools:		Misc:	
COMMUNICATION LOG (appointments, phone, letter, email)			
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Buyer File System

You can use this checklist with your paper files, set it up electronically and/or set these tasks up in the Opportunities section of Command

- _____ 1. Send appointment letter/pre-list package and enter client information into the database.
- _____ 2. Follow up daily until the appointment day
- _____ 3. Confirm appointment by phone and email on the day of appointment.
- _____ 4. Run MLS program on all properties that are to be shown.
- _____ 5. Call the listing office to verify property is available and obtain the showing instructions.
- _____ 6. List the properties in a strategic way to show.
- _____ 7. Call owners or tenants to show property.
- _____ 8. Schedule properties that are located near each other to be shown within 20-minute intervals. Include phone numbers of sellers.
- _____ 9. Make three copies of MLS printouts/information, one for each buyer.
- _____ 10. Place the file, keys, and other pertinent information in a timely fashion on the agent's desk prior to appointment

Get Started with Opportunities in Command

Opportunities is the system we use to track our current and potential transactions, within Command. Each Opportunity (current or potential transaction) starts at the Cultivate Phase, where you can track an Opportunity before you have even set an appointment, and will be tracked through to the Closed Phase, after being approved for compliance and Commissions. The Opportunities applet allows you to track everything involved with the transaction, from activity checklists and offer management, to potential commission income and compliance.

Opportunities: Phases and Stages

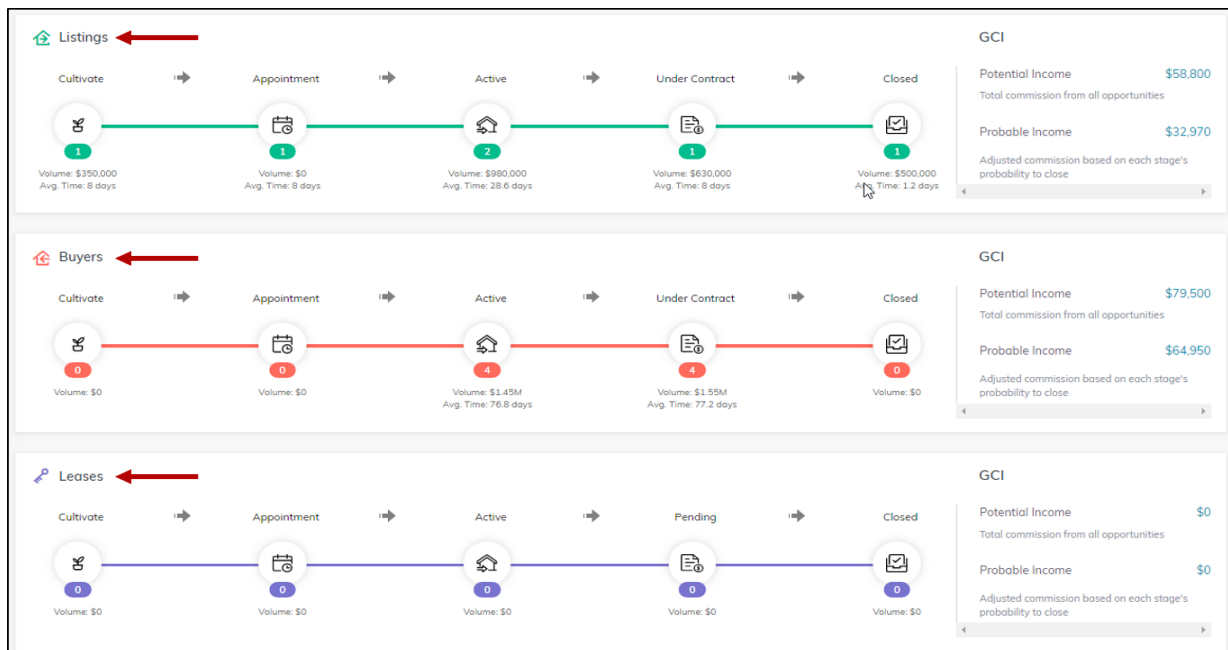
Before you begin creating Opportunities, be sure to customize your Opportunity Pipelines beforehand. You can add, remove, and rename Opportunity Stages to fit the needs of your business. You can also add, remove, and rename checklist items for each Stage within each Opportunity Pipeline.

The Opportunities system is broken up into three individual pipelines:

- Listings
- Buyers
- Leases

Each individual pipeline breaks down the transaction process into five phases:

- Cultivate
- Appointment
- Active
- Under Contract
- Closed





Information to Provide Lender

Personal Information

1. Full names of all purchasers as they are to appear on title.
2. Social security numbers of all purchasers.
3. Present residence address for all purchasers.
4. Previous address for all purchasers going back two years if they have not resided in the present home for two years.
5. Home, office, cell phone numbers.

Employment Information

1. Present Employer: Name, address and a contact person to send employment verification form.
2. Explanation for any gap during 2-year history.
3. Relocation letter for any transferees – giving date, salary, new location, and any relocation benefits.
4. Previous Employer: Name, address, and a contact person, going back 2 years if not in present job 2 full years.
5. Present Salary: Year to date pay stub and last 2 years' W-2s
6. If any variable income, commission, part-time income, bonus, overtime, interest income, etc., is being used to qualify: 2 years signed federal tax returns and W-2s and/or 1099s.
7. If self-employed: 2 years signed federal individual and corporate returns (if applicable). Also, a profit and loss statement and balance sheet.
8. Diploma or transcript if student during 2-year period.

Other Income

1. Rental Income: Copy of lease which is current and at least one year in length.
2. Alimony and Child Support (*only if used for qualification*): Copy of divorce decree and property settlement (ratified) setting out terms. Proof of payment will also be requested at application.
3. Income from Notes Held: A copy of the ratified note.
4. Retirement, Social Security and Disability Income: Copy of award letter and latest check showing amount of present payment. Copy of end of year statement if applicable.

Assets

1. Bank Accounts: Name of bank, address, account numbers, types of accounts, and present balances. With checking, use average balances.
2. Copy of two most recent statements of all accounts.
3. Stocks and Bonds: Copy of certificates or copy of recent (within 30 days) broker statement listing the holdings.
4. Life Insurance: Cash value, only if being used for down payment.
5. Vehicles: Year, make, and value. Copy of title if under 4 years old with no outstanding lien.
6. Real Estate: Address and market value. If free and clear, deed of release, deed or mortgage payoff.
7. Present Home: Copy of sales contract, settlement sheet and/or lease.
8. Gift Letter: Form will be provided by financial representative. Donor Capacity must be verified. Receipt of funds must be shown in account.

Liabilities

1. Credit Cards: Account numbers and outstanding balances.
2. Loans (Auto, Mortgage, Personal, Student, etc.): Name of institution, address, account numbers, outstanding balances, monthly payments, months left on loan. Copy of next payment coupon. 12months' statements or canceled checks for present mortgage.
3. Alimony and Child Support: Copy of Ratified Decree and property settlement setting out terms.

VA Loans

1. Certificate of Eligibility: To obtain certificate, you will need a DD-214 (Separation of Service) or if in the Service, you will need a Statement of Service signed by Commanding Officer or Personnel Officer (certificate must be updated prior to application).
2. If in service, you will need Authorization to Live Off Base (DD-1717 from Housing Office) and Transfer Orders (if applicable).

Payments Made at Application

1. Appraisal
2. Credit Report

Present Home

1. Listing
2. Sales Contract
3. Settlement Sheet (if sold within last year)
4. Name and address of present landlord
5. Deed (refinances only)

Do's and Don'ts for Borrowers During Loan Processing

Congratulations on entering the exciting process of purchasing your new home! There are certain “Do's and Don'ts” which may affect the outcome of your loan request. These remain in effect before, during and after loan approval up until the time of settlement when your loan is funded and recorded. Many times, credit, income, and assets are verified the hour before you have signed your final loan documents. Here is a list that you should comply with:

MAKE SURE THAT YOU DO NOT:

Do any of the things that may alter your credit and may risk you obtaining your loan. Also, these things may put you in default of your Sales Contract, may put your ESCROW deposit at risk, and may put you at risk of being sued.

Initials

- _____ 1. **DO NOT** quit your job or change jobs. If this is likely, consult with your loan officer and call this office should this occur.

- _____ 2. **DO NOT** apply for credit anywhere else except with your lender. This causes more “hits” on your credit rating which can reduce your credit score.

- _____ 3. **DO NOT** change bank accounts or transfer money within your existing accounts.

- _____ 4. **DO NOT** co-sign for anyone, for any reason, for anything.

- _____ 5. **DO NOT** purchase or attempt to purchase anything else on credit such as another car, truck, boat, furniture or other real estate.

- _____ 6. **DO NOT** charge any abnormal amounts to your current credit cards or credit lines.

- _____ 7. **DO NOT** send in late payments or incur late fees for anything.

- _____ 8. **DO NOT** wait longer than the time frame given per your contract to provide all necessary paperwork and information to your lender when requested.

MAKE SURE THAT YOU DO:

Initials

- _____ 1. **DO** keep all accounts current, including mortgages, car loans, credit cards, etc.
- _____ 2. **DO** contact both your lender and your sales associates anytime a question may arise.
- _____ 3. **DO** make all payments on or before due dates on all accounts, even if the account is being paid off with your new loan.
- _____ 4. **DO** have any lender-required money/funds to your loan officer within 72 hours after home inspection is complete.
- _____ 5. **DO** return phone calls from your agent, loan officer, Settlement Company, or anyone else involved in your transaction within 2 hours of a message.

Received, read and understood:

Buyer _____ Date _____

Buyer _____ Date _____

Buyer Showing Schedule*

*This can also be done electronically but don't count this one out, it can be a great tool!

Date of Showing:		Map Attached:		
Buyers:				
Showing Order:	Time:	Property Address:	Instructions	Lockbox/Key
<i>Notes:</i>				
Showing Order:	Time:	Property Address:	Instructions	Lockbox/Key
<i>Notes:</i>				
Showing Order:	Time:	Property Address:	Instructions	Lockbox/Key
<i>Notes:</i>				
Showing Order:	Time:	Property Address:	Instructions	Lockbox/Key
<i>Notes:</i>				

Use this as another tool to add to the buyer’s clipboard...

THE HOUSE HUNTING CHECKLIST

Property Address: _____

Price: _____ Number of Bedrooms: _____

Number of Bathrooms : _____ Total Sq. Ft: _____

NMLS#: _____ First Impression: Dislike • Like • Love

THE HOME				
Exterior Condition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Floorplan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Kitchen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Family Area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dining Area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Laundry Room	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Master Bedroom	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Master Bathroom	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Extra Bedrooms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Extra Bathrooms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Garage Size	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lot	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

THE FEATURES				
Kitchen Appliances	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Laundry Appliances	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fireplace	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Patio/Balcony	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pool	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A/C & Heating System	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Security	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Does this house make the short list: No • Maybe • Yes

Additional notes: _____

NOTES ABOUT THE NEIGHBORHOOD

Appearance: _____

Traffic: _____

Safety/Security : _____

Nearby Schools: _____

Close to: WORK SCHOOLS TRANSPORTATION SUPERMARKETS RECREATIONS/PARK RESTAURANTS

This house won't work because: _____

Overall Rating: 1 2 3 4 5

Tips on Short Sales

1. Every client comes to the office
2. Respect the client
3. Price the short sale below market
4. Sell in 7 days or less
5. _____
6. _____
7. _____
8. _____

THE SHORT SALE PROCESS/WHAT AGENTS SHOULD KNOW TO SUCCESSFULLY NEGOTIATE A SHORT SALE

Disclaimer: Nothing in these pages is intended to constitute legal advice. This material is intended to give real estate licensees an overview of the short sale process from the point of view of the real estate practitioner, some tools to help sellers through it, and a large dose of caution. A short sale or a foreclosure is a catastrophic event for any property owner, and has serious legal, credit, and tax implications. Always advise a property owner in writing to obtain legal, credit, and tax advice before undertaking a short sale.

What is a Short Sale?

A short sale is one where title has transferred; where the sales price was insufficient to pay the total of all liens and costs of sale; and where the seller did not bring sufficient liquid assets to the closing to cure all deficiencies.

What is a “Potential Short Sale”?

A potential short sale is one where the listing agent reasonably believes the purchase price may not be enough to cover payment of all liens and costs of sale and the seller is unwilling or unable to bring sufficient liquid assets to the closing.

The following are suggestions for agents interested in representing sellers who are or who may be in a short sale situation. It is intended to educate agents regarding issues that arise in connection with short sales.

1. Educate and Prepare Yourself

Ask your broker if your company has policies and procedures regarding short sales. Follow those guidelines to the extent they comport with federal, state, and local laws, MLS rules, the REALTOR® Code of Ethics, and your state’s real estate regulations.

Know the laws, procedures, and timelines regarding foreclosure in your state. These vary widely. Some states use court proceedings to effectuate foreclosures. These are called “judicial foreclosures”. Other states use less formal procedures, such as trustees sales, referred to generally as “non-judicial foreclosures”. Some states, such as California, utilize both. The most obvious difference is that non-judicial states have a much shorter timeline to foreclosure, but generally offer a right of redemption, while states utilizing judicial foreclosures usually take longer to complete the foreclosure process, but the former mortgagor did not generally have recourse after the sale. An informal survey of foreclosure timelines suggests that a foreclosure can take as little as 90 days, and as long as a year or more. It is critical that you understand the procedures and timelines in your state, even if the property you are dealing with is not yet in foreclosure.

Read the most up-to-date material on short sales from reputable sources such as the National Association of REALTORS® and your local and state REALTOR® associations. Be aware that there are a number of illegitimate, ineffective and illegal approaches to short sales that are being heavily promoted to sellers and real estate agents alike. Be mindful that your fiduciary responsibility to your seller applies in a short sale situation just as it applies in any other sale. Research and read online articles and advice on short sales so you will be prepared for seller questions based on those materials. Sellers can become badly misinformed by relying solely on online short sale advice.

2. Gather Information from the Seller and Other Sources

It is important to be aware of how much is owed on the property and whether the seller is in default on any mortgage liens, taxes, or association dues. Ask the seller for copies of the most recent mortgage statement(s) including second mortgages and lines of credit. Ask for the most recent property tax statement and association dues bill. Check with the tax assessor, title company, and association, if necessary, to verify the total debt and any arrears and penalties. Know that the seller is not always aware of the total debt and may minimize or misstate it if you simply rely on a verbal conversation.

Is the seller in default on any liens? If so, has any legal action been taken by the lienholder(s)? This is where it will be important to know what the local procedures and timelines are. If you see that action has been taken, inform the seller in writing. Sellers do not always know they are about to lose their homes.

Is the seller aware that there may be insufficient equity? This can be important because the seller may believe that the value of their home is higher than it actually is. It is especially important to be as accurate as possible in your market value assessment.

Create a careful Comparative Market Analysis (CMA) or Broker Price Opinion (BPO) using the most current comparable sales. Be realistic about the value. Short sellers cannot usually afford to try a high price first then adjust down over time. Include all costs of sale, such as commissions, closing costs, any interest and penalties on loans or taxes in default. In your best judgment, will there be positive proceeds or does the seller owe more than the property is currently worth after all selling costs?

Finally, find out whether the loan(s) that might be subject to a deficiency in a short sale are “Recourse” or Non-recourse”. In a recourse loan, the borrower retains personal liability for any deficiency after a sale or foreclosure. The lender has “recourse” to the personal assets of the borrower to make up any deficiency. In a non-recourse loan, the lender is limited to whatever funds are available from its security interest in the property itself and cannot force the borrower to repay any deficiency. Each state has its own rules and in some states a loan can be either recourse or non-recourse depending on factors such as whether it was a purchase money loan or a refinance. These are legal questions. Do not try to answer them yourself. Always recommend professional legal, credit, and tax advice.

3. Meet with the Seller to Discuss and Evaluate the Options

Assume you have concluded the seller owes more than the property is now worth. It is important at this point that you advise the seller, in writing, to obtain separate legal, credit, and tax advice. The decisions the seller will be making all have legal, financial, tax, and credit implications. A

short sale should never be the first choice because it carries with it serious negative credit and, possibly, tax consequences. Potential short sellers should always be advised that any action they take other than full payment of the mortgage note will have negative credit consequences. Sellers should be encouraged to consult with a HUD-approved credit counseling agency prior to making any decisions. Sellers should be cautioned that when selecting a credit counselor to carefully check the credentials of the agency as not every credit counselor or foreclosure rescue specialist is going to be HUD-approved. What are the options available to the seller? In rough order of “least damage to credit” to “most damage to credit” they are:

Keep the Property. If the seller is unhappy that the property value is less than the loan balance, but is otherwise under no pressure to sell, keeping the property can be the best solution. Even if there is some short-term financial distress, it need not result in loss of the property. Ask if there are family or other resources that can carry the seller through if there is some financial stress. Because of the lack of equity, a refinance may not be possible, but be aware of any special “hardship refinance” programs a particular lender may offer including the Making Home Affordable refinancing and loan modification programs of the Obama Administration. The various programs change frequently. If the sellers must move, could they rent the property (even at a negative cash flow) and sell it later in a better market?

Sell the Property and Bring Cash to Close Escrow. This might not sound appealing, but it can be a good choice for sellers who are in a financial position to pay a deficiency from other liquid assets. This approach avoids the credit damage that even a successful short sale will cause. An alternative in some circumstances is for the seller to agree to convert any deficiency into a personal note, or a note on another property owned by the seller. REALTORS® should always advise sellers to consult appropriate legal and tax professionals before considering such a note.²

2 Article 13 REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the interest of any party to the transaction requires it.

Attempt a Workout with the Lender. Lenders advise NAR that they must speak with the borrower directly about all options before it will consider approving a short sale. Lenders are increasingly interested in helping financially distressed homeowners stay in their homes and are required to do so if participating in the Making Home Affordable programs³. In some cases, they have been willing to reduce or roll back interest rates, or reduce the allowable payment, to help sellers avoid short sales and foreclosures. It is not generally advisable for the agent to take the lead in representing a property owner in a workout. Workouts are not real estate transactions. They are complex contract modifications, and to date, relatively few homeowners in distress have been able to come to a permanent agreement with their lender. The homeowner should be advised to consult an attorney if this is the option they choose. Note that new laws and emerging policies and procedures by the Obama Administration, Fannie Mae, Freddie Mac, the VA, the FHA, and private lenders make the workout option more complex, but also present greater opportunities for financially distressed homeowners.

3. Go to www.MakingHomeAffordable.gov (link is external) for information about the

government's refi and loan mod options.

Offer the Lender a "Deed in Lieu of Foreclosure". If the seller owes more money than the property is worth, is unable to make payments, and is likely to lose the property in foreclosure in the near future, offering to trade the property to the lender in exchange for the cancellation of the note might make sense. This approach is more likely to be successful in states with very long foreclosure timelines. The lender can obtain the property much sooner and may feel that the mitigation of loss is worth the cancellation of the note. Like workouts, this is a contract negotiation, and should be undertaken only after consulting with an attorney.

Offer the Lender a "Short Sale"⁴ We will discuss the short sale process in greater detail below. Be aware that, on occasion, lenders have "approved" short sales that included personal notes for the deficiency, and unwitting sellers have signed the notes without a full understanding of the consequences. Note that the lender is not a principal in the transaction. The agent represents the seller, not the lender. In a short sale, the offer is negotiated with the seller, just as in a traditional sale. The offer is then submitted to the lender, not for an "acceptance" but for approval of the terms and net proceeds.

The elements of a successful short sale are generally these:

- The property is worth less than is owed.
- The seller has some hardship that makes it impossible or extremely impractical for the seller to keep the property.
- The seller is cooperative and willing to work with a real estate broker to package the short sale.
- The lender is contacted and expresses willingness to entertain a short sale.
- The property is listed, with appropriate caveats and protections for the seller, properly priced, and effectively marketed.
- The lender is presented with an offer, accepted by the seller, along with a completed short sale package and narrative explaining why the short sale is necessary and desirable.
- The lender approves the offer and escrow closes as usual. No proceeds go to the seller.

4. There are tax consequences associated with these options, some of which have changed under the Mortgage Forgiveness Debt Relief Act of 2007, as amended by P.L. 110-343 (10/3/08). Up to \$2 million of qualifying mortgage debt forgiven on the taxpayer's principal residence from January 1 through December 31, 2012 will not be treated as income for the taxpayer, subject to various restrictions. The limit is \$1 million for a married person filing a separate return. Mortgage debt reduced (forgiven) through restructuring, such as a workout or a short sale, as well as mortgage debt forgiven in connection with a foreclosure, all qualify for the tax exclusion. The Act applies only to principal residences, not vacation homes or investment property. Also, the exclusion applies only to "acquisition indebtedness", which is generally defined as debt used to originally build, purchase, or improve a property. Although short sales

tend to minimize the difference between what is owed and the proceeds turned over to the lender, thereby minimizing the taxable income potentially accruing to the seller, the possibility remains. Sellers should be advised to consult with tax or legal counsel regarding the impact of the new law and other tax rules on their circumstances.

Allow the Property to go to Foreclosure. Usually this is the worst option. It does the most damage to a property owner's credit. There are circumstances, however, in which it might make sense for a property owner who has no other resources with which to obtain housing to simply stay in the property as long as possible. Also, as a practical matter, if you are contacted by a homeowner who is days or a few weeks away from a foreclosure sale, it will be difficult to stop the sale, though it is always worth trying.

4. Taking and Servicing the Short Sale Listing – An example of the process

Assuming that after full reflection and consultation with appropriate legal, credit, and tax professionals, and consultation with the lender, the homeowner decides that a short sale makes the best sense. What are the factors that will lead to a successful short sale?

The elements of a successful short sale are typically:

The property is worth less than is owed. Establish this by doing a careful CMA or BPO, taking into account that the market may be declining. Pay special attention to similar properties that did not sell. The lender will need to see clearly that there is no chance that the property will sell for enough to cover all liens and closing costs. Short sales are considered by buyers to be distressed properties, and will typically command somewhat less than a non-distressed price. Remember that the lender may be thousands of miles away and not at all familiar with your market. Incorporate local newspaper articles about the local market and MLS statistics to strengthen your analysis.

The seller has some hardship that makes it impossible or extremely impractical for the seller to keep the property. What are hardships as defined by most lenders? Most lenders focus on and require "changed financial circumstances". Loss of job, unusual medical costs, death of an owner, natural disasters, even extended military service for reservists, can be hardships. There should be a nexus between the hardship and the need to sell. A job loss leading to a problem paying the mortgage is obvious, but an illness might require a family to move closer to specialized medical help, so even without an unbearable financial hardship, the homeowner simply cannot stay. Lenders do not consider a decline in value alone to be a hardship.

The seller is cooperative and willing to work with a real estate broker to package the short sale. Is the seller cooperative and willing to sell? You will need the seller to help write a narrative of the hardship involved. The seller will be asked by the creditor to reveal all details of the seller's financial situation. If there is a formal short sale application, the seller will have to complete it. This can be embarrassing, and some sellers simply won't do it. Prepare them and make sure they are willing to do what is required. If they are uncooperative, you will not be able to help them.

Important Note: Many troubled loans today are "subprime loans" and/or "stated income loans". Be especially careful to explain in writing to all sellers that any representations of the seller's financial status that were made on the initial loan application will be scrutinized in the short sale

application process. Sellers may expose themselves to charges of loan fraud if the short sale application information they provide is inconsistent with the material provided on the initial loan application. In other words, if the seller represented on the original loan application that his income was \$10,000/month, but on the short sale application represents that his income recently dropped from a high of \$5,000/month to \$3,000/month, this will raise the question of loan fraud. If the seller is concerned or has questions, it is advisable for the seller to consult with an attorney before completing a short sale application.

The lender is contacted and expresses willingness to entertain a short sale. Contact the lender's "loss mitigation" department. Ask for the person who will be responsible for processing the short sale application. Try to speak with the same person each time you call. You will need an authorization letter from the seller verifying that you have permission to speak with the lender on the seller's behalf. Let the lender know the situation and your proposed short sale solution. Ask for a list of documents that the lender will require. This may vary with each lender. Ask for copies of any proprietary documents the lender specifically wants to see, such as a particular short sale application form or an income and assets sheet. These also will vary by lender. The lender may ask you and other area brokers to do a Broker Price Opinion (BPO) to verify your evaluation. If there is more than one loan subject to a shortfall, you will need to contact multiple lenders and go through the same process. Some lenders are proactive and will immediately send the short sale requirements to you. Others will be non-committal. Even institutions go into denial when faced with bad news. Unless the lender indicates that it will categorically refuse a short sale under any circumstance (a rare occurrence), you can proceed with the next steps.

The property is listed with appropriate caveats and protections for the seller, properly priced, and effectively marketed.

a. Seller Protections: When you list the property, it is important to have a record of the discussion you have had regarding the short sale with the seller. The listing agreement should state that the seller's acceptance of any offer will be subject to the lender's approval of the offer without requiring that the seller bring cash to close escrow, and an agreement by the listing broker to accept the commission as approved by the lender. Offers to purchase the property would need the same caveat regarding lender approval. This protects the seller against agreeing unconditionally to sell the home, only to have the lender disapprove the short sale. In such a case, the seller could be sued for specific performance or damages by a frustrated buyer. The seller should also explicitly acknowledge that the seller will receive no proceeds, that there are significant tax, credit, and legal ramifications to a short sale, and that the seller has been strongly urged to consult with an attorney and a tax advisor before signing the listing. Many states and real estate companies have addendums to the listing agreement that cover these topics. Click [here](#) for sample language used by various state associations. If neither your state nor local association of REALTORS® nor your broker has such a document, you should consider adapting (with the permission of your broker) some of the sample language as an addendum to your listing agreement. Click [here](#) to see some typical language from the California Association of REALTORS® Short Sale Listing Addendum.

b. Pricing: It makes no sense in a short sale setting to start with an unreasonably high price. Some sellers will ask that you price the property at a "break-even" price for them initially. Use your best judgment, and follow your broker's policies and procedures, but know that a price that attracts no offers will hurt your seller. If the foreclosure clock is already running, you may run out of time. Price the home at a realistic market price today. Adjust the price quickly if you see no

activity or if you have no offers. To make the short sale work, you will need to get an offer to the lender quickly.

c. Commissions: Short sales present a special problem with conditional compensation being offered to a cooperating broker. As a listing agent, you are not entirely sure what your commission will be until the terms of a short sale are approved by the lender. Your MLS may have adopted NAR-approved language such as the following based upon changes adopted by NAR at the May, 2008 meeting:

Lender Approval Listings

Multiple Listing Services must give participants the ability to disclose to other participants any potential for a short sale. As used in these rules, short sales are defined as a transaction where title transfers; where the sale price is insufficient to pay the total of all liens and costs of sale; and where the seller does not bring sufficient liquid assets to the closing to cure all deficiencies. Multiple Listing Services may, as a matter of local discretion, require participants to disclose potential short sales when participants know a transaction is a potential short sale. In any instance where a participant discloses a potential short sale, they must also be permitted to communicate to other participants how any reduction in the gross commission established in the listing contract required by the lender as a condition of approving the sale will be apportioned between listing and cooperating participants. All confidential disclosures and confidential information related to short sales must be communicated through dedicated fields or confidential "remarks" available only to participants and subscribers.

Multiple Listing Services that permit, but do not require participants to disclose potential short sales should adopt the following rule:

Section 5.0.1: Participants may, but are not required to, disclose potential short sales to other participants and subscribers. When disclosed, participants may, at their discretion, advise other participants whether and how any reduction in the gross commission established in the listing contract, required by the lender as a condition of approving the sale, will be apportioned between listing and cooperating participants.

Alternatively, Multiple Listing Services that require participants to disclose potential short sales should adopt the following rule:

Section 5.0.1: Participants must disclose potential short sales when reasonably known to the listing participants. When disclosed, participants may, at their discretion, advise other participants whether and how any reduction in the gross commission established in the listing agreement, required by the lender as a condition of approving the sale, will be apportioned between listing and cooperating participants.

d. Marketing: Both for the seller's sake and to generate lender confidence, your short sale listings should be aggressively marketed. Whatever you would do for an ordinary listing, you should do for a short sale listing. Use multiple pictures, virtual tours, websites, and advertising as appropriate. You may want to accelerate the marketing if there is a foreclosure deadline looming. The lender will need to understand that you have done everything possible to sell the property at the highest price. The lender is not your client. You represent the seller, but everybody should understand that the lender is the true decision-maker. You will want to include the marketing history in the short sale package. Once again, if you have no offers within a reasonable time, adjust the price.

The lender is presented with an offer, accepted by the seller, along with completed short sale package, hardship letter, and narrative explaining why the short sale is necessary and desirable.

The Offer

The ideal offer should be from a prequalified or preapproved buyer, with no unusual contingencies, such as the sale of the buyer's existing residence. It should be flexible in terms of closing. The ideal offer might provide "The close of escrow to occur 30 days after buyer's receipt of acceptance of the short sale by the lender". The ideal buyer is willing to be patient. Of course, not all offers will be ideal. If you receive a very low offer, you may wish to attempt to negotiate it between the seller and the buyer as in an ordinary sale setting. Certainly, you should counter terms that affect the seller in a negative way, such as early possession without compensation or inclusion of seller's personal property. Remember that it is the seller who "accepts" the offer. Once the offer is fully negotiated between buyer and seller, it should be signed by both, subject to the approval by the lender as discussed elsewhere in this document. Recognize that lenders will want to see "as-is" offers without credits for repair or closing costs paid to buyers. Policies regarding short sale counter offers vary widely around the country, and also between brokers. Experience suggests that if you receive an offer on the low side of "reasonable" from a qualified buyer, you may still want to pass the offer along to the lender. In a short sale it is more important to get the lender a bona fide offer than it is to negotiate the perfect sale price. The very fact that an offer is presented to the lender for approval may persuade the lender to put the foreclosure process on hold, at least temporarily. The lender will have every opportunity to disapprove the offer and request a different price. Of course, just as in a traditional sale, all offers you receive must be presented to the seller throughout the course of your agency agreement.

If your state or local Association of REALTORS®, or your broker, provides a short sale addendum, use it in any counteroffer you make. It is designed to protect the seller against liability to the buyer in the event the lender disapproves the short sale. [Click here to see some typical provisions from the California Association of REALTORS® Short Sale Addendum:](#)

If you do not have such an addendum readily available, you may wish to ask your broker for similar language you can use in a counter offer.

The Completed Hardship Letter, Short Sale Package, and Narrative

Every lender is different, and each short sale package can be different as well. You may choose to submit most of the package to the lender when you obtain the listing, and then pass along the offer, or you may wait until you have an offer to submit a complete package. The following are the most common elements. Some will be required, and some are advisable because they help you explain to the lender why the short sale is a good alternative to foreclosure:

A hardship letter written by the seller describing the seller's circumstances. The seller should be as persuasive as possible in describing why the seller is in no position to continue with his or her financial obligations to the lender. This letter can make or break the short sale. The reasons given by the seller should be compelling and the seller should be both honest and frank in their disclosures to the lender. Include corroborating material. If the seller was fired, include the termination letter. If the seller has medical bills, summarize them. If the seller is ill or disabled, the seller should explain how that has made it impossible for the seller to keep the property. If there are tax problems, the seller should describe and document them. If the property was

damaged and not covered by insurance, as in several recent natural disasters, the seller should document the damage and the denial of the claim.

A copy of the purchase contract and all supporting documents signed by both the buyer and seller.

Written proof of the buyer's ability to purchase the property, i.e., a completed loan application, pre-approval by a lender or evidence of cash on hand (a current bank statement).

A copy of the certified escrow instructions.

A preliminary title report if applicable in your state.

An estimated net/closing statement (HUD-1) certified by an escrow officer who is acceptable to the lender. It is very important that this estimate be as complete and accurate as possible. Many lenders will reference the closing statement in their acceptance or rejection. You may receive an approval that states "Lender will accept net proceeds of no less than \$273,565 no later than November 30, 2009". If the estimate of net proceeds is wrong for any reason, you may have to attempt to renegotiate with the lender.

A completed and signed IRS Form 4506, "Request for Copy of Tax Form".

A completed and signed personal financial worksheet. This will include assets such as other real estate, stocks, bonds, 401Ks, etc.

Tax returns for the previous two years.

Employment paycheck stubs for the past two months.

Profit and Loss statement (if the seller is self-employed)

Bank statements for the past two to three months.

A completed Short Sale Application if the lender provides one. Many don't.

Your CMA/BPO with supporting sales data. You want to show that the offer you are presenting is the best market price offer the lender is likely to receive.

A short narrative, written by you, about the market and market trends in the immediate area of the property being sold. Highlight such data as average time on the market, number of short sale and REO listings in the MLS and price trends. Support your conclusions with material such as recent economic data and newspaper articles. The decision maker may well be in another state and will not necessarily understand why the property is suddenly worth less than the loan.

Your marketing history, showings, and feedback. Here again, you need to show the lender that you have made a real effort to get the highest price. They must understand that you have done a better job than they would have and that you have presented them with a quick and attractive solution to a deteriorating situation.

A formal request signed by the seller that the short sale be approved as submitted.

***Important Note:** If there are multiple loans, you will repeat this process for each lender. It can be especially difficult to obtain a short sale approval from a second trust deed holder or other junior lienholder that is "wiped out" in a short sale. You will probably need to request that the first trust

deed or mortgage holder offer at least a symbolic sum to the second trust deed holder to secure an approval. Anecdotally, second trust deed holders have recently been accepting partial payments as low as \$5,000 on trust deeds of \$100,000 or more.

Following Up. Once you have submitted the short sale package, stay in touch with the lender every day if possible. Make sure they acknowledge that the package is complete. Try to talk to the same person in the Loss Mitigation Department each time and document your conversations. This is not a happy decision for the lender. It will get shoved to the bottom of the to-do list over and over again. Lenders are infamous for “losing” short sale paperwork. Keep the seller and the buyer’s agent up to date. If there is a drop-dead time limit to the offer, remind the lender of it often.

Subsequent Offers.

There are different opinions and practices concerning whether to submit all offers received to the lender, or whether to limit the submission to the first offer the seller accepts. Many lenders will require in writing that all offers be submitted, as a condition of reviewing the short sale package. Consult with your broker concerning the broker’s policy regarding subsequent offers. Remember, once again, that all offers must be submitted to the seller, even if they are not then submitted to the lender.

In some areas, agents are simply submitting all offers to the lender without having the seller negotiate or accept any particular offer. Recognize that, without an accepted offer signed by both buyer and seller, you will not have a contract even if the lender approves. This approach presents certain practical and risk management issues. Consult with your broker about this practice if it appears to be common in your area, or if you are inclined to follow the practice.

5. The Lender Response and the Close of Escrow

The lender can do one of several things.

Ignore the offer. (This happens.)

Refuse the offer, either with or without an indication of what net proceeds would be acceptable.

Ask the seller to bring some or all of the shortfall to escrow. This is a typical first response. If the seller is unable or unwilling to do so, you will need to contact the lender immediately with a letter from the seller to that effect.

Approve the offer.

If the lender refuses the offer, try to determine the net proceeds the lender would accept. Go back to the buyer and see if he or she will increase the offer to provide those proceeds. This process can be similar to any counteroffer situation, but it takes more time. If the buyer refuses, obtain a cancellation and go your back-up buyers (if any) in order. If there are no back-up offers, ask the lender to give you some time to place the property in the MLS as an “approved short sale” at the price and terms the lender will accept. If you then obtain a buyer who agrees to that price and those terms, you can proceed to close normally. Note that you may need a new approval from the lender even if the price and terms are exactly the same. Check with the lender.

If the lender approves the offer. It will typically be in the form of a demand to escrow (and possibly to you) to the effect that the lender will accept no less than X dollars in proceeds no

later than X date. The lender may also attempt to reduce your commission. You can certainly argue with the lender about this, but ultimately, the lender will decide. Fannie Mae has issued a written policy directing its servicers not to reduce commissions below the amount in the listing agreement (if that amount is 6% or less) (Announcement 09-03 (2/24/09)). Freddie Mac has informed NAR that it does not reduce commissions, and NAR has asked Freddie Mac to confirm this by issuing a written policy. Remember that the lender is not accepting the offer but is simply agreeing to a smaller payment that the lender would otherwise be entitled to. This is why it is so important that the estimated closing statement be accurate. If the lender approves the short sale, it will not care what problems you might have closing the escrow on time, or what unanticipated costs you face. There will simply be a dollar amount that will need to be available at the close of escrow. Once escrow has the approval letter, you can proceed to close in the ordinary way. The buyer may have requested in the purchase contract that the seller move prior to the close of escrow so there are no holdover or possession problems. Remember that the seller is responsible for all the usual disclosures in your state, county, and city. The seller is still the owner of the property and the seller will be conveying title. You will be responsible for all the usual duties of a real estate agent in your state, county, and city.

6. Final Notes.

Be aware that the Loss Mitigation and Foreclosure Departments are often different entities and are staffed by different individuals. The Foreclosure Department might not be aware of what the Loss Mitigation Department has agreed to. In some cases, this has led to the property being foreclosed even after the Loss Mitigation Department has agreed to a short sale. Try to speak with the foreclosure department directly if the foreclosure date is close to your estimated closing date.

Acknowledgements

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Short Sale Application

Seller Name:		SSN:
Seller Name:		SSN:
Address:		
City:	State:	Zip:
Home phone:	Cell phone:	Cell phone:
Email:	Email:	
Lender 1 Name:		Phone:
Address:		
City:	State:	Zip:
Account #:		Fax:
Contact Name:		Email:
Lender 2 Name:		Phone:
Address:		
City:	State:	Zip:
Account #:		Fax:
Contact Name:		Email:
Purchase Date of Property:		
Monthly Payment Amount Lender 1:		
Monthly Payment Amount Lender 2:		
Loan Balance Lender 1:		
Loan Balance Lender 2:		
Are you behind on payments?		How long?
Has a Notice of Default been issued?		When?
Describe contact you have had with lender:		

Authorization Form to Contact Lender #1

DATE: _____

TO LENDER: _____

LENDER ADDRESS: _____

LENDER PHONE #: _____

RE: LOAN NUMBER#: _____

PROPERTY ADDRESS: _____

To Whom It May Concern:

You have my expressed authorization to discuss any all information concerning the above referenced loan for the property address noted above on my/our behalf with _____, Realtor who is representing me/us in a Short Sale of the property referenced above.

Seller/Owner

Social Security Number

Seller/Owner

Social Security Number

Authorization Form to Contact Lender #2

DATE: _____

TO LENDER: _____

LENDER ADDRESS: _____

LENDER PHONE #: _____

RE: LOAN NUMBER#: _____

PROPERTY ADDRESS: _____

To Whom It May Concern:

You have my expressed authorization to discuss any all information concerning the above referenced loan for the property address noted above on my/our behalf with _____, Realtor who is representing me/us in a Short Sale of the property referenced above.

Seller/Owner

Social Security Number

Seller/Owner

Social Security Number

Hardship Letter Tips

1. The first step is to organize your thoughts about your hardship. Jot down all the reasons about why you can no longer afford to make your mortgage payments, why you are having financial problems. Next, pick out those reasons that have the most impact on your financial situation and are the most critical.
2. Once you have identified the top reasons you have a financial hardship, write down exactly what happened and why this is affecting your ability to make your mortgage payment. For example, "On May 1, 20__ __, I was laid off from my job and my monthly income subsequently decreased by \$3000. Or, "On July 1, 20__ __, my husband and I divorced. As a result, my monthly income has been reduced by \$3000 and is limited now to just my current monthly salary of \$2200.
3. Begin writing your hardship letter by following this format. Line 1: type the date. Line 2: type the name of your lender at the top of the page. Line 3: type the address of your lender and skip a line. Line 4: type "RE: your loan # and property address – Request for Short Sale. Skip a line. Line 5: type, "To whom it may concern:"
4. First and or 2nd paragraphs: Begin this paragraph with a statement that indicates that there have been changes in your financial situation since you purchased the home. For example, "There have been serious changes in my financial situation since I purchased the above referenced home in May, 20__ __." Then, explain what your hardship is using the notes you made in step 2. It is best to be as specific as you can be giving details, dates and numbers. You must clearly explain the major reasons of how and why you got into this financial bind. Your statement must clearly paint the picture of the steps or chain of events that led to your financial bind.
5. Third paragraph: Explain why your financial situation is irreversible – why you have no way to bring your mortgage current in the foreseeable future. Explain that you have no cash, savings, vacation homes, or other assets that you can use to catch up or reduce your debt. Explain attempts you have made to avoid the loss of your home, e.g., borrowed money from relatives, exhausted savings, used cash advances from credit cards, obtained a second job, rented out a room in the house, inquired about refinancing and partial payments, etc.
6. Final paragraph: State that you want to sell your home through a short sale process and avoid foreclosure. State also that you want any purchase offers that the lender may accept to be considered as payment in full against your loan. Thank them for their understanding and assistance.
7. Sign your letter. Provide your contact information as well as your realtor's contact information.
8. Remember, your letter must be factual and descriptive. You will be required to provide back-up documentation. Be polite, courteous and sincere. Do not blame the lender for your circumstances.

Hardship Letter Example

(Date)
(Lender Name)
(Lender Address)

RE: Request for Short Sale – (Your account number and property address)

To Whom It May Concern:

There have been serious changes in my financial situation since I purchased the above referenced home in June, 20___. For the first two years, we had no difficulty making our mortgage payments and fulfilling our other debt obligations. On October 1, 20___, I was unexpectedly laid off from my job of 12 years as an Account Manager with _____ Bank and our family income was reduced by \$3200 a month.

Despite my best efforts, I have not been able to gain employment within the banking industry. I did obtain a part-time job in July, 20___, making \$1200 a month but we continue to be unable to meet our financial obligations. From November, 20___ until August, 20___, we were able to make our mortgage payments by using our savings and cashing out our 401k accounts. I inquired about refinancing options but was denied. I have exhausted every other possible way to afford our home. We very much want to remain in our home but have faced the reality that this will not be possible. We regret that we are behind on our mortgage payments but we do not see how we will be able to make up our payments or make future payments.

A short sale of our home appears to be our only solution to avoid foreclosure. I have listed my home for sale with (Agent's Name and Firm). I respectfully request that any Purchase Contracts we submit be considered and accepted as payment in full against our loan.

Thank you for your understanding and assistance. Again, we sincerely regret that our financial difficulty has led to this situation. Please contact me if you need additional information.

Sincerely,
(Homeowner Signature)
(Homeowner Name)
(Homeowner Phone Number)

Document Checklist for Short Sale Package

FROM SELLER:

- _____ Authorization Form to Contact Lender(s)
- _____ Financial Statement
- _____ Hardship Letter
- _____ Pay Stubs / Proof of Income (two months current)
- _____ Bank Statements (two months current)
- _____ Tax Returns (last two years)
- _____ H.O.A. Information (if applicable, includes contact info, statement, liens)
- _____ Additional Supporting Documentation (hardship, financial situation)
- _____ Copies of last available mortgage statement(s)

FROM AGENT:

- _____ Listing Agreement
- _____ Purchase Contract
- _____ Fully Executed Counteroffer
- _____ Buyer / Pre-Approval Letter, Proof of Funds
- _____ CMA / BPO
- _____ Title Report with All Documents

AS APPLICABLE:

- _____ Copy of Notice of Default
- _____ Copy of Notice of Trustee Sale
- _____ Additional Supporting Documents

TAX ADVICE LETTER

To: Seller(s)
 Re: Recommend Seeking Tax Advice

Dear Client,

Keller Williams wishes to express to you our appreciation that you have chosen our brokerage to represent you in the sale of the above-referenced property. It is our understanding that you may owe more against the property in encumbrances than its current fair market value. As such, any offers you have received would likely be for an amount that is insufficient to completely satisfy your current encumbrances, or debt, against the property.

In this case, you have the option of accepting such offers “contingent” upon your lenders’ agreement to reduce their respective loan balances by an amount that is sufficient to permit the sale to proceed at the offered price. This is known as a “short-pay” or “short-sale”. There is no guarantee that your lenders will agree to a “short-sale” or “short-pay.” If they do agree, however, there are certain consequences to such a sale that you must be aware of.

To begin with, a “short-sale” or “short-pay” will have significantly damaging effects upon your credit history. Furthermore, it may result in taxable income to you. Finally, many lenders may agree only to release their security interest in the property, while still holding you personally liable for any deficiency, or debt remaining when the sale is complete.

Keller Williams and its agents and brokers are not qualified to render advice to you regarding credit and tax issues. Nor are we qualified to render legal advice regarding what type of release your lender is willing to offer to you.

As such, if you are interested in selling your property through a “short-sale” or “short-pay,” Keller Williams strongly urges that you seek out the advice of the appropriate professionals to fully inform you about all of the consequences associated with a “short-sale” or “short-pay” before accepting any offers. For example, you should immediately and before accepting any offers consult with a credit-reporting agency to find out what effect a “short-sale” or “short-pay” will have upon your credit history. You should immediately and before accepting any offers, consult with a tax attorney or certified public accountant to find out what tax consequences are associated with the “short-sale” or “short-pay.”

Finally, you should immediately and before accepting any offers consult with a transactional real estate attorney to review the terms of your “short-sale” or “short-pay” to ensure that your lenders are in fact releasing you of any obligation to repay any deficiency or debt remaining after the sale.

Again, thank you for the opportunity to assist you in the sale of your property.

Very sincerely yours,

X _____
 Agent Date

X _____
 Seller Signature Date

X _____
 Seller Signature Date

Policy and Procedures Tab Suggestions

1.

2.

3.

What I Learned Today ...

Session 15: Homework Assignment - Complete and Give To Your Agent

1. _____

2. _____

3. _____