

## Broker Short Sale 101 Pre-Test

1. T F A short sale occurs when a seller does not have enough proceeds to cover all lien obligations and cost of sale and must sell
2. T F All affected lienholders must agree to the terms and conditions of the short sale
3. T F A *title commitment* will show identity of lienholders and nature of all liens against the property
4. T F A release of lien will also relieve the debtor of any further obligation to pay lienholder
5. T F A junior mortgagee may institute a foreclosure action even if the first mortgage is not in default
6. T F A short sale is a transaction in which all lienholders release claims against the property and agree to accept an amount less than the full amount of the lien
7. T F Instead of releasing seller from obligation to pay a lienholder may agree to treat the obligation differently than as originally provided-- by loan modification or requiring seller to execute a Promissory Note for the deficiency and pay over time
8. T F Before a short sale can occur—seller, buyer, and each lienholder (if not paid in full at closing) must give signed written consent to the terms of the sale
9. T F Short sale approval occurs when seller receives signed written statements from ALL lienholders that satisfactorily meets the seller's requirements in order to remove the “short sale contingency” from the Purchase Agreement between seller and buyer
10. T F Seller should be advised by broker to contact the HUD Counseling and Referral Line at 1-800-569-4287 or online at <http://www.hud.gov/foreclosure/>
11. T F Seller must be made aware that there are alternatives to a short sale that may be more advantageous and that it is the seller's own responsibility to investigate these alternatives
12. T F Seller must be made aware that a short sale may have serious adverse legal, tax and economic consequences for seller and any guarantors and are advised to seek appropriate expert counsel
13. T F Seller must be made aware that a lienholder is not obligated to agree to a short sale or even if agreeing to a short sale to forgive repayment of the debt by seller or any guarantors

14. T F Any release of liability, to be binding, must be in writing, must be executed by the lienholder and must expressly provide that seller and any guarantor is released from liability
15. T F Seller must be made aware that a lienholder may condition its agreement on the seller doing any or all of the following to obtain a lienholder's short sale approval such as
- Seller may be required to make a cash payment at Closing
  - Seller may be required to sign a new Promissory Note
  - Seller may continue to owe lienholder the unpaid portion of the released indebtedness
  - Seller may be required to agree to other lienholder requirement
16. T F Seller must be made aware that if a lienholder accepts less than full payment, unless the law provides otherwise, lienholder is obligated to file all required 1099 Forms with the Internal Revenue Service with respect to the short sale transaction
17. T F Seller must be made aware that a lienholder's approval of short sale will not necessarily repair or rehabilitate seller's credit rating and lienholder has no obligation other than to objectively report the short sale transaction to any credit rating agency
18. T F Seller and buyer should be made aware that seller may terminate a signed Purchase Contract by written notice to buyer on or before 3 days after the "short sales approval deadline"
- As provided in the short sale addendum
  - If any lienholder does not give written approval of short sale provisions of Purchase Contract
  - If terms and conditions from any lienholder for release of lien is not acceptable to seller, at seller's sole discretion
19. T F Buyer and seller should be made aware that buyer may terminate the Purchase Contract by written notice to seller on or before 3 days after the "short sale approval deadline"
- As provided in the short sale addendum
  - If any lienholder does not give written approval of short sale provisions of Purchase Contract
  - If terms and conditions from any "Agreement to Amend/Extend Contract" are not acceptable to buyer, at buyer's sole discretion
20. T F Seller must agree to submit on or before the "Initial Submission Deadline" specified in the "Short Sale Addendum" to each lienholder a request for short sale approval along with all documents and information requested by a lienholder, including a signed copy of the Purchase Contract including any Counteroffer provisions, the "Short Sale Addendum" along with any "Amendments"

21. T F Seller should grant authority for any lienholder and its representatives to supply and communicate any loan, financial information of seller, confidential or otherwise, with any of the following involved in the transaction and their representatives such as
- a. Seller's attorney
  - b. Broker or brokerage firm working with seller
  - c. Brokerage firm's transaction coordinator
  - d. Seller's title insurance company
  - e. And, if approved by Contract
    - Other lienholders
    - Buyer
    - Buyer's attorney
22. T F Seller and buyer must be made aware that there are no promises or representations regarding
- a. Whether any lienholder will approve a short sale
  - b. Any additional terms of approval of a short sale
  - c. When any lienholder will advise of its decision to approve or not approve a short sale
23. T F Seller and buyer must be made aware that until Closing a lienholder's approval of a short sale will not prevent, hinder or delay a lienholder from initiating or proceeding with any enforcement action, including but not limited to a foreclosure.
24. T F Buyer must be made aware that in the event seller loses ownership of the property through foreclosure, the Purchase Contract shall terminate
25. T F Seller and buyer must be made aware that a considerable amount of time may be required to determine if short sale approval from lienholders will be granted so buyer must inform buyer's lender of this fact for structuring buyer's loan, duration of any "loan lock," etc.
26. T F Buyer must conduct any inspection *prior to* writing the offer to purchase because the price on the Purchase Contract reflects an "as is" sale for typically a lienholder will not later agree to any additional changes to the terms or the Purchase Contract
27. T F Seller and buyer must be made aware that either party may terminate the Purchase Contract as stipulated in the Purchase Contract or its "short sale addendum"
28. T F Short sale is sometimes referred to as a "short payoff sale"
29. T F FHA, VA, Fannie Mae, Freddie Mac and MGIC may have different criteria necessary to approve a short sale
30. T F Seller cannot receive any proceeds from a short sale at or after closing