



Lou's Short Sale Manual

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1. Setting Up—Before You Talk to Distressed Homeowners

The Rainmaker Story

There was a great drought where Wilhelm lived, for months there had not been a drop of rain and the situation became catastrophic. The Catholics made processions, the Protestants made prayers, and the Chinese burned joss sticks and shot off guns to frighten away the demons of the drought, but with no result. Finally the Chinese said: We will fetch the rain maker. And from another province, a dried up old man appeared. The only thing he asked for was a quiet little house somewhere, and there he locked himself in for three days. On the fourth day clouds gathered and there was a great snowstorm at the time of the year when no snow was expected, an unusual amount, and the town was so full of rumors about the wonderful rain maker that Wilhelm went to ask the man how he did it. In true European fashion he said: "They call you the rain maker, will you tell me how you made the snow?" And the little Chinese said: "I did not make the snow, I am not responsible." "But what have you done these three days?" "Oh, I can explain that. I come from another country where things are in order. Here they are out of order, they are not as they should be by the ordinance of heaven. Therefore, the whole country is sad in Tao, and I am also sad in the natural order of things because I am in a discordant country. So I had to wait three days until I was back in Tao, and then naturally the rain came."

Taken from Vision Seminars, pp. 333-334

- [] Working understanding of brokerage policies regarding involvement in short sales
- [] Working understanding of short sale terminology and essential requirements
- [] Working understanding of RANM Short Sale Forms and their use
- [] Preparation for assisting homeowner's compiling short sale package
- [] Working understanding of processing short sale offers and contracts
- [] MLS disclosure of potential short sale and cooperating broker compensation issues
- [] Policy regarding multiple offers and multiple contracts
- [] Policy of not presenting offers—multiple or otherwise to lender
- [] Policy of presenting only one fully executed contract to purchase to lender
- [] Policy and extent of involvement with 3rd parties during short sale process
- [] Policy and extent of cooperating brokers' involvement with seller's 3rd parties



- Recommendation regarding earnest money issues—amount, into escrow, and return
- Efficient information collection and management systems in place
- Demonstrate ability to create and explain “Preliminary HUD-1” *Net-Out Sheet*
- Have on hand essential forms for seller to complete: financial, tax, etc.

2. Initial Contact with Distressed Homeowner

- Obtain information and details about prior attempts to see the property
 - Explain the essential features of a short sale:
 - Upside down
 - Cannot make payments due to “involuntary hardships”
 - Lack liquid assets necessary for a “cash to closing” traditional sale
- Inform in general terms the potential benefits and disadvantages with a short sale
- Communicate your expertise and willingness to expedite a short sale listing
 - Inform owner of the limitations of broker’s proper role in the short sale process
 - Advise owner to seek legal, credit, or tax advice from experts of their own choosing
- Provide owner a current list of HUD Approved Credit Counseling Agencies
- Provide and explain to owner with the RANM Short Sale Information Sheet
- Obtain from owner the type(s) of *security instruments* associated with each loan
- Learn about payments are in arrears and whether any notices have been received
- Provide owner with a general outline of “package” requirements for lender(s)
- Obtain owner’s signed authorization for broker to contact lienholder(s)
- Obtain owner’s signed authorization for broker to obtain a Title Report
- Obtain seller’s written and signed “involuntary hardship” letter
- Provide blank “financial statement” form for seller to complete and sign *prior to* listing the property

Prepare Obtain and Submit the Listing



-] Create a *market-credible* CMA for listing purposes and for lender's review
-] Obtain seller's signed approval of listing agreement and short sale addendum
-] Provide seller with RANM Form 3225 *County Assessor's Property Tax Levy Request and Certificate*, obtain seller's signature and send to the County Assessor's office
-] Provide seller
-] List price and term should be in keeping with CMA findings and foreclosure deadlines
-] Complete "Ball Parking the List Price" form
-] Obtain Title Report showing identity, priority and amount of outstanding liens
-] Complete a Preliminary HUD-1 Statement using the list price and incorporating all liens of record determine lines 504 and 603
-] Complete a "Net Proceeds to Lender Comparison Analysis" worksheet
-] Prior to submitting the listing to MLS double check to make sure seller has completed and signed all required authorizations
-] Submit property to MLS with definite compensation amount but with caveat such as "This is a potential short sale where lender may, as a condition of approval, modify the amount of compensation received by listing broker affecting compensation to cooperating broker. Contact listing broker for policies regarding this matter"
-] Beware of misrepresentation: Remarks such as "Pre-Approved Sale" may be misleading unless *all conditions* for short sale approval have *already* been waived by lender
-] Obtain information about lender terms and conditions for "Cash for Keys" when used along with a short sale
-] Establish contact with lender's loss mitigation department to determine
 - ___ Contact person and *required method* of contact and delivery of documentation
 - ___ Lender's time zones and business hours and best time to reach lender
 - ___ The identity of the mortgage investors such as bank/lender, Fannie Mae, Freddie Mac, FHA, VA, MI involved, Wall Street securitized—and what insurer decisions will be involved
 - ___ Lender's terms and conditions for "Cash for Keys" for short sales
 - ___ Whether lender requests a "set up package" immediately upon listing the Property
 - ___ Whether lender has set "short sale guidelines"



- [] Obtain from lender whether upon listing it will review a “setup package” or if the submission must be a “completed package” including fully execute contract to purchase

E.g., For a loan serviced by Wells Fargo, seller should contact the *WFHM Short Sale Counseling Team*: 1-866-903-1053; seller should be prepared to discuss financial information and participate in pre-foreclosing counseling; Wells Fargo requires a “setup package” consisting of : brief hardship letter; completed financial worksheet to be faxed to the seller by the Short Sale Counseling Team after contact is made; real estate professional contact information along with fully executed listing agreement; lender and or investor may also require –updated home owner credit report; 2 updated pay stubs (tax returns for self –employed); signed approval from seller for lender to access IRS filings (form 4506T)

E.g., For a loan serviced by Bank of America, seller should contact the BOA HOPE Team as early as possible in the default process by calling 1-800-669-6650 to discuss options *before* deciding on a short sale. If a short sale is the best option seller or seller’s Realtor® should contact the BOA Short Sale Support Team at 1-800-880-1232 to request information on the process, status updates and required documents

Every lender has its own requirements and guidelines. These are presented only as examples.

- [] Monitor and when appropriate adjusting list price related to time remaining to avoid foreclosure
- [] Determine if the lender offers any type of “pre-approval” for short sales and what the terms and conditions happen to be
- [] Determine whether lender will review a signed purchase contract submitted at any time prior to date of foreclosure.
- [] Determine lender’s practice on paying standard seller closing costs including broker’s compensation

3. When an offer is received

- [] Inform seller that the primary motivation in accepting or rejecting an offer is to obtain *lender’s approval* for the short sale and avoid foreclosure. In no case may the seller receive any proceeds from the sale
- [] Inform the seller that any offer to purchase, to be considered complete, must include a fully executed Short Sale Contingency Addendum.

Note: If this occurs the listing broker, with the seller’s approval, either may request Buyer to resubmit the offer along with the required Addendum or, the seller may Counter back to buyer with the Addendum attached

- [] Convey to buyer’s broker that seller has authorized only the listing broker to



contact or deal with seller’s lender, lienholders or other third parties

- [] Inform buyer’s broker that an offer to purchase, Item 7A of the RANM “Purchase Agreement –Residential Resale” Form 2104 notwithstanding, must include the first page of the *Desktop Underwriting* report indicating “Approve/Eligible” for the loan requested or, if purchase is “all cash” by *proof of funds* acceptable to seller
- [] Ensure that all brokers and *others* understand the nature of a short sale transaction and anticipated timelines of 30 -- 60 -- 90 days *after* the processing begins

E.g., Bank of America Short Sale Timeline Target from Submission of Full Package

A fully delegated short sale decision to be communicated in 45 days
 A non-delegated short sale decision to be communicated within 90 days
 Additional time may be needed due to seller or buyer delay

TASK	LENGTH	CUMMULATIVE
DAYS		
1. Loan is referred to Home Retention Division days	Start	0
2. File is opened as “Borrower Requested Assistance	1 day	1
3. Purchase Contract Received & Appraisal ordered	7 days	8
4. Appraisal completed	10 days	21
5. All documents collected by Phase #1 Negotiator	12 days	33
6. Analysis and negotiations completed by Phase #2 N	3 days	36
7. Decision	5 days	41
8. Approvals (depends on all involved)	2-30 days	43-90
9. Decision sent to seller days	2 days	45-90

Source: Effective Techniques to Expedite Short Sales, *An Audio Conference from* Campbell Communications, Inc.
 June 18,009

- [] Send fully executed purchase contract along with newly prepared “Preliminary HUD-1 and Lender Comparison Analysis form and letter requesting short sale approval based on the *Net Proceeds to Lender* indicated on line 504 of the HUD-1 Statement
- [] Complete contacts with all lien holders and secure release of lien from each on terms acceptable to seller such as reporting to credit agencies as “paid off in full for less than the full balance.”



4. Listing broker involvement from purchase contract submission through closing

Maintain ongoing contact with lender and other lienholders obtaining release of lien from each—

This ongoing involvement is on a persona basis—finding out where in the process the request for approval happens to be; volunteering providing of additional documentation, if required; finding out when the interior BPO will be ordered and that you will make sure the BPO broker and appraisers will have timely access to interior of property; monitoring the process timeline to make sure things are moving along expeditiously

Continue to monitor market conditions affecting the property—keeping in mind time remaining before foreclosure date

Listing broker, in communicating short sale progress to buyer's broker, must remember to maintain seller client's rights to confidentiality.

As the Realtor® Code of Ethics and good business practice requires, buyer's broker must work with and through the listing broker and not directly with seller or seller's lender, other lien holders or service providers

Keeping in mind to maintain ongoing communication with buyer's broker regarding seller's yet unresolved issues with seller's lender and other lienholders

Keep buyer's broker informed of progress along the short sale timeline; e.g., BPO ordered and performed and findings, appraisal ordered and findings, progress of request to negotiator #1 and negotiator #2, etc.

Stay informed through buyer's broker of buyer's progress in satisfying buyer's lender's requirements for removal of *conditions* for final loan approval and funding

For more resources visit the "Short Sale Resource Center" at www.LouTulga.com