



Short Sales

What is a short sale? A “Short Sale” is defined as a transaction where the debt (mortgages, deeds of trust, etc.) owed against the real property exceeds the purchase price.

Items to be aware of and consider when involved in a Short Sale:

- Any contract for a “Short Sale” should be contingent upon an approval from the Seller’s creditor(s) / lender(s) to sell the property for less than the total amount due them.
- There is no guarantee that the Seller’s lender(s) will agree to a Short Sale. The Buyer and Seller may incur costs for inspection fees, appraisals, etc., and not be able to close on the transaction.
- The Seller is responsible for making the initial request to their lender(s) to negotiate the Short Sale. Most lender(s) will require a “hardship” letter be submitted outlining the circumstances which created the need for a Short Sale. Additionally, they may require supporting documentation, i.e., financial records, employment and income information, tax returns, etc.
- A recent appraisal, a copy of the purchase contract and an estimated settlement statement should also be submitted to the lender(s) for approval purposes. The estimated settlement statement must reflect all charges and be as complete and accurate as possible.
- The lender(s) may place restrictions on the amount of commission that can be paid on a Short Sale.
- The process for receiving an answer as to whether or not the Short Sale is approved by the Seller’s Lender can take as much as 45 – 60 days.
- After approval is received, there may be a very short time-frame in which the closing must occur and funds must be delivered to the lender. In the event these requirements are not met, approval must be obtained from the lender for any extension of time. Foreclosure can occur during this time.
- Upon approval of a Short Sale, the Escrow Company must have a written demand for the amount of funds required for a full release of the debt against the real property.
- Remember that 1st and 2nd lenders do not typically work together or communicate with each other when negotiating a Short Sale. Separate approvals will be required from each lender.
- The Seller may receive a 1099 on any amount “forgiven” by the lender.
- The Seller’s credit may be negatively impacted by the occurrence of a Short Sale as the Lender may report that they released the debt for less than the total amount due.

FOR AN OFFICE NEAR YOU CALL THE OKLAHOMA CITY MAIN OFFICE AT (405) 236-2861

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