

Nathanson, Cipriano & Gambardella, P.C.
Attorneys at Law
PHONE 203 288 1333
FAX 203 287 0048
Main Office
60 Washington Ave.
Hamden, Connecticut 06518

NEWSLETTER

NOTE: If you think your colleagues would benefit from the information contained in this Newsletter, please forward it to them and ask them to reply to me by email for inclusion in this free Newsletter.

Also, if you have a topic you would like me to analyze and discuss, please email me and I would be glad to consider it in a future Newsletter

September 2016: SHORT SALE UPDATE

Many realtors are now dealing with short sale listings and short sale contracts. The purpose of this Newsletter is to offer some insights of what issues to expect and how to manage the most common concerns.

If you suspect that your client's expected sales price is not greater than the expenses of the sale (typical ones are mortgage payoffs, real estates commissions, town and state conveyance taxes, legal fees and recording costs), then you can expect to need short sale approval from the first mortgage lender (short sale Bank) so that a closing can occur. The following is a checklist of items that you or the lawyer representing the Seller must complete:

1. When you receive an acceptable offer or an offer your client wishes to counter, you must insert in the contract the following clause:

The contract is subject to the approval of _____ Bank no later than _____ [date].

The Buyer's real estate agent must be aware of the issue and what you are attempting to achieve.

2. You and/or the Seller's lawyer must negotiate with the short sale bank. However, the bank will not speak to you because of privacy rules. Therefore, you must get an authorization to speak with and negotiate with the Bank. You may use the following form:

AUTHORIZATION TO RELEASE INFORMATION

Account with _____ Bank; Number _____

Upon presentation of the original, photocopy or a facsimile of this signed authorization, I, _____ [name] (SS number _____) hereby authorize and direct _____ Bank to release and disclose any and all requested information regarding my account to _____.

You are hereby instructed to fully comply with this Authorization by providing only copies of any requested records, and you are further instructed to preserve the original records.

This authorization will expire one (1) year from the date below, whereby this signed Authorization will be null and void.

[signature]

3. The short sale Bank will also want to review the accepted offer, the listing agreement and have or conduct a market analysis of the property to see if the contract price is a fair one and arrived at by arms' length negotiation.

4. The Seller will have to provide a financial statement to make sure they cannot afford to make up the shortage from other sources.

5. The Bank will also want a preliminary HUD-1 settlement statement from you. This document is better prepared by the Seller's lawyer so that all anticipated closing expenses can be accurately included.

6. It is wise to ask the Seller to give to their lawyer the closing documents they received at the closing with the short sale Bank. Sometimes critical mistakes or errors in these documents can provide the lawyer with leverage to induce the short sale bank to accept the contract.

There are other matters that will arise during the course of the short sale. I have attempted to review the most important aspects that you will encounter through the process.

Don't hesitate to email me with any questions.

