

SHORT SALE ADDENDUM TO AGREEMENT OF SALE

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This form recommended and approved for but not restricted to use by the members of the Pennsylvania Association of REALTORS® (PAR)

PROPERTY _____
SELLER _____
BUYER _____
DATE OF AGREEMENT _____

- 1 This transaction is a potential Short Sale
- 2 A Short Sale is a transaction in which Seller's proceeds are less than the amount necessary to pay off liens secured by the property. Examples of such liens include, but are not limited to, mortgages, home equity lines of credit, tax claims, homeowners' association/condominium fees, and legal judgments
- 3 The Agreement of Sale is contingent upon Seller obtaining approval of the terms and conditions of the Agreement of Sale by each lender or other lien holder being asked to accept a payoff less than the full amount due ("Creditor(s)"). Buyer and Seller acknowledge that it may take an extended period of time to obtain Creditor approval of a Short Sale. Seller makes no representations about the response time of Creditors
- 4 Seller will submit the executed Agreement of Sale and all required documentation (See Notice Regarding Seller Documentation) to Creditors within 5 DAYS of execution of the Agreement of Sale.
- 5 If Creditors require a change in the terms or conditions relating to the transaction as a condition of approving the Agreement of Sale, Seller will communicate these requirements to Buyer in writing within 5 DAYS of receiving the requirements from Creditors. Buyer and Seller are not bound by any changes proposed by Creditors unless Buyer and Seller agree in writing to make those changes. If either Buyer or Seller refuse to accept any changes required by Creditors as a condition of approving the Agreement of Sale, Buyer or Seller may terminate the Agreement by written notice to the other party, with all deposit monies returned to the Buyer according to the terms of the Agreement of Sale.
- 6 If Creditor approval of the Agreement of Sale has not been received by _____, Buyer or Seller may terminate the Agreement of Sale by written notice to the other party, with all deposit monies returned to the Buyer according to the terms of the Agreement of Sale.
- 7 All other terms set forth in the Agreement of Sale, including inspection and contingency periods and all other time periods are as stated in the Agreement of Sale.

Buyer and Seller are advised to seek professional legal and financial advice before making a Short Sale offer.

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| WITNESS _____ | BUYER _____ | DATE _____ |
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NOTICE REGARDING SELLER DOCUMENTATION

Seller may be required to provide documentation to Creditors during the Short Sale process. Listed below are some items that may be requested during a Short Sale:

Hardship Letter: A letter composed by the Seller to explain the circumstances that led to the current financial situation.

Hardship Proof: Documents supporting the circumstances laid out in the hardship letter, which may include layoff notification, medical bills, death certificate, or divorce or bankruptcy papers.

Financial Statements: Documents stating monthly income and expenses.

Bank Statements: Last two months' statements to show balances and verify that deposits and withdraws are consistent with the financial statements.

Pay Stubs: The last 3 pay stubs to prove your current income or, if unemployed, a letter stating as much.

Tax Returns: The first two pages of Seller's last two tax returns or, if returns were not filed, a letter stating as much.

List of Repairs: Outline the costs required to bring the property to market value.

Listing Agreement: Includes the fee that is expected to be paid to Seller's agent.

Agreement of Sale: Complete offer for the property accepted by Buyer and Seller.

Net Sheet: Itemizes all closing costs and provides the amount the Creditors will receive at closing. A HUD-1 form may also be required at closing, which is normally provided by the title company or real estate attorney.

MLS Printout: Copy of the MLS listing as proof that the property is on the market.

NOTICE REGARDING MAINTENANCE AND REPAIR

Buyer is advised that in a Short Sale, Creditors will often retain the right to approve all financial aspects of the transaction, including expenses for repairs or ongoing maintenance of the Property. Creditors may not approve seller expenditures for these purposes, and Seller's financial situation may not allow for these costs to be covered directly by Seller.

NOTIFICATION TO BUYER OF A POTENTIAL SHORT SALE

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PROPERTY _____
BUYER _____
DATE _____

- 1 The Property may be subject to a Short Sale
- 2 A Short Sale is a transaction in which the seller's proceeds are less than the amount necessary to pay off liens secured by the property. Examples of such liens include, but are not limited to, mortgages, home equity lines of credit, tax claims, homeowners' association/condominium fees and legal judgments
- 3 A Short Sale may require the approval of one or more third parties, unlike a traditional transaction which only requires the approval of the buyer and seller. In a Short Sale, after the buyer and seller have agreed on the terms of the Agreement of Sale, the seller may need to request the approval of the lender(s) or other lien holder(s) ("Creditor(s)")
- 4 In a potential Short Sale, Creditors can take an extended period to respond to a Short Sale request. In some cases, Creditors do not respond at all. Delays in Creditor approval can make it difficult to set a specific settlement date
- 5 Creditors do not have an obligation to approve the terms of Buyer's offer to the seller. Creditors may add conditions or restrictions in accepting the offer. Common examples may include refusing to pay Buyer's closing costs or refusing to allow the seller to pay for repairs requested by Buyer. A buyer and seller are under no obligation to accept these conditions or restrictions from Creditors, although failure to accept them may result in termination of the Agreement
- 6 Buyer should consider making Buyer's offer contingent upon approval by Creditors and should retain the right to terminate at a specified time in the Short Sale process. Buyer is advised that a seller may elect to consider additional offers from other buyers until Creditor approval is obtained.

Buyer is advised to seek professional legal and financial advice before making a Short Sale offer.

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