

Short Sale Information

Short Sale Information Note: Neither the National Oceanic and Atmospheric Administration nor Prudential Relocation is responsible for the processing, approval, or management of short sales. Transferees must deal directly with their lenders with regard to short sales.

Purpose of this Information:

Short sales can be complex and time-consuming. The following notes are intended to provide NOAA transferees with information about short sales, so that transferees are better able to investigate short sales with their lenders. Neither NOAA nor Prudential can manage the short sale process.

The following provides an overview of key points to be aware of when considering a short sale. If you have questions, please contact your lender directly.

What is A Short Sale?

A short sale is a work out program that allows a customer to sell a home for less than the total amount owed, and is most commonly used to avoid foreclosure. However, employees who are accepting a job transfer may need to consider this option if they are unable to sell their home for the total amount owed.

A short sale can also be understood as an agreement between a borrower in distress and the lender that allows the borrower to sell the house and remit the proceeds to the lender. It is an alternative to foreclosure, or a deed in lieu of foreclosure.

Example: If the unpaid balance of a mortgage is \$100,000 and the property value or purchase offer is only \$90,000, then under a short sale the lender accepts \$90,000 as the payoff for the \$100,000 loan.

Short sales can be complex and time-consuming, especially if there is more than one mortgage on the property. Transferees who are interested in a short sale should contact their lender as soon as possible.

Who Might Qualify For A Short Sale?

Transferees who can objectively demonstrate that the fair market value of their home is less than the unpaid balance of the loan may be eligible candidates for a short sale. Also, transferees who can prove they are facing a legitimate hardship situation that hinders their ability to continue making payments on their mortgage may be eligible candidates for a short sale. A few common examples of such hardship situations are unemployment, bankruptcy, death of a spouse, inability to work due to a health crisis, and a divorce or separation. A relocation connected with employment is also a hardship situation that might qualify a borrower to apply for a short sale.

Short Sales and Home Sale Program Eligibility

Transferees considering a short sale must keep in mind that negotiating a short sale with their lender could be a lengthy process and will vary by lender. To remain eligible for the NOAA home sale program, a short sale must be negotiated and approved with the lender prior to the expiration of the Appraised Value offer.

Example: Date appraised value offer received + 60 days = Offer expiration date

Transferees utilizing the home sale program are not eligible to submit for direct reimbursement of home sale expenses.

Approved program closing costs include:

- Real estate broker's commission customary for the area (typically 6% or 7%)
- Reasonable and customary closing expenses generally paid by the seller
- Closing-related attorney's fees

Transferee Responsibilities

Transferees interested in a short sale should consult their financial advisor and/or a tax attorney to determine any tax implications, as well as the impact on one's credit and ability to purchase a new home. Short sales may have to be reported to the credit bureaus, which can have an impact upon one's credit reports and scores.

Transferees must assume the primary role in initiating and managing a short sale process. Neither Prudential Relocation nor NOAA manages short sales. Furthermore, the Privacy Act prohibits Prudential and NOAA involvement in the short sale process.

Lenders are responsible for negotiating a short sale and for presenting a short sale offer to the investor (such as Fannie Mae or Freddie Mac). Investors have final authority to accept or reject a short sale offer. This is the transferee's loan - so it is the transferee's responsibility to work it out with the lender. Not all short sales will be approved by the investors and lenders.

There are different types of short sales:

- **Straight short sale:** When lender accepts less than amount due
- **Short sale with repayment:** When borrower executes a separate promissory note for some portion of the loss, and/or may pay a separate amount at the time of closing
- **Multiple short sale:** When there is more than one mortgage lien and may be more than one lender

Employee - Lender Issues

Lenders have different short sale procedures. It is difficult to generalize about the process across all lenders. Consequently Prudential cannot give advice on the short sale process. When there is both a first and second mortgage, there may be two different investors, and both have to agree to the short sale.

The lender may require a letter of explanation outlining the hardship circumstances, proof of the borrower's current financial condition, or a formal appraisal of the property to determine its current fair market value. If you have reached an agreement to sell your home to a prospective buyer, the lender will want a copy of the purchase offer, the listing agreement, and other related sales documentation. A purchase offer (buyout offer) from Prudential Relocation would be equivalent to a purchase offer from a prospective buyer.

Note that the successful completion of a short sale with a lender may likely have an impact upon the transferee's ability to purchase another home. Someone who has gone through a short sale process may not be able to purchase a home again for up to 24 months, depending upon how the short sale was reported to the credit bureau.

The Short Sale Process

It is the transferee's responsibility to facilitate the process. Banks have numerous forms to be executed in a short sale - the transferee must stay in constant contact with the lender to facilitate completion and submission of forms.

If more than one bank is involved (more than one loan), the primary bank may have to deal with institutions that hold secondary liens. The transferee must also facilitate that interchange.

Transferees must deal and negotiate with lenders directly, not through Prudential or NOAA. For privacy reasons, neither Prudential nor title providers are involved in the employee's negotiation with the lender.

Some lenders require that the transferee show hardship in order to be considered for a short sale, documented with a hardship letter.

Short sales take a great deal of time and work, as well as the cooperation and approval of investors, lenders, and the private mortgage insurance company. Therefore, approvals can typically take 60-120 days and in some cases longer. Therefore, transferees should initiate the short sale process with their lenders as soon as possible. This means at the outset, or even

before, initiation of the home marketing service with Prudential Relocation. The transferee's loan balance, together with the Broker's Market Analysis or Broker's Price Opinion, may signal if a transferee should investigate a short sale. It may be prudent to notify your lender of your intention to sell your property as soon as the listing contract is signed (see also "Additional Information"), especially if you might owe more than what your home will sell for. To avoid potential delays, be sure to contact your lender's loss mitigation department - the group with which a transferee would negotiate a short sale - rather than the lender's collection or customer service departments.

Documents Typically Required to begin an Application for Short Sale Consideration

From the real estate agent:

- Fully executed listing agreement

From the Homeowner:

- Signed and dated financial worksheet listing all monthly expenses.
- Signed and dated hardship letter explaining why you are unable to pay the mortgage. (A job transfer qualifies as a hardship.)
- A letter authorizing the real estate agent access to information on the account.

Additional Information:

A short sale approval is typically good for 30 days. If closing does not occur within 30 days, the entire short sale package may need to be resubmitted with updated information, or the approval process may need to begin again.

In order to reduce the time to process a short sale request, it is strongly recommended that you notify your lender of your intention to sell your property as soon as the listing contract is signed. This will allow the lender to complete the property valuation and customer financial evaluation prior to receiving an offer. This can significantly reduce the short sale decision time on a submitted offer.

In some cases investors and/or PMI companies will require that an unsecured note be signed for some or all of the difference between the net proceeds from the sale and the total amount due. If this is the case, it will be communicated as part of the response on a short sale offer. Even in the instances where a promissory note is required, the customer's credit will still be impacted by the short sale.

Documents Typically Required by the Relocation Contractor (Prudential Relocation for NOAA Transferees) In order to Proceed with Final Acquisition under a Short Sale

- Final approval letter from the lender
- Any documents associated with the agreement, such as a signed copy of the promissory note
- Written confirmation from lender acknowledging lender's receipt of signed promissory note from employee

Final Remarks

A successful short sale requires much time and many separate transactions and exchanges of documents. Transferees must be persistent with their lenders and patient about the process. Not all lenders will accept a short sale, and lenders who accept short sales will not approve all that are proposed to them. Each lender must determine whether it is in their financial interest to accept such a transaction.