UNDERSTANDING SHORT SALES

This information is provided by your agent, real estate brokerage and Scioto Valley Association of REALTORS® as a helpful informational resource. The following is an explanation regarding some of the Practical and legal issues involved in Short Sales. Buyer and Seller are informed that the short sale process may have financial, credit or legal consequences and may result in taxable income to or deficiency owed by the seller. **Buyer and Seller are advised to seek advice from an attorney, certified public accountant or other expert regarding the potential consequences of a short sale.**

Short Sale Defined: The term "Short Sale" is used in the real estate business to describe a situation where there is more debt owing against a property than the current market value of the property, and where the seller is unwilling or unable to bring sufficient liquid assets to the closing to cure all deficiencies. In other words, the Seller can't sell the property unless the third parties or "Creditor(s)" agree to accept a payment that is less or "short" of the amounts actually owed to the Creditor(s). The Creditor(s) are usually mortgage lenders, mortgage insurers, bankruptcy trustees and federal, state and local taxing authorities such as the IRS or State Tax Commission.

No Binding Contract without Creditor(s) Approval: A Short Sale requires the written approval of the Creditor(s). Consequently, the Seller of the property and any Buyer, are advised that even if they reach an agreement between themselves for the purchase and sale of the property, that agreement will not be binding until the Creditor(s) approve the terms of the Short Sale.

Creditor(s) Rejection or Changes to Proposed Short Sale: Based upon the obvious financial loss, the Creditor(s) may reject a proposed Short Sale. If, however, the Creditor(s) do not reject the proposed Short Sale, they will usually send to the Seller a list of requested changes to the proposed purchase contract. Some of those changes will affect the Seller; and other may affect the Buyer. For example, the Creditor(s) may require that the property be sold "As-Is" condition. Also the Creditor(s) may not permit the Seller to pay for any of the Buyer's closing cost, repairs, etc. The Seller and the Buyer are not obligated to accept any of the changes requested by the Creditor(s), in which case, there will be no Short Sale. If, however, the Seller, the Buyer, and the Creditor(s) reach a written agreement with each other, then, at that point, the Short Sale transaction may proceed to closing.

Delays in Response from Third Parties: Most purchase contracts for Short Sales impose a deadline for written approval by the Creditor(s). As a practical matter, the Creditor(s) rarely meet that deadline.

THE SELLER AND THE BUYER SHOULD BE PREPARED FOR SIGNIFICANT DELAYS IN RECEIVING ANY RESPONSE FROM THE CREDITOR(S).

Right of Creditor(s) to Encourage Additional Offers: As a condition of considering any proposed Short Sale, the Creditor(s) may require that the Seller keep the property on the market, even after the Seller and the Buyer have agreed to the terms of a proposed purchase contract. As a reminder, the Creditor(s)

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are being requested to accept payment that is less than what is owed to them. Under those circumstances the Creditor(s) want to obtain the highest possible price for the property and therefore may require the Seller to keep the property on the market and promptly submit any additional purchase offers received.

THE SELLER AND THE BUYER SHOULD UNDERSTAND THAT THE CREDITOR(S) MAY NOT EVEN RESPOND TO A PROPOSED SHORT SALE TRANSACTION UNTIL THEY HAVE HAD AN OPPORTUNITY TO COMPARE THAT OFFER WITH OTHER PURCHASE OFFERS. THAT PROCESS MAY ALSO RESULT IN SIGNIFICANT DELAYS FOR ALL PARTIES.

Right of the Buyer to Cancel: As provided above, the Seller may be required by the Creditor(s) to continue to market the property even after the Seller and the Buyer have entered into a purchase agreement. Based upon that requirement, the Seller and the Buyer are also advised that until the Seller, the Buyer and the Creditor(s) reach a written agreement, the Buyer may cancel the proposed Short Sale transaction for any reason, or for no reason, by providing written notice to the Seller.

Legal and Tax Advice: A short sale may adversely affect the Seller's credit rating. Seller is advised to obtain legal advice regarding the advisability and terms of any short sale agreement with the Creditor(s) and professional tax advice regarding the tax implications of any such sale.

ACKNOWLEDGE OF RECEIPT

The undersigned acknowledge that they have read and understand this document.

______________________________________	______________________________________
Signature Date	Signature Date