



## SHORT SALE APPROVAL

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Getting approval for a short sale requires certain steps to be taken and certain forms to be provided before approval can be granted. Here is a brief outline of the approval process and the documentation that will likely be needed.

- 1.** Initial contact. The seller will want to contact the short sale department of the lender institution. While they might have to talk to several people along the way, they should find the person who can make a decision on their request as quickly as possible.
- 2.** Letter of authorization. They should write a letter that allows the lender to talk about their loan with interested parties. Such a letter shows cooperation on their part and could make the lender more cooperative.
- 3.** Preliminary net sheet. This is an estimated closing sheet that explains what they expect to receive from the sale. It should include statements about the cost of the sale, unpaid loan balances, outstanding payments due, late fees, real estate commissions and so forth. If the bottom line shows cash going to the seller, a short sale is probably not necessary.
- 4.** Hardship letter. This letter describes how the seller ended up in a financial bind and requests that the lender take less than the full payment for the loan. Lenders are typically open to legitimate setbacks (job loss, sudden illness, etc.), but they are not sympathetic toward dishonesty or criminal behavior. They must be honest about their circumstances.

- 5.** Proof of income and assets. Lenders may be open to negotiation, but they are not in the business of charity. They want assurances that the seller really cannot pay what's due before they move forward in forgiving the debt. Like the hardship letter, this statement of what the seller has must be honest about financial distress and reveal all assets.
- 6.** Copies of their bank statements. The seller will need to explain anything that might look out of the ordinary. Examples might be any unaccountable deposits, large cash withdrawals or a large number of checks written.
- 7.** Comparative market analysis. This statement provides information about the market value of the property and can help the seller explain why the full amount cannot be raised through the outright sale of the property.
- 8.** Purchase and listing agreements. When the seller has a contract with a buyer, he or she will need to provide a copy of the purchase agreement and listing agreement with the lender. The lender can refuse to pay some fees like termite inspections and they can renegotiate commissions.
- 9.** Adverse credit. You can ask the lender not to report the credit hit to credit reporting agencies, but the lender is not obligated to agree.