

SHORT SALE ADDENDUM



1 **PROPERTY ADDRESS:** _____

2 **BUYER NAME(s):** _____

3 **SELLER NAME(s):** _____

4 This *Short Sale Addendum* is made a part of the *Purchase and Sale Agreement* for the Property identified above. Should any
5 terms of this *Addendum* conflict with the terms of the *Purchase and Sale Agreement*, the terms of this *Addendum* will control.

6 **CONTINGENT ON THIRD PARTY APPROVAL:** A *Short Sale* is where the sales price is insufficient to pay the total
7 of all existing loans and other costs of the sale. One or more Third Parties (examples: lenders, mortgage insurers, etc.)
8 must approve of the *Short Sale*. The *Purchase and Sale Agreement* is contingent on such written Approval. The Third
9 Parties must approve of the sales price, the closing costs, the net proceeds to the Third Parties, the real estate commissions
10 (this may affect the compensation offered to cooperating brokers), and all other terms of the *Purchase and Sale Agreement*.

11 **NO BINDING CONTRACT:** There is no Binding Contract until all Third Parties have given written Approval of the
12 *Purchase and Sale Agreement* that was accepted by the Buyer and Seller.

13 **TIME PERIODS:** Time periods for inspections, due diligence, the commitment letter, the delivery of earnest money, and
14 any other time periods specified in the *Purchase and Sale Agreement* **will begin on the date when all Third Parties have**
15 **given written Approval** of the *Purchase and Sale Agreement*.

16 **BUYER'S RIGHT TO CANCEL:** At any time **before** receiving a copy of the Third Parties' written Approval, the Buyer
17 may cancel this *Agreement* by delivering a written ***Notice of Cancellation*** to the Seller.

18 **CAUTION TO BUYER:**

- 19 - Before entering into a *Short Sale* agreement, **the Buyer should seek the advice of an attorney on any title or**
20 **title insurance issues or other matters of concern.** Real estate licensees cannot give legal advice.
- 21 - Due to the involvement of one or more Third Parties, and the more complicated nature of a *Short Sale*, it may take an
22 **excessively long period of time** to obtain the required approvals. When preparing the offer, the Buyer should consider
23 using an extended time period for the Closing Date. Lock-in periods for the interest rate should also be extended.
- 24 - Before receiving the Approval, the Seller can continue to market the property and could accept an offer from another buyer.
- 25 - It is possible that a Third Party could make a counter-proposal or may not give their approval at all.
- 26 - Third Party Approval is not always given in writing. Even with written Approval, too much time could elapse and the
27 *Purchase and Sale Agreement* could expire, or the property could go into full foreclosure, or other complications could
28 arise that might prevent the *Short Sale* from closing.
- 29 - Because of the uncertainties, delays, and risks associated with a *Short Sale*, the Buyer should proceed with caution.
- 30 - Certain Buyer expenses (application fees, inspection fees, appraisal fees, interest rate lock-in fees, etc.) are not refundable.

31 **CAUTION TO SELLER:**

- 32 - Before entering into a *Short Sale* agreement, **the Seller should seek professional legal, tax, and credit advice**
33 regarding the advisability, terms, and important tax and credit implications. All available alternatives to a *Short Sale*
34 should be carefully considered. Real estate licensees cannot give legal or tax advice.
- 35 - A *Short Sale* may have a negative impact on the Seller's credit rating.
- 36 - A *Short Sale* may result in taxable income to the Seller or taxable gains on the property.
- 37 - The Seller may be required to pay back some or all of the shortage after the *Short Sale* is complete.
- 38 - The Seller will typically receive no cash from a *Short Sale*. Any proceeds will usually be paid to Third Parties.
- 39 - Lack of Third Party Approval or other complications could delay or prevent the completion of the *Short Sale*.

40 X _____ X _____
Buyer Signature Date & Time Buyer Signature Date & Time

41 X _____ X _____
Seller Signature Date & Time Seller Signature Date & Time
