

MIDLAND TITLE AND ESCROW

SHORT SALE PROGRAM



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Understanding the Short Sale Process

THIS FORM IS FOR YOUR INFORMATION ONLY

THE SHORT SALE DEFINED: The term "Short Sale" is used in the real estate industry to describe a situation where the debt owing against a property is greater than the fair market value of the property. In other words, the owner cannot sell the property unless the creditor(s) ("Third Parties") agree to accept a payment that is less, or short, of the amount(s) actually owed to the Third Parties. The Third Parties are usually mortgage lenders, mortgage insurers, bankruptcy trustees, and federal, state and local taxing authorities (such as IRS or State Tax Commission).

NO BINDING CONTRACT WITHOUT THIRD PARTY APPROVAL: A Short Sale requires the written approval of the Third Parties. Consequently, the owner of the property, and any interested 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 Third Parties approve the terms of the Short Sale. A proposed Short Sale may require that the seller provide a list of the Third Parties having an interest in the Real Estate. If the seller wished to keep that information confidential during the approval process, the provision should be deleted in the proposal. The interested buyer may insist on such information to determine the complexity of reaching an agreement between the seller, buyer, and Third Parties. Earnest Money may not be required until all parties have reached an agreement on the terms of the Short Sale.

THIRD PARTY REJECTION OR CHANGES TO PROPOSED SHORT SALE: Based upon the obvious financial loss, Third Parties will often reject a proposed short sale. If however, the Third Parties do not reject the proposed Short Sale they will usually send to the owner a list of requested changes to the proposed purchase contract. Some of the changes may affect the owner and others may affect the interested buyer. For example, the Third Parties may require that the property be sold in "as-is" conditions. Also, the Third parties will often not permit the owner to pay for any of the buyer's closing costs, repairs, *etc.* The owner and the interested buyer are not obligated to accept any of the changes requested by the Third-Parties in which case, there will be no Short Sale. If, however, the owner, the interested buyer, and the Third parties reach a written agreement with each other, the Short Sale transaction may proceed to closing. Please note that if the property is in foreclosure during the pendency of the Short Sale action may be necessary by the seller to redeem the property to complete the Short Sale.

DELAYS IN RESPONSE FROM THE THIRD PARTIES: Most purchase contracts for Short Sales impose a deadline for written approval by the Third Parties. Communication between the Listing and Selling agents should take place to determine the status of any action previously taken to facilitate a Short Sale and a practical approval deadline. It should be noted, however, that the Third Parties rarely meet that deadline. **THE OWNER AND THE INTERESTED BUYER SHOULD BE PREPARED FOR SIGNIFICANT DELAYS IN RECEIVING ANY RESPONSE FROM THE THIRD PARTIES.** Written extensions to the deadline should be obtained, if necessary. Otherwise, the proposed Short Sale may be deemed null and void.

RIGHT OF THIRD PARTIES TO ENCOURAGE ADDITIONAL OFFERS: As a condition of considering any proposed Short Sale, the Third Parties will usually require that the owner keep the property on the market, even after the owner and the interested buyer have agreed to the terms of a proposed purchase contract. Because the Third Parties are being asked to accept payment that is less than what is owed to them, they want to obtain the highest possible price for the property. Therefore, it is to their advantage to require the owner to keep the property on the market and to promptly submit to the Third Parties any additional purchase offers that the owner may receive from other interested buyers. **THE OWNER AND THE INTERESTED BUYER SHOULD UNDERSTAND THAT THE THIRD PARTIES MAY NOT 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 SELLER OR BUYER TO CANCEL: As provided in paragraph 5 above, the owner will usually be required by the Third Parties to continue to market the property even after the owner and the interested buyer have entered into a purchase agreement. Based upon that requirement, the owner and the interested buyer are also advised that until the owner, the interested buyer, and the Third Parties reach a written agreement, the seller or the interested buyer may cancel the proposed Short Sale Transaction for any reason, or for no reason, by providing written notice to the other Party

LEGAL AND TAX ADIVCE: THIS FORM IS FOR YOUR INFORMATION ONLY AND DOES NOT PROVIDE ANY LEGAL OR TAX ADVICE REGARDING SHORT SALES. YOU ARE ADVISED TO OBTAIN ADVICE FROM A LEGAL AND/OR TAX PROFESSIONAL ON THE ADVISABILTY OF ANY SHORT SALE.

ACKNOWLEDGEMENT OF RECEIPT

SIGNATURE

Date

SIGNATURE

Date

Authorization to Release Information

I hereby authorize Midland Title and Escrow, Ltd. of Toledo, Ohio (whose phone number is 419-531-1192 and fax number is 419-531-0635 and/or any designated agent or assistant to verify any and all information pertaining to the mortgage or property detailed below and any additional financial information pertaining to this property including homeowner's association, taxes, liens and any other encumbrances.

I/We, hereby release(lender/lenders), its affiliates, employees, agents and directors from any claims that might arise in connection with this authorization. This authorization shall remain in effect until revoked in writing.

It is understood that a photocopy or fax of this form will also serve as authorization.

Property:

<i>Street Address</i>	<i>City</i>	<i>State</i>	<i>zip</i>
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1st Mortgage:

<i>Mortgage Company</i>	<i>Account Number</i>
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<i>Phone Number</i>	<i>Fax Number</i>
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<i>Address</i>	<i>City, State, Zip</i>
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<i>Loss Mitigation Contact</i>	<i>Direct Phone (1 Available)</i>
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<i>Address</i>	<i>City, State, Zip</i>
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<i>Loss Mitigation Contact</i>	<i>Direct Phone (1 Available)</i>
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2nd Mortgage:

<i>Mortgage Company</i>	<i>Account Number</i>
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<i>Phone Number</i>	<i>Fax Number</i>
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<i>Address</i>	<i>City, State, zip</i>
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<i>Loss Mitigation Contact</i>	<i>Direct Phone of Available)</i>
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<i>Address</i>	<i>City, State, zip</i>
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<i>Loss Mitigation Contact</i>	<i>Direct Phone of Available)</i>
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Condominium or Homeowner's Association (if any):

<i>Account Number</i>	<i>Management Company</i>
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<i>Phone Number:</i>	<i>Fax Number:</i>
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Authorized By:

<i>Borrower Signature</i>	<i>Social Security No.</i>	<i>Date of Birth</i>
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<i>Printed Name</i>	<i>Today's Date</i>
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<i>Co-Borrower Signature</i>	<i>Social Security No.</i>	<i>Date of Birth</i>
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<i>Printed Name</i>	<i>Today's Date</i>
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Short Sale Package Checklist

Seller's Names: _____

Address: _____

Items

- _____ **General Information Form** (form)
(Sign and Date)
- _____ **Seller's Financial Statement** (form) (must be signed and dated by all borrowers)
- _____ **Hardship Letter** (sample included)
(Sign and Date)
- _____ **Authorization to Release Information** (form) (one form for each loan with lender name and Loan Number, must be signed and dated)
- _____ **Bank Statements - Checking and Savings**
(Two months, sign and date with all print outs)
- _____ **Understanding the Short Sale Process**
(Sign and Date)
- _____ **Federal Tax Returns with all W-2's and Schedules**
(copies of last two years or copy of extension, Sign and Date)
- If the above is unavailable fill out IRS Form 4506 to Request for Copy of Tax Returns (Sign and Date)
- _____ **Realtor Listing Agreement(s), Price Reduction Agreements and Marketing Efforts**
(if currently listed)
- _____ **MLS Listing Sheet**
(if currently listed)
- _____ **Mortgage Statements**
(Two months of most recent statements on property)
- _____ **Paycheck Stubs**
(copy of last two months)
- _____ **Other Account Statements** (i.e. Credit Cards, Auto Loans, Student Loans, etc.)
(Two months most recent account statements for expenses listed on financial statement)
- _____ **Buyer Pre-Approval Letter or Proof of Funds**

FINANCIAL STATEMENT

BORROWER				CO-BORROWER		
Borrower's Name				Borrower's Name		
Social Security	Home Phone	Work Phone		Social Security #	Home Phone	Work Phone
Mailing Address				Property Address		
Do you occupy the property?	Is it a Rental?	If so, what is the month rental Income? \$		Is the property Listed for sale?	If so, with whom?	
Real Estate Agent's Name					Agent's Phone Number	
Have you contacted a credit counseling service for help?	If so, Credit Counseling Representative name:				Rep's Phone:	
Do you pay Real Estate Taxes? (outside of Mortgage Payments)				Are the taxes current?		
Have you filed Bankruptcy?	If Yes Ch. 7 or Ch. 13	Filing Date:	Attorney's Name		Are there other liens on the Property?	
			Attorney's Phone			

INCOME			
	Borrower	Co-Borrower	Total
Wages	\$	\$	\$
Retirement - Military			\$
Retirement - Civil Service		\$	
Disability	\$		\$
Social Security		\$	\$
Unemployment	\$	\$	
Rents Received	\$	\$	\$
Other	\$	\$	
Total	\$	\$	\$

Assets & Liabilities		
	Borrower Est. Value :	Co-Borrower - Est. Value:
Checking Accounts	\$	\$
Savings/Money Market	\$	
Stocks/Bonds/CDs	\$	
IRA/Keogh Accounts	\$	
401k/ESOP Accounts	\$	\$
Home	\$	\$
Other Real Estate	\$	\$
Cars	\$	\$
Total	\$	\$

FINANCIAL STATEMENT

EXPENSES			
	Monthly Payment	Balance	Name of Creditor
Home Mortgage	\$	\$	
2nd Mortgage	\$	\$	
Auto Loan	\$	\$	
Auto Loan	\$	\$	
Creditor	\$	\$	
Creditor	\$	\$	
Creditor	\$	\$	
Creditor	\$	\$	
Creditor	\$	\$	
Creditor	\$	\$	
Creditor	\$	\$	
Creditor	\$	\$	
Creditor	\$	\$	
Student Loans	\$	\$	
Alimony/Child Support	\$	\$	
Child Care	\$	\$	
IRS	\$	\$	
Chapter 13	\$	\$	
Electricity	\$	\$	
Heating Fuel	\$	\$	
Water & Sewer	\$	\$	
Telephone	\$	\$	
Cable	\$	\$	
Auto Insurance	\$	\$	
Health Insurance	\$	\$	
Life Insurance	\$	\$	
Medical/Dental Exp.	\$	\$	

General Information Form

Borrower's Names	Email Address	
Home Phone	Work Phone	Fax
Borrower's Names	Email Address	
Home Phone	Work Phone	Fax
Borrower's Names	Email Address	
Home Phone	Work Phone	Fax
Borrower's Names	Email Address	
Home Phone	Work Phone	Fax

Property Address:

Street Address City, State, Zip

Mailing Address

Street Address City, State, Zip

Type of Property: _____
If Multi Family Home, how many units? _____
If Other, please explain: _____

How many payments are you behind? _____

How many mortgages/Home Equity Lines of Credit are there on the property? _____

1st Mortgage Balance / Lender / Payment P&I: _____

2nd Mortgage Balance / Lender / Payment / P&I: _____

3rd Mortgage Balance / Lender / Payment / P& I: _____

Taxes (annually)

Insurance (annually)

Are there any existing or open liens, code violations, or unpaid taxes? Yes _____ No _____

If you are not living in the property, is it rented? Yes _____ No _____

If yes, at \$ _____ /month

If you are not living in the property, is it vacant? Yes _____ No _____

What is the condition of the property? (list any repairs that are needed on the property)

What is your estimate of the current (as-is) market value? _____

Is the property, listed on the Multiple Listing System _____ Yes (for months) _____ No _____

Multiple Listing System - used by Realtors to advertise and market homes for sale.

SAMPLE LETTER

Seller Hardship Letter

Date:

Lender:

Attn: Loss Mitigation

RE: Hardship Letter —Property Address:

Account Number:

To Whom It May Concern:

To Whom It May Concern:

I purchased my home in 2005 and we had the income at the time to support the mortgage.

In early 2006, my mother was diagnosed with Alzheimer's disease and needed to be put in a nursing home, which was very expensive. She later passed away in November 2006. At this time, my husband lost his job and has since taken a significance cut in pay. We love our home and do not want to lose it but we have come to terms with the fact that we cannot afford to keep it.

This left me with the financial burden of paying the mortgage. I make \$35,000 annually and I have exhausted all of my savings, IRA's and my children's college funds. I used to keep the mortgage payments current until May 2009.

In May 2009, I was no longer able to make payments and inquired about partial payments, payment plans, and refinance; I was denied on all accounts. In July 2009, I put the house up for sale with (Your Agent's Name and Brokerage Firm) who specializes in pre-foreclosure properties and short sales,

My financial situation cannot sustain a home mortgage of nearly \$2800 per month. I want to sell the home, avoid foreclosure and salvage my credit. I know that a foreclosure on my record will affect me for years to come; I would ask that you please assist me in avoiding this.

Since the house has been on the market this is the only offer that we have received. Please accept this offer as payment in full. My agent will continue to market the house.

I deeply appreciate your help and understanding in this matter. If you have any questions, or need anything further from me, please contact my agent or me personally.

Sincerely,

Jane Seller

Seller Hardship Letter

In order to complete a Short Sale, you will be asked to complete a "Seller Hardship Letter" for the lender. A Hardship Letter will illustrate that a Short Sale is the preferable alternative for both you and the lender. It is important that you give a clear view of your financial situation and how it is leading toward bankruptcy or foreclosure, or both.

Hints:

- Write the letter in your own words.
- Be as specific as possible. Give the reasons for your financial situation.
- Back those claims of hardship up with supporting documentation: pay stubs, medical bills, job layoff letters, and divorce decrees - anything that has an impact on your financial situation.
- Make it clear that without a short sale, you will have to file for bankruptcy and/or the bank will need to foreclose on the property.
- Remember that most banks do not want to foreclose on the house. Foreclosures cost the bank money in legal fees and afterwards they are the owners of the property that they must sell in an already slow market. They must also then arrange and pay for upkeep on the property. Your letter should give the impression that a short sale would be best for all parties involved.

Listing Addendum

Brokerage: _____
Property Address: _____
Seller: _____ Seller: _____

This Addendum will serve to modify the listing agreement entered into the parties above for the above property.

Scheduled Price Reductions - the sale price of the property will be lowered as follows:

on

on

on

Each Price reduction whether noted here or otherwise shall extend the term of this listing agreement by 30 days for each adjustment. The listing period shall also be extended for the time with which the property is under contract should the transaction not close.

The property in question _____ is _____ is not a potential short sale the following do not apply.

Commissions - in the case of a short sale it is understood that the seller is experiencing financial hardship and they will not be responsible for any commissions or fees to the listing brokerage.

Any commissions will be paid by the seller's mortgage company.

Listing Termination - it is understood that in the case that the seller's mortgage company will not cooperate with a short sale this listing agreement can be terminated by the broker without further notice. It is further understood that in the case the seller will not provide necessary documentation, communicate with lender or lenders, communicate with lien holders or in any other way not participate in the short sale process this listing can be terminated by broker without further notice.

By signing this disclosure, you acknowledge that you have read and understand this addendum.

Sellers Signature

Date

Sellers Signature

Date

Listing Price Worksheet

Date: _____
Owner: _____
Address: _____
Prepared by: _____

Timing:

Approximate time left before Foreclosure or Pre-Foreclosure or desired length of sale:

_____ Foreclosure length in State (convert to days)
_____ Payments missed
_____ Payments left
_____ Approximate time remaining in days

- Or -

_____ Desired length of sale in days
_____ Days on the market

Current Market Value

\$ _____ Fair Market Value (according to detailed CMA or area summary)

Repair

\$ _____ Approximate Repairs or Cosmetics Needed

Mortgage Balances

\$ _____ What is owed on the property

Pricing Strategies

_____ Fair Market Value
_____ Less Repairs
_____ Subtotal
_____ Adjustment for Days on Market
_____ Initial Listing Price
_____ Less Approximate Closing Costs
_____ Net Sales Price
_____ Mortgage Balance
_____ Difference

SHORT SALE DISCLOSURE

Brokerage: _____ Listing Agent: _____

Street Address: _____

Seller: _____ Buyer: _____

This disclosure will serve as an independent agreement and relates to the contract executed by the buyer and seller named above. It is expressly understood by all parties that the seller owes more than the amount of the contract and is unable to bring cash to closing; therefore the sale will require the approval of the lender.

Please note that the property will continue to be on the market until the lender accepts an offer.

Following are some potential issues that can affect a short sale:

1. After the lender receives the short sale packet, the lender may require at least 30-45 business days to approve the short sale. After approval, the sale must close within a lender approved time frame, typically 30 calendar days.
2. The seller will receive no cash from this transaction. Any funds usually due to the seller will be paid to the lender.
3. The seller has no additional cash and will be unable to pay for any closing costs, such as the buyer's appraisal or home warranty. Should the buyer desire a home warranty they are free to purchase one at closing.
4. The seller may be unable to pay for maintaining the property. The property will remain in the current condition through closing; the seller will not be able to make any repairs to the property.
5. The seller's broker will split the commission 50/50 with the buyer's broker on any commission paid by the lender that is under what has been advertised in the MLS. Please note that since the lender is taking less than what is owed to them in a short sale, the lender in some cases may negotiate a lower commission percentage.
6. The seller's forgiven or cancelled debt may be taxable income. The seller should discuss this matter with a tax professional. This has no bearing whatsoever on the buyer.
7. In some cases the lender may pursue a deficiency judgment against the seller for any funds not collected at closing. This has no bearing whatsoever on the buyer.

By signing this disclosure, you acknowledge that you have read and understand these situations. Any changes to the commission rate will be provided by the lender at the time of the lender's final approval of this short sale.

Seller's Signature	Date	Buyer's Signature	Date
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Seller's Signature	Date	Buyer's Signature	Date
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Listing Broker's Signature	Date	Selling Broker's Signature	Date
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Listing Brokerage/Company		Selling Brokerage/Company	
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Listing Agent	Date	Selling Agent	Date
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Understanding Short Sales

Initials

I acknowledge and understand that the information supplied to me is only general and is not to be relied upon as legal opinion.

That a Short Sale is when my lender(s) agree to accept less than the actual loan balance currently owed, and that as a consequence of them accepting less, one of the following may occur:

(a) My lender(s) has the right to pursue a deficiency judgment against me. The judgment represents the monetary amount of the difference between the amount owed and the amount my lender(s) accept as full payment, unless they grant a waiver of the deficiency judgment.

(b) My lender(s) has the right to issue an IRS Form 1099 to me, representing income for the monetary amount of the difference between the amount I owe and the amount my lender(s) accept as full payment.

I understand that I should contact my attorney and/or tax advisor for advice regarding all matters associated with a Short Sale or for any of the foregoing consequences.

I understand that a Short Sale, attempted by the Buyer, may not be successful and that as a result my property may be sold at auction in which case I will likely receive a Foreclosure on my credit.

I understand that if I, the Seller(s), do not provide Lender with complete copies of all requested documents and information in a timely fashion in order to process a Short Sale then in some cases the Lender may cancel and void the Sale and Purchase Contract and Bill of Sale, without notice, and immediately cease all related activities.

That the Buyer of a Short Sale property could be an investor who intends to resell, the property for a profit as soon as possible.

Seller understands that if their checking or savings accounts are held by or in any way associated with any of their mortgagees (i.e.) their mortgage lenders) then these mortgagees may have the right to take these monies to cover unpaid mortgage payments without notice to the seller.

Signatures:



THE SHORT SALE PROCESS

We provide you with a simple-to-follow document checklist and documentation to assist you in explaining, screening and properly qualifying a short sale listing.

You submit a title order and Short Sale Package to Midland through our Paperless Closer online software, via Fax 419-531-0635 or email to Packages@midlandtoledo.com.

We immediately prepare a lien search at no cost to identify all lien holders. Upon receipt of purchase contract, we then contact all lien holders to advise them of a pending short sale.

We prepare a "preliminary closing statement" and submit the package to the servicing lender.

Once an executed contract is obtained we will re-submit to the Servicing Lender (with a package) and all other lien holders and then communicate with them to secure approval.

You will have continuous access to the progress of your file by utilizing our Paperless Closer software. All information will be available online 24 hours a day to all authorized parties. Please see your Midland sale representative to be set up on this program.

Once approval from all lien holders is obtained we will coordinate the closing with all authorized parties.



REALTOR RESPONSIBILITIES

Items for Agent to Complete on a Short-Sale Transaction

- Complete and email General Information Form
- Email signed listing agreement
- Email MLS Listing
- CMA (min of 3 comparables) with average days on market or Complete CMA Package
- Email Listing History
 - Original List and Price
 - Dates and price of all changes during listing
 - Number of showings
 - Number and terms of all offers
 - Marketing Efforts
 - Any other listing activity that can be supplied
- Email photos of listing (show home and condition)
- From Realtor perspective, list all items required to make home in perfect conditions ("Repairs Required" form signed by seller)
- Email Purchase Agreement when received, including short sale listing addendum.