



VIRGINIA ASSOCIATION OF REALTORS®



SHORT SALE ADDENDUM TO RESIDENTIAL CONTRACT OF PURCHASE

THIS SHORT SALE ADDENDUM is attached to and made a part of that Residential Contract of Purchase dated as of the ___ day of ___, 20___, by and between ___ (the "Seller") and ___ (the "Purchaser") for the sale of that certain real property located in the County or City of ___, Virginia, described in the Listing as ___

SAMPLE FORM ___ (the "Property"), and provides as follows:

- 1. Short Sale: Seller does hereby acknowledge to Purchaser that this transaction might or will require lien holder approval as a short sale. As used herein, the term short sale refers to a sale of the Property in which: (a) the purchase price, net of the costs of sale, is or might be less than the amount of all obligations secured by liens on the Property, including without limitation mortgage loans, credit lines, judgments, association liens, property taxes and liens, mechanics liens, water and sewer fees and liens, and other liens that must be released in order for Seller to deliver marketable title to a purchaser; (b) Seller does not have sufficient liquid assets to pay any resulting deficiencies; and (c) lien holders who will not be paid in full agree to release their liens upon payment of sums less than the amounts owed on the obligations secured by the liens.
2. Short Sale Contingency: (a) This Contract and Seller's obligations hereunder are contingent until midnight ___ days after this Contract is fully ratified by Purchaser and Seller (the "Deadline") on Seller's obtaining approval, from those of Seller's lien holders whose obligations will not be fully paid at settlement, to release such liens in return for the net proceeds of the sale. If Seller has not delivered by the Deadline copies of written lien-holder approvals or, if written approvals are not available, other evidence of such approvals reasonably acceptable to Purchaser, this contingency shall continue automatically until midnight on the third business day after Purchaser notifies Seller in writing that this Contract will terminate unless Seller has provided Purchaser evidence of all required written approvals prior to the expiration of such three-day period. If Seller receives notice from its lien-holder of rejection of this Contract, this Contract shall terminate upon Seller's delivery of notice of such rejection to Purchaser. Seller will pursue lien-holder approval in good faith, and hereby authorizes Listing Company to notify Purchaser of its progress toward approval. As used in this Section 2, the term business day shall mean a day that is not a weekend or federal banking holiday.
3. Purchaser Acknowledgements and Agreements: Purchaser acknowledges and agrees as follows: (a) Lien holders and lenders are not obligated to approve a short sale, and may impose additional requirements on the consideration of a short sale. Seller has no control over any such approval or over the time required to obtain necessary approvals. (b) Seller and Listing Company are under no obligation to agree to reduce the commission set forth in their listing agreement in order to secure the approval of lien holders. (c) Purchaser might be required by Seller's lien holder to make underwriting application with its specified lender, and Purchaser agrees to comply timely with such requirement whether or not Purchaser has been approved for financing elsewhere. Purchaser shall be under no obligation to accept financing from such specified lender. (d) Any consent by lien holders may be made on the condition that none of the terms of this Contract be altered in any material way, and therefore any changes to the date of settlement, the price, Seller concessions, commissions, or other material changes will require further consents by lien holders and could result in delays in settlement or withdrawal of approval. (e) Seller might be unable to make repairs to the Property requested by Purchaser as a result of any inspection of the Property by Purchaser. (f) There is no guarantee that the short sale process will interrupt any current or future foreclosure proceedings against Seller and the Property. Foreclosure before settlement will terminate this Contract, in which event the earnest money deposit will be returned to Purchaser.

SHORT SALES: INFORMATION FOR PURCHASERS

In discussing Purchasers' real estate needs with a broker, Purchasers have expressed the possibility in being involved in a short sale transaction, that is, a transaction that might require lien holder approval because the purchase price sellers expect to receive for their property, net of the costs of sale, is or might be less than the amount of all obligations secured by liens on the property, and sellers do not have liquid assets sufficient to pay any deficiency at settlement.

Purchasers should consider the following information carefully:

- (1) Your contract will be with the sellers of the property and not with their lender(s), but approval by sellers' lender(s) and other lien holders not being paid in full at settlement will be required. The approval period can be lengthy, and can sometimes require 120 days or more to obtain. You must be willing and able to await these approvals. If you cannot await these approvals, or if you have strict and relatively short time horizons for closing on or taking possession of a home, a short sale might not be the transaction for you. Even if you are able to wait, there is no guarantee of approval. Sellers' lien holders (or their mortgage insurance company) might reject the terms of your contract or might request that the terms be re-negotiated.
- (2) You can make your offer more attractive, and increase your chances of success, by performing needed inspections before entering into a contract with sellers and putting the cost of needed repairs in the price, or doing such inspections as soon after ratification as possible and making price adjustments early in the process. Sellers and sellers' lien holders will likely not fund any repairs to the property. It is also highly recommended that you obtain financing approval before commencing the short sale process and that you inform your lender of your plans. You might save some expense by delaying inspections and loan applications until after short sale approval is obtained, but such delay will likely diminish your chance of approval. You should discuss your strategy carefully with your broker to decide on a plan that makes most sense for you.
- (3) You should be prepared to make loan underwriting application with sellers' lien holder's specified lender. This application is to assure the lien holder of your ability to obtain and close on your chosen financing - something that is important to the lien holder in the context of the short sale. This application will not interfere with your own financing arrangements; the lien holder's specified lender may not legally insist that you obtain your financing through such lender.
- (4) Once lender approval is obtained, settlement will often occur very quickly. It is common for sellers' lien holders to require settlement within 30 days, and often within as little as 7 to 14 days.
- (5) There is no guarantee that the short sale process will interrupt foreclosure proceedings against sellers and the property. Foreclosure before settlement will terminate your contract with sellers.
- (6) Sellers might continue to market the property while awaiting lien holder approval of your contract. Because your contract will be contingent on lien holder approval, your contract might be at risk of better offers on the property. As is true in virtually all real estate negotiations, your chances of winning approval will be in direct proportion to the desirability of your contract offer. Clean contracts at a reasonable price with approved financing at the ready will generally be advantageous.
- (7) You are encouraged to obtain a title search of the property as soon as possible after obtaining a ratified contract. This will alert you not only to ordinary issues of title that might need to be reviewed and addressed (such as covenants, easements, and other adverse rights) but also to liens that will need to be released by the seller. This information will allow you to monitor more effectively your seller's progress in obtaining necessary lien-holder consents.

Before undertaking the short sale process, purchasers should be sure their circumstances and personal needs afford them the time and patience to take advantage of the potential benefits of purchasing a short sale property. Your broker will have very limited control over the approval process, but can assist you in crafting a strategy that makes sense for you and in preparing an offer that reflects and protects your interests.

PURCHASERS

_____ / _____ (SEAL)
Date Purchaser

_____ / _____ (SEAL)
Date Purchaser

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