



To download the required documents, click on the following link:  
<http://www.nat.com/colorado/documents/NATSSTARReqDocs.pdf>

## North American Title is pleased to announce its exclusive

### **What is a Short Sale?**

A short sale, also known as a short pay or short payoff, allows a homeowner to sell their property for less than the amount owed on the mortgage. It is an agreement with the homeowner's lender to accept less than what is owed against the property on the mortgage to allow closing (balance is not always forgiven).

### **Qualify the Property:**

Take a detailed look at the property. List all loans/liens in order of priority, then determine the rights of each position.

### **Qualify the Homeowner:**

It is important before you take a listing to educate the homeowner that you need their cooperation in order for the lender to approve the short sale. They need to understand they will be required to provide you with current financial information necessary to complete the lender's loss mitigation package. It is helpful if you gather this information in advance to alleviate any surprises. Some lenders will have you submit this information before you receive an offer; however, others will require the package be submitted with an offer.

You will need to determine if the owner has a hardship that will qualify for a short sale and if the hardship or assets will be a factor in negotiating the short sale.

If the loan is recourse, which means the owner is personally liable for the loan shortage, your Seller will need to be aware that the Lender may require them to execute a separate promissory note for a portion of the shortage, seek a deficiency judgment, or a 1099 may be issued.



## Making Money Through Short Sales

**How do I help sellers through the short sale process and make money at the same time?**

There are typically two obstacles when dealing with a short sale:

### **1. Time**

### **2. Closing Ratio**

At North American Title, we have developed the NATSSTAR program. This program can eliminate up to 60% of the time a broker normally spends on a short-sale transaction. It can double or triple your closing ratio. The most effective way to maximize loss mitigation is communication and persistence. Through our NATSSTAR program, we are able to help alleviate some of the frustrating calls normally associated with the short-sale process.

The biggest frustration in a short sale is spending your valuable time on hold and leaving voicemails that are not returned. Our NATSSTAR program is your solution to this unnerving problem.

We have created our NATSSTAR program to alleviate the time you spend and headache to get to the person at the bank that makes the decisions. This department will find out the status of files, find out if the lender is in need of any additional information, find out if BPO's or appraisals have been ordered, and finally when the file will be turned over to the negotiator or loss mitigator. Our NATSSTAR department will communicate with you every step of the way. In return, your Escrow Officer will communicate with you in a timely manner in regards to these updates. At the time, the NATSSTAR department is notified that the file is ready from the loss mitigator the information will be turned back over to you and you will complete the negotiations and close your file.



## Pre-Listing and Listing Period

### PREQUALIFY HOMEOWNER—BEFORE LISTING APPOINTMENT

Lender(s) will have specific requirements for documentation including, but not limited to:

- Hardship Letter: The situation the homeowner was in when they purchased, what happened, and where they are now
- Two Years Tax Returns
- Two Previous Months Bank Statements
- Two Previous Months Pay Stubs

### LISTING APPOINTMENT

Gather hardship package prepared by Homeowner.

Seller to sign North American Title Authorization Forms, or Lender(s) Authorized forms to converse with lender(s) on sellers behalf

Seller to sign Listing Agreement, MLS Profile Sheet, and Addendums as required by Broker. INPUT REALTOR REMARKS in MLS: This listing is a NATSSTAR Listing through North American Title, ESCROW #, Contact Number of Escrow Officer



## Benefits of Short Sales

- The Homeowner is potentially saved from foreclosure, and can start rebuilding towards a credit recovery
- The homeowner is more in control of the financial and transaction in a short sale
- The homeowner is relieved of the stress inducing situation of a foreclosure

### Initial Questions To Ask The Homeowner:

1. What is your hardship?
2. Is there a co-signor on your mortgage?
3. Is this your primary residence?
4. Who's the lender?
5. Have you signed anything in the past 12 months to change Title?
6. How many mortgages do you have?
7. How many months behind are you?
8. Have you received a foreclosure notice? If so, then when is the scheduled foreclosure sale?
9. Have you filed for bankruptcy?
10. Are you past due on property taxes or HOA dues?



## AFTER OFFER ARRIVES

### HOMEOWNER SIGNS OFFER

Real Estate Agent brings Homeowner Accepted Contract to NAT with updated pay stubs and bank statements

NAT will produce Estimated HUD-1 *based upon contract sales price* that will include the following information:

- Estimated Closing Costs
- HOA Fees including any past due amounts
- Taxes and Impounds
- Commission as per Listing Agreement
- Liens and Judgments based upon Cursory Vesting information.

NAT will submit package to lender(s) per submittal requirements

NAT will call for follow up with Loss Mitigator as necessary and will provide timeline updates to REALTOR® until package is received by Negotiator at the Lender(s).

NAT will provide notification to the Real Estate Agent that the file is ready for Contract Negotiation with lender(s)

### LENDER(S) APPROVAL TO NATSSTAR

Lender(s) approves terms and provides NATSSTAR with an Approval or Commitment Letter in writing. NATSSTAR reviews the letter to make sure that the approval matches the terms of the offer submitted.

NATSSTAR provides the listing agent with a copy of the Approval or Commitment Letter.

### Earnest Money

Real Estate Agent provides to North American Title along with Earnest Money

Earnest Money is deposited and normal transaction process begins.



## FHA SHORT SALE FACTS YOU NEED TO KNOW

Revised FHA regulations effective for applications made after 12/24/2008

FHA Requires at least one of the **owners to be occupying** at time of short sale. This requirement can be waived due to severe hardship that causes the seller to vacate.

FHA will **allow MAX 1% seller paid buyer closing costs – ONLY IF BUYER IS OBTAINING FHA FINANCING**. As long as FHA payoff proceeds are sufficient to meet the required ratios (below), this amount of seller paid costs will be accepted.

FHA will **pay up to 6%** commission

FHA Pays Seller a \$1000 incentive to participate in Pre-Foreclosure program if closed by a certain date (generally 90 days after pre-approval). After that date, it reduces to \$750, then down to zero. Refer to next two paragraphs below for caveats to this provision.

FHA will allow up to \$2500 as a payoff to a 2nd mortgage or other Junior Liens affecting the property. However, the seller will then be required to **forfeit the \$1000 incentive to the 2nd lender/ Junior Liens**. The incentive is applied first before applying the additional \$1,500. Realtor can also reduce their commission to less than 6% to provide additional funds to 2nd lender/Junior Liens if needed.

FHA considers past due HOA and Water/Sewer Liens as a “Junior Lien”. With that in mind and taking the above into account, if there is a 2<sup>nd</sup> mortgage AND past due HOA the full \$1,000 incentive must be applied and then the remaining \$1500 allowance applied to all liens (in what ever increment divisions can be negotiated by the agent). **Meaning, seller/realtor will have to pay out of pocket both past due HOA and Water/Sewer amounts that exceed the total \$2500 allowed.**

FHA will order a full appraisal that expires in the same time frame a standard FHA purchase appraisal would. This appraisal in some cases can be used if the new buyer applies for an FHA loan.

**If approved, the minimum NET PROCEEDS (not purchase price) to the FHA 1<sup>st</sup> mortgage is based on “AS IS” APPRAISED VALUE AND LENGTH OF TIME LISTED IN MLS:**

**Less than 30 days – 88%      30-60 Days – 86%      61+ days – 84%**

FHA NO LONGER REQUIRES FORM 90036 (Application to Participate) OR 90038 (Counseling Certification). Instead the seller must sign the 90045 Approval to Participate and send to FHA with pre-foreclosure submission.

Once the short sale is approved, the foreclosure proceedings are automatically postponed for 90 days past the date of approval.



## Download Required Documents

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*Leader in Short Sales*

For more info, please contact:  
**Your North American Title  
Business Development Manager**  
Or email: [clientcareden@nat.com](mailto:clientcareden@nat.com)