

THIS FORM HAS IMPORTANT LEGAL CONSEQUENCES AND THE PARTIES SHOULD CONSULT LEGAL AND TAX OR OTHER COUNSEL BEFORE SIGNING.

SHORT SALE ADDENDUM

Date: _____

1. ADDENDUM TO CONTRACT. This Short Sale Addendum (Addendum) is made a part of the following contract that is checked:

Listing Contract (Listing Contract) for the Property dated _____, for purposes of disclosing to Seller certain matters of a Short Sale, or;

Contract to Buy and Sell Real Estate between Seller and Buyer (Contract), dated _____, relating to the sale of the real estate

known as _____ (Property).
Street Address City State Zip

This Addendum shall control in the event of any conflict with the Contract. Except as modified, all other terms and provisions of the Contract shall remain the same.

2. PURPOSE AND DEFINITIONS.

2.1 Purpose of Addendum. Seller has debts secured by one or more liens on the Property. The Purchase Price may not be enough to cover payment for all the liens and costs of sale. If so, for the Closing to occur, the affected Lien Holders (§ 2.2 below) must agree to a Short Sale (§ 2.3 below).

2.2. Lien; Lien Holder. A Lien is a recorded claim or lien against the Property, such as a mortgage, deed of trust, mechanic’s lien or tax lien (Lien). A title insurance commitment may be used to show the Liens against the Property. A lien holder is a creditor who has a Lien and who agrees to release its Lien against the Property and either (a) accept an amount less than the full amount Lien Holder claims is owed or (b) treat the debt secured by the Lien differently than as originally provided for in the evidence of debt (such as promissory note) (Lien Holder). (§ 3.3 below.)

2.3. Short Sale. A Short Sale is a transaction in which any Lien Holder releases its lien against the Property and accepts an amount less than the full amount Lien Holder claims is owed or treats the debt secured by the Lien differently than as originally provided for in the evidence of debt (such as promissory note) (Short Sale). (§ 3.3 below.) Before a Short Sale can occur, Buyer, Seller and each Lien Holder (except those creditors that are to be paid in the full amount claimed) must consent to the terms of the sale. Sometimes, the Liens are released but the Lien Holder does not agree to release Seller from liability or reduce the unpaid portion of the debt, and the Seller and any guarantors will remain liable

The printed portions of this form, except differentiated additions, have been approved by the Colorado Real Estate Commission. (SA20-1-08) (Mandatory 3-08)

SELLER AUTHORIZATION

Date: _____

Seller: _____

Lien Holder: _____

Property: _____

Loan No.: _____

Seller Consents to Lien Holder's Release of Information. Seller consents that Lien Holder and its representatives may supply and communicate any loan, financial or other information of Seller, confidential or otherwise, with any of the following involved in the transaction and their representatives: Seller's attorney, Broker or Brokerage Firm working with Seller, transaction coordinator, title insurance company, Closing Company, other lien creditors; and the following as checked: Broker or Brokerage Firm working with Buyer Buyer Buyer's attorney and their representatives.

Seller

Seller

Note: This Seller Authorization should be submitted to the Lender's Loss Mitigation Department. If the Property is in foreclosure, this form should also be submitted to the Lender's law firm.

50 after Closing for that unpaid portion, despite the release of the Lien against the Property at
51 Closing (§ 3.3 below).
52

53 3. MANDATORY DISCLOSURES TO SELLER AND BUYER. 54

55 3.1 SELLER IS ADVISED TO CONTACT THE COLORADO
56 FORECLOSURE PREVENTION HOTLINE OPERATED IN COOPERATION WITH
57 THE COLORADO DIVISION OF HOUSING AT 1-877-601-4673 OR THE HUD
58 HOUSING COUNSELING AND REFERRAL LINE AT 1-800-569-4287.
59

60 3.2. Seller acknowledges there are alternatives to a Short Sale that may be better
61 for Seller. Seller acknowledges that a Short Sale transaction may result in continued
62 liability of Seller or other persons liable for the debt that could be extinguished through
63 foreclosure, bankruptcy or other loss mitigation options, including but not limited to a
64 negotiated loan modification with Lien Holder. Seller acknowledges that it is the
65 responsibility of Seller to investigate these alternative methods of resolution with Seller's
66 legal, accounting or financial advisors and with Lien Holder and it is not the
67 responsibility of any real estate broker to undertake any investigation of other options
68 that may be available to Seller.
69

70 3.3. Short Sales may have serious adverse legal, tax and economic consequences
71 for sellers and any guarantors. Seller is advised to seek legal and tax counsel to advise
72 Seller of the legal effect and meaning of any Short Sale Acceptance from Lien Holder.
73

74 3.4. Lien Holder is not required to agree to a Short Sale. Even if a Lien Holder
75 agrees to a Short Sale, a Lien Holder is not required to forgive repayment of the debt
76 secured by the Lien, or release Seller and any guarantors from liability unless Lien
77 Holder's claim is paid in full. Seller acknowledges that Lien Holder may or may not agree
78 to release Seller or any guarantors from liability to Lien Holder. If not released, Seller and
79 any guarantors will remain liable to Lien Holder for any amount that remains unpaid after
80 the Short Sale. Any release of liability by Lien Holder, to be binding, must be in writing,
81 executed by Lien Holder and provide that Seller and any guarantor is released from
82 liability.
83

84 3.5. Lien Holder, if it agrees to a Short Sale, may condition its agreement on
85 Seller doing any or all of the following to obtain a Short Sale Acceptance: (a) make a cash
86 payment, (b) sign a new promissory note, (c) continue to owe the Lien Holder the unpaid
87 portion of the debt and (d) agree to other requirements made by Lien Holder.
88

89 3.6. If the Lien Holder accepts less than full payment, Seller understands that
90 Seller may incur federal and state tax liability due to a Short Sale and understands that
91 Lien Holder is required to file all required 1099 Forms with the Internal Revenue Service
92 with respect to this transaction. Seller is strongly advised to seek tax advice of the
93 potential adverse tax consequences of a Short Sale to Seller.
94

95 3.7. Seller acknowledges that a Short Sale Acceptance by the Lien Holder will not
96 necessarily repair or rehabilitate Seller's credit-rating and Lien Holder has no obligation
97 other than to fairly report this transaction to any credit rating agency.
98

99 3.8. The Contract may be terminated by Seller, if Lien Holder does not approve
100 this Contract, or if the terms and conditions from Lien Holder, to obtain a release of the

101 **Lien, are not acceptable to Seller, in Seller's sole discretion, on or before the Short Sale**
102 **Acceptance Deadline (§ 8.1 below).**

103
104 **3.9. The Contract, although accepted by Buyer, may be terminated by Buyer as**
105 **otherwise provided herein, or if Lien Holder does not approve this Contract or if the**
106 **terms and conditions of any Agreement to Amend/Extend Contract are not acceptable to**
107 **Buyer, in Buyer's sole discretion.**

108
109 **3.10. Release of the lien against the Property does not by itself release Seller and**
110 **any guarantors from liability for the debt.**

111
112 **3.11. Buyer acknowledges that the Short Sale Conditions (§ 4 below) may lead to**
113 **termination of the Contract. The Short Sale process may result in delays in the Closing.**
114 **Buyer is advised to consult with legal counsel about this Addendum and its legal effect.**

115
116 **3.12. Buyer and Seller acknowledge and agree that any Short Sale Acceptance by**
117 **Lien Holder is made on the condition that none of the terms of the sale shall differ in any**
118 **material respect from the terms submitted to the Lien Holder on which the Short Sale**
119 **Acceptance was based. For purposes of the Contract, any change in the date of Closing,**
120 **Purchase Price, real estate brokerage commissions, concessions or net proceeds to be paid**
121 **to, or other remuneration to be received by Seller in connection with the proposed Short**
122 **Sale shall be deemed a material change. Any material change will require that the Short**
123 **Sale Proposal be re-submitted to the Lien Holder for approval, which could result in**
124 **delays for approval or even denial of the Short Sale.**

125
126 **3.13. This Addendum should be signed at time of contracting by both Buyer and**
127 **Seller, as most Lien Holders will not consider a Short Sale until a signed contract is**
128 **received for their review.**

129
130
131 **4. SHORT SALE CONDITIONS. Notwithstanding anything to the contrary in this**
132 **Addendum, the Contract between Seller and Buyer, for the benefit of both Seller and**
133 **Buyer, is conditional upon all of the following occurring:**

134
135 **4.1. A written statement signed by each Lien Holder of a payoff amount less than**
136 **the full amount Lien Holder claims is owed.**

137
138 **4.2. A written statement signed by each Lien Holder that it agrees to release its**
139 **lien against the Property upon payment of the agreed upon payoff amount.**

140
141 **4.3. A written statement signed by each Lien Holder and acceptable to Seller**
142 **(Short Sale Acceptance) that specifies the terms and conditions of the Short Sale.**

143
144 **4.4. Agreement to Amend/Extend Contract signed by Buyer and Seller, so long**
145 **as both parties agree, in their sole discretion, to the changes to the Contract required by**
146 **the Short Sale Acceptance.**

147
148 **5. SELLER DEADLINE FOR SUBMISSION TO LIEN HOLDER. Seller agrees to**
149 **submit to each Lien Holder a request for a Short Sale and all documents and information**
150 **requested by Lien Holder, including a copy of the Contract, any Counterproposal, this**
151 **Addendum and amendments. The initial submission by Seller to each Lien Holder shall be**
152 **on or before Initial Submission Deadline (§ 5.1 below). Any additional information or**
153 **documentation requested of Seller by such Lien Holder shall be submitted within 5**

154 calendar days of such request or Buyer may terminate the Contract pursuant to § 8.2
155 below.

156

157 **5.1. Seller Submission Deadline.** The following deadline shall be the calendar
158 days set forth below.

159

Event	Deadline	From
Initial Submission		MEC (§ 2.4 of Contract)

160

161 **5.2. Seller Consents to Lien Holder's Release of Information.** Seller consents
162 that Lien Holder and its representatives may supply and communicate any loan, financial
163 or other information of Seller, confidential or otherwise, with any of the following
164 involved in the transaction and their representatives: Seller's attorney, Broker or
165 Brokerage Firm working with Seller, transaction coordinator, title insurance company,
166 Closing Company, other lien creditors; and the following as checked: Broker or
167 Brokerage Firm and its representatives working with Buyer Buyer Buyer's
168 attorney and their representatives.

169

170 **6. DATES AND DEADLINES.**

171

172 **6.1. Revised Dates and Deadlines and Other Terms.** Buyer and Seller
173 acknowledge that an Agreement to Amend/Extend Contract (Amend/Extend) is required
174 to revise the Dates and Deadlines (§ 2.3 Contract) or other terms based on changes
175 required by the Short Sale Acceptance. If both Buyer and Seller, in their sole discretion,
176 do not agree to the terms of the Amend/Extend, as evidenced by their signatures on the
177 Amend/Extend and the offering party to such document receives notice of such acceptance
178 on or before 7 calendar days after the earlier of (a) the receipt by both Buyer and Seller of
179 the Short Sale Acceptance or (b) the Short Sale Acceptance Deadline (§ 8.1 below), then the
180 Contract shall terminate.

181

182 **7. UNCERTAINTY OF SHORT SALE.** Buyer and Seller acknowledge:

183

184 **7.1.** There are no promises or representations regarding (a) whether Lien Holder
185 will agree to a Short Sale, (b) the terms of any Short Sale Acceptance, and (c) when the
186 Lien Holder will advise of its decision to agree to a Short Sale or provide the written terms
187 and conditions of the Short Sale Acceptance.

188

189 **7.2.** Until Closing of the Short Sale, Short Sale Acceptance by the Lien Holder
190 will not prevent, hinder or delay the Lien Holder from initiating or proceeding with any
191 enforcement action, including but not limited to a foreclosure. In the event Seller loses
192 ownership of the Property through foreclosure, the Contract shall terminate.

193

194 **7.3.** A significant period of time may be required to determine if a Short Sale
195 Acceptance will be granted. Buyer should inform Buyer's lender of this fact for
196 structuring Buyer's loan; i.e., duration of "loan lock"; and Closing is required to be held
197 very shortly following the Short Sale Acceptance.

198

199 **7.4.** Lien Holder, once a Short Sale Acceptance is given, will normally not agree
200 to any additional changes to the terms of the Contract that differ from the Short Sale

201 Acceptance, to have repairs performed or to reduce the amount it is willing to accept due to
202 the condition of the Property or results of an Inspection. Buyer may want to conduct an
203 inspection of the Property prior to submission of Seller's request for a Short Sale to Lien
204 Holder. The Purchase Price should reflect the condition of the Property and results of
205 such inspection. Buyer recognizes the risk that Lien Holder may not agree to the offer
206 submitted by Buyer.

207
208 **8. DEADLINE FOR ACCEPTANCE OF SHORT SALE; TERMINATION.** Buyer
209 and Seller must receive written notice of the Short Sale Acceptance, on or before Short Sale
210 Acceptance Deadline (§ 8.1 below), or either party may thereafter terminate the Contract
211 by written notice to the other party.

212
213 **8.1. Short Sale Acceptance Deadline.**

Event	Deadline
Short Sale Acceptance Deadline	

215
216 **8.2. Termination.** If any party has a right to terminate the Contract, such
217 termination shall be governed by § 24 of the Contract upon written notice to the other
218 party as described in § 30 of the Contract.

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223
224 **Date:** _____ **Date:** _____

225
226
227 _____ **Buyer** _____ **Buyer**

228
229
230 **Date:** _____ **Date:** _____

231
232
233 _____ **Seller** _____ **Seller**