

Tips for Efficient Short Sales

A Guide for Agents

November 2012



Tips to Avoid Delays

1. [Get Educated About Bank of America Short Sales](#)
2. [Set Expectations: Short Sale Realities](#)
3. [Determine the Loan's Investor and/or Insurer](#)
4. [Upload the Documents Required at Initiation](#)
5. [Get Outside Liens Released as Soon as Possible](#)
6. [Complete Assigned Tasks Quickly to Avoid Delays](#)
7. [Work to Sell the Property at Fair Market Value](#)
8. [Fully Execute Offers Before You Submit Them](#)
9. [Agree on Counter Offers Before Accepting Them](#)
10. [Know When and How to Submit a Backup Offer](#)
11. [Watch for Common Causes of Delays](#)

Get Educated About Bank of America Short Sales

Experience shows that agents who are educated and experienced with short sales have greater success.

Tip No.

1

Take Advantage of Bank of America Short Sale Resources

- Find everything you need to know on our [Short Sale Agent Resource Center](#), including:
 - Important news and updates about the short sale process and enhancements
 - Free webinar replays
 - Education library of important documents, forms, and guides
- Familiarize yourself with the Equator system.
 - FHA, USDA and VA short sales cannot be initiated in Equator.
- Communicate with your short sale specialist in Equator.

Become Familiar With Bank of America's Short Sale Programs

- This will help you guide homeowners in need of assistance to understand their best option for avoiding foreclosure.
- Understand the [Two Paths to a Successful Short Sale](#).

Engage Homeowners Early

- Explain the available options to avoid foreclosure.
 - [Home Transition Services](#)
 - [Home Loan Assistance Center](#)
- Initiate the short sale in Equator even before you market the property and receive an offer. You and your homeowner will benefit from:
 - Bank of America's guidance on a list price
 - Potential foreclosure halt
- Some homeowners may qualify for enhanced relocation assistance up to \$30,000. Specific investor participation and eligibility criteria apply.

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Set Expectations: Short Sale Realities

Help sellers and buyers understand that a short sale is a complex and highly specialized type of real estate transaction.

Tip No.

2

Cash vs. Financing <ul style="list-style-type: none">• Cash buyers are not given preferential treatment.• Investors are concerned about the loss, not the source of the proceeds.	Bankruptcy <ul style="list-style-type: none">• If the homeowner filed for bankruptcy:<ul style="list-style-type: none">– Bankruptcy Attorney authorization is required before engaging in negotiations with the borrower.– Bankruptcy Court approval is required to approve the sale– Depending on local jurisdiction, this may cause long delays.	Service Release <ul style="list-style-type: none">• Release of servicing is a normal part of the loan servicing industry. Agents should make homeowners aware of this risk when considering a short sale.<ul style="list-style-type: none">– During the short sale process, loan servicing may be transferred to a different loan servicer. Servicing refers to collecting principal, interest, and escrow payments, if any, as well as sending monthly or annual statements, tracking account balances, and handling other aspects of the loan. We may assign, sell, or transfer the servicing of a loan at any point while the loan is outstanding. Your client will be given advance notice before a transfer occurs. Depending on the status of the short sale when the servicing of a loan is transferred, the new servicer may not be required to accept the terms and conditions of a short sale. The new servicer cannot work the short sale until the information is on their servicing platform.– The agent and homeowner will need to work with the new servicer to determine if the short sale may continue or what options are available to the homeowner.
Lengthy Process <ul style="list-style-type: none">• The wide array of parties, policies, negotiations and other factors involved in a short sale make it a time-consuming procedure.• The homeowner and the buyer should be committed to completing the short sale process.• Keep the buyer informed throughout the process.	Foreclosure <ul style="list-style-type: none">• Investor/state policies pertaining to foreclosure postponement can vary and change over time.• Consider pending foreclosure dates before you initiate a short sale.<ul style="list-style-type: none">– Foreclosure postponements are not guaranteed.– Equator will not allow short sales to be initiated within two days of a foreclosure date.• Note: If the homeowner has an executed Home Affordable Foreclosure Alternatives (HAFA) Short Sale Agreement, the foreclosure process is put on hold.	

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Determine the Loan's Investor and/or Insurer

To initiate the short sale correctly, it is important to know who the investor or insurer is on the loan. FHA-, USDA- and VA-insured mortgages follow a different process, and the homeowner must initiate contact before starting the short sale process.

Tip No.

3

Ask the Homeowner

To ensure a short sale is initiated correctly, ask the homeowner the following questions:

- Who do you send your payments to?
- Do you have any subordinate liens on the property? (i.e., mechanic's liens, 2nd mortgages/HELOCs, other liens)
- If subordinate liens, who do you send your payments to?
- Is the an FHA, VA or USDA insured loan?

For additional questions you should ask or information you should gather may be located in our Agent Resource Center.

Review Statements

Statements will confirm where payments are sent, but may not tell you who the investor is on the loan.

- Ask the homeowner to maintain a current copy of the statements and any notification from the mortgage company(s)
- Provide a storage receptacle so the homeowner can easily collect the documents
- Pick up the documents monthly or as requested to keep the short sale moving forward

Note: There is a **75MB** total limit for all uploaded documents per property. Only upload the documents requested, when they are requested.

Advise the Homeowner and Bank of America

- Knowing the investor or insurer will assist in initiated the file following the correct process.
- FHA, VA and USDA short sales cannot be initiated by agents in Equator.
 - **FHA short sales** must be initiated by the homeowner's Customer Relationship Manager (CRM). If no CRM is assigned, they may initiate by calling 1.800.669.6650.
 - To initiate a **VA or USDA short sale**, contact the Short Sale Customer/Agent Care at 1.866.880.1232 and select Option 2.
- If the file has mortgage insurance, the mortgage insurer will also need to approve the short sale.
- If there is an outside or multiple outside subordinate liens, those lien holders must approve the short sale.
- Additional documents may be required, depending on the investor or insurer.

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Upload the Required Documents

Documents must be uploaded as requested throughout the process for the short sale to continue.

Tip No.

4

Supply the Documents Required for Initiation

To initiate a short sale with an offer, the following documents must be uploaded at initiation:

- **Signed Purchase Contract** – with the **Buyer's Acknowledgment and Disclosure Form***
- Bank of America **Short Sale Purchase Contract Addendum & Real Estate Licensee Certification***
- **Estimated HUD-1** (prorated for 60 days)
- IRS Form **4506-T***
- Bank of America **Third-Party Authorization Form***

* Forms available on the Short Sale Agent Resource Center at bankofamerica.com/shortsaleagent.

Upload Documents Separately When Required

- **HABA documents are an exception** and should be uploaded to the Equator Library under the Property File section as one combined .pdf file.
- **Reminder:** Keep homeowner financials updated.
 - Generally, pay stubs expire after **30 days**.
- Upload only requested documents to keep from exceeding the file size limit.
- Upload documents in black and white to reduce the file size.

Review Documents Before Uploading Them

- Documents should be readable, 100% complete and in .pdf format.
- Ensure documents are signed by **all** relevant parties.
- Be especially careful to avoid the **most common document errors** that will delay the short sale process:
 - Incomplete or illegible documents
 - Mismatched buyer/seller names

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Get Outside Liens Released As Soon As Possible

The homeowner and the listing agent are responsible for identifying all outside liens and obtaining their release.

Tip No.

5

Bank of America Liens

There is a separate process for releasing a home equity loan/line of credit from Bank of America.

- Send a message to your short sale specialist about contacting Bank of America Home Equity.

or

- Call the Customer Service number on the homeowner's monthly statement.

Non-Bank of America Liens

Bank of America does not run a title search to identify other liens, such as:

- Homeowners association fees and taxes
- Seconds, such as:
 - Home equity line of credit or loan
 - Medical
 - Child support
 - Mechanic's liens
 - Judgments

Begin Discussions Early

- Begin discussions with outside lien holders as soon as possible.
- Resolve outside liens early in the process to prevent possible delays

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Complete Assigned Tasks Quickly

Some tasks can delay or even halt the short sale process until they have been completed.

Tip No.

6

Complete Tasks to Avoid Delays

- Check your messages often and complete assigned tasks as quickly as possible.
- Completing tasks as soon as they are assigned will help you avoid the foreclosure sale date and will help keep your short sale moving.
- It's essential that you communicate with your short sale specialist using Equator messaging.

Tell Homeowner to Respond to HAFA Alert

- If it is determined that the homeowner may be eligible for the HAFA program, the short sale process cannot move forward until the homeowner is contacted.
- If requested, direct the homeowner to respond immediately to any HAFA action alerts by calling Short Sale Customer/Agent Care at **1.866.880.1232**.

Promptly Upload All Required Homeowner Documents

- Your short sale specialist can tell you which homeowner documents are required.
- Documents should be provided **within four days**.
- The short sale process **cannot move forward** until all required documents have been uploaded.

Respond to Counter Offers by the Deadline

- Respond to counter offers via Equator before they expire, which is three days.
 - Expired offers will go to an **Unavailable** status.
- Check messages and communicate with your short sale specialist frequently during the entire short sale process.

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Work to Sell Property at Fair Market Value

Because this is debt settlement, investors hope to recoup as much of their investment as possible. Unreasonably low offers are more likely to be rejected.

Tip No.

7

Submit the Highest and Best Offer

- Submit your **highest and best** short sale offer the first time.
 - This makes it more likely that the short sale specialist will accept the offer and present it to the investor for approval.
- Remember each time you submit an offer, all supporting documents must reflect the current offer details.

Keep Valuations Current

- Valuations can expire and must be valid through closing.
- Some investors may require an updated valuation every 90-120 days.

Requesting a Reconsideration

- If the buyer's valuation differs significantly from the valuation we obtained, we may reconsider the value.
- To request reconsideration, send a message to your short sale specialist, who will submit the request to the valuation company/investor.
- Your supporting documentation must include either:
 - A. An independent appraisal (dated within 60 days)**or**
 - B. Full agent MLS sheets for three comparables sales (providing all characteristics) and three comparable active listings.
 - Comps should be:
 - Recent equal or better indicators of subject value
 - Similar in characteristic to the subject property
 - In the proximate vicinity of the subject property
 - MLS sheets must accompany CMA-type reports.
- Reassessment is not guaranteed and adds considerable time (about three weeks) to the short sale process.

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Fully Execute Offers Before You Submit Them

Submit fully executed purchase offers with all appropriate addendums signed by both the buyer and the homeowner.

Tip No.

8

Meet the Five-Day Deadline to Submit Your Offer

- Submit short sale offer ***within five calendar days*** or the system may decline the offer.

Submit Accurate and Complete Information

- Properly transfer information to the Offer Worksheet in Equator.
 - All fees and relevant fields on the Offer Worksheet make up the final offer submitted to the investor for approval.
 - If the information isn't accurately entered, the process may be delayed.
- Provide the necessary buyer information for arm's-length and fraud checks.
 - This includes name, first five digits of Social Security number, date of birth.
- Ensure the homeowner fully discloses:
 - Actual hardship
 - Financial condition
 - Home occupancy status

Negotiate External Third-Party Fees

- Negotiate third-party fees before submitting the HUD-1.
- Accurately prorate taxes and insurance.
- These closing fees must typically be paid by the buyer/seller:
 - Document preparation
 - Homeowners Association fees, liens, judgments
 - Reconveyance fees
 - Recording fees, notary fees and surveys
 - Repairs and home warranties
 - Sub-escrow fees and short payoff processing fees
 - UPS/FedEx and wire fees (with some exceptions)
 - Real estate administration fees

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Agree on Counter Offers Before Accepting Them

Your short sale specialist may counter offer in order to arrive at an offer that's more likely to receive investor approval.

Tip No.

9

Understand the Offer Analysis Phase

- In the **Offer Analysis** phase, your short sale specialist may counter the offer you submitted in order to prepare an offer for investor review.
 - Ensure all parties agree on counter offer before accepting.
- Settling on an offer to present to the investor for review does **not** constitute **final** approval.
 - Once the offer has been submitted to them, investors may also counter the offer as part of their approval contingency.
- You will be notified via an Equator message when your offer is submitted to the investor(s).

Adjust the Closing Date

- Remember to adjust the closing date as needed during any counter offers.
- In most cases, the system will use this date for your approval letter.

Respond Before Counter Offers Expire

- Always note the expiration date of the offer and respond accordingly.
 - Agents must respond to offers within three calendar days.
 - Expired offers will go to a Reject status. Communicate with your short sale specialist to avoid any issues.

Upload Updated Documents

- Counter offers should be approved by all parties and the contract should be updated with new terms, including the closing date, prior to acceptance.
- All supporting documentation must also reflect the agreed-upon terms.
- If the purchase price has changed, upload an addendum to the purchase contract and an updated HUD-1.

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Know When and How to Submit a Backup Offer

Unforeseen changes may occur during a short sale that would prompt you to submit a backup offer to replace the original offer.

Tip No.

10

When to Submit a Backup Offer

- The original buyer walked out during the process, but you have a backup offer ready to submit from a different buyer
- The buyer's name changed during the process
or
- The original offer was declined as insufficient, and you have a backup offer that can be submitted.

Submit a Backup Offer

- You must complete these **tasks within five calendar days**:
 - Submit Short Sale Offer
 - Upload Initiation Documents
- The short sale can proceed without repeating the initiation steps.
- You will continue working with the same short sale specialist.
- The short sale status in Equator will change to **Marketing**.

If a Backup Offer Is Necessary

- Contact your short sale specialist immediately.
 - Let the specialist know if you have a backup offer to submit. The specialist will trigger tasks that will allow you to submit the backup offer.
- Be aware that any backup offer – regardless of how similar it may be to the previous offer – **will require analysis and investor approval**, which adds time to the short sale process.

If There Is No Backup Offer

- The short sale will be declined and its record in Equator will be closed by your short sale specialist.
- You should return to marketing the property.
- Initiate a new short sale in Equator when you receive a new offer on the property.

For detailed information, see [How and When to Submit a Short Sale Backup Offer](#).

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)

Watch for Common Causes of Delays

Once a file is in closing, any changes to items agreed upon in the offer worksheet and approval letter must be addressed immediately. After the short sale has closed, all final certified documents must be submitted within 48 hours. Contact your short sale specialist as soon as possible if any of the following events occur:

Tip No.

11

A Change in Buyer

- The short sale approval is buyer-specific. If there is a change of buyer, notify your short sale specialist to discuss your next steps.

There's a Revised Closing Date

- If there's a delay in closing the buyer's loan, an extension may be requested, however it is not guaranteed.

Homeowner Files Bankruptcy

- The bankruptcy court must approve the short sale.
- Depending on local jurisdiction, this may cause long delays in the process.

Changes After the Approval Letter Is Issued

- Any changes to the transaction after the approval letter has been issued may delay the process even further, depending on the number of additional reapprovals that are required.

Foreclosure Date Is Approaching

- The foreclosure process runs parallel with the short sale.
- Work with your short sale specialist to request a foreclosure postponement.
- Postponements may be requested; however, they are not guaranteed.

The Buyer Walks

- See Tip No. 10

Go to:

[Tip No. 1](#)

[Tip No. 2](#)

[Tip No. 3](#)

[Tip No. 4](#)

[Tip No. 5](#)

[Tip No. 6](#)

[Tip No. 7](#)

[Tip No. 8](#)

[Tip No. 9](#)

[Tip No. 10](#)

[Tip No. 11](#)



Commitment to Continued Improvement

Bank of America is committed to identifying new and different ways to make the process transparent and efficient.

Improving the short sale process

- Ongoing collection of feedback on process, people and technology
- Dedicated team of short sale professionals
- Enhanced our technology; monthly upgrades ongoing
- Resources for short sale education

Where to locate additional information

Short Sale Agent Resource Center
bankofamerica.com/shortsaleagent

Dedicated Customer/Agent Care

1.866.880.1232

Monday – Friday 8 a.m. to 10 p.m.

Saturday 9 a.m. to 5:30 p.m. Eastern

For homeowners:

Bank of America Home Loan Assistance

bankofamerica.com/hometransition



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