

# The Short Sale Closing Process

## Key Process Components and Milestones

Short sales (or “pre-foreclosure” sales) represent a large portion of today’s market. Processing closing transactions for these properties can be a complex task. In fact, no two short sales are exactly alike. Familiarizing yourself with the short sale process—and its key components—is a smart way to strengthen your knowledge in this market niche.

### What is a Short Sale Closing?

A short sale closing accompanies a short sale—an event that occurs when the net proceeds from the sale of a home are not enough to cover the homeowner’s obligations and the lender approves the sale, thereby accepting a “short pay-off.”

### What are the Key Components of a Short Sale Closing?

- ▼ *Preliminary Report* – This is the primary tool used to learn what is recorded against a specific property. This report helps to:
  - ▶ Verify ownership
  - ▶ Confirm the correct legal and property address
  - ▶ Identify trust deeds, taxes, delinquencies, liens, and judgments against the property
- ▼ *Letter of Authorization* – Securing this from the seller allows the lender to speak with you, your escrow officer and assistants about the short sale negotiation.
- ▼ *Estimated Settlement Statement/HUD* – Prepared by a closing officer, this document shows the disposition of funds in the short sale closing. It is often revised several times during negotiations and accuracy is critical to avoid delays.
- ▼ *Approval Letters* – These documents spell out the conditions under which a lender will agree to the short sale. Many have very sensitive timelines and conditions that are critical to the closing process.
- ▼ *Expiration of Approval Letters and Other Escrow Timelines* – Generally, approval letters expire within 30-45 days. First American uses internal management guidelines and proprietary closing software to track specific short sale timelines and close the sale before the approval letters expire. Remember, short sale negotiations do not stop the foreclosure process.
- ▼ *Home Equity Sales Contract Act (HESCA)* – This law protects homeowners from being taken advantage of by investors looking to strip away their equity.

### How can First American Help?

Proactive, two-way communication is essential to a successful short sale closing. So, we encourage you to let us know of any transaction changes as soon as possible. In turn, we will keep in touch throughout the process to help eliminate any unrealistic expectations, and make your short sale transaction a smooth one.



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