

The Short Sale Escrow Process

Key Process Components and Milestones

Short sales (or “pre-foreclosure” sales) represent a large portion of today’s market. Processing escrow 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 Escrow?

A short sale escrow 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 Escrow?

- ▼ *Preliminary Report* – This is the primary tool used to learn what is recorded against a specific property. The report helps to verify ownership; confirm the correct legal and property address; and 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 an escrow officer, this document shows the disposition of funds in the short sale escrow. 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 escrow 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.
- ▼ *Communication is Key* – Short sales require constant communication with the lender as to the short sale’s acceptance status. Proactive communication between all parties is essential, so we encourage you to let us know of changes as they happen.

How can First American Help?

We offer a team of knowledgeable, experienced escrow officers that specialize in short sales. They will proactively communicate to help move the process forward and make your short sale transaction a timely and smooth one.



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