

MEMORANDUM

TO: Brokers

From: Galvin Realty Law Group

Date: April 1, 2011

Re: Fees and Criteria for Acceptance of Short Sale Transactions

Galvin Realty Law Group (“GRLG”) is pleased to negotiate and close short sales which meet the following criteria:

1. **GRLG SHORT SALE ADDENDUM # 34.** The Seller and Buyer shall execute the GRLG Short Sale Addendum # 34 (GRLG Addendum). The GRLG Addendum supersedes the Time Computation provision in the form 22-SS (paragraph 5) by requiring the Buyer to undertake the inspection and placement of the earnest money immediately, rather than waiting until after lender’s consent. Buyer is still allowed to defer commencement of its financing contingency until after lender’s consent. By requiring Buyer to immediately undertake the placement of earnest money and its inspection, this allows for a completed Purchase and Sale Agreement (PSA) to be approved by the lender upon submittal, including all concessions arising out of the inspection, and prohibits further delays in closing after lender’s consent. A post-lender consent inspection, which requires an additional concession by the lender, can delay final lender consent by up to six weeks. The PSA should also provide for the waiving of utility holdback by Buyer as typically the Seller’s lender in a short sale will not agree to pay the utility holdback.

(Note: NWMLS Rule 11 (b) (vii) requires a “Letter on File” from the Seller to the Buyer if the Seller desires to have the Buyer pay a portion of the Seller’s negotiation fee, specifying the amount of the fee and the third party. Therefore, it is recommended that the Letter on File indicate that both the “Buyer and Seller will execute GRLG Form 34 attached, which provides that Galvin Realty Law Group will both negotiate and close the Short Sale, and the Buyer’s fee for both the negotiation and closing of the transaction will be \$1,500, plus sales tax.” It is also recommended that this be disclosed in the Agent’s Remarks and a copy of the GRLG Form 34 be attached to Agent’s Remarks. GRLG will provide Listing Agent with a sample Letter on File to meet these conditions).

2. **SHORT SALE PACKAGE.** The Seller and Listing Broker (LB) should put together the short sale package and have it ready to submit to GRLG once the Seller has an acceptable offer.

3. **SUBMITTAL OF ONE OFFER.** If the Seller is accumulating offers, GRLG will not receive those offers but rather shall only receive the final offer that is approved by the Seller that the Seller intends to forward to the lender and, in that offer as part of Form 22-SS, it: (a) should allow GRLG at least 90 days to obtain lender’s consent; (b) not allow the Buyer to rescind during that 90 day period; and (c) provide that this is the only offer being submitted to the lender(s). In addition, a copy of the Buyer’s preapproval should be included with the PSA and the PSA should provide for closing no later than 30 days after lender’s consent.

4. **COST DEPOSIT(S) AND FEE.**

A. **COST DEPOSIT(S).** An offer meeting criteria 1 through 3 would then be forwarded to GRLG along with the short sale package and the Seller’s non-refundable cost deposit of \$250.00 (the “Initial Cost Deposit”). GRLG will then upload the short sale package to the lender(s) along with the executed PSA, listing history and a copy of the preliminary HUD. The Initial Cost Deposit shall apply to the first

two short sales submitted on behalf of the Seller; thereafter, an additional \$250 non-refundable deposit (the "Subsequent Cost Deposits") shall be required of the Seller for each additional submittal. This requirement is occasioned by the additional cost incurred by GRLG in submitting multiple short sales packages when buyers fail to close on previous submittals.

B. **FEE.** The fee to GRLG for both negotiating and closing the escrow is \$3,000.00, plus sales tax (the "GRLG Fee") which is split equally between the Buyer and Seller. The payment of the GRLG Fee is contingent upon the closing of the short sale. The Cost Deposit(s) is not part of the GRLG Fee. The GRLG Fee is for both the negotiation and closing of the short sale and is fully disclosed in the GRLG Addendum. In the event that the Seller or Buyer's lender fails to approve that party's fee, the Listing Broker shall be responsible for the amount not approved for the Seller, and the Selling Broker shall be responsible for the amount not approved for the Buyer. GRLG will also submit to Seller's lender a request to be compensated for GRLG's separate attorney review of the file, but this fee shall be the sole responsibility of the Seller's lender to pay.

5. DISCLOSURE OF CONDITIONS IN SALES AGREEMENTS WHICH WILL BE REJECTED BY SELLER'S LENDER.

GRLG recommends that sales agreements provided to it for transmittal to seller's lender DO NOT contain any of the following conditions as they will be uniformly rejected by seller's lender(s):

- a. That Seller pay in full at closing any charges and assessments that may be due after closing, such as sewer capacity charges;
- b. That the Seller pay up to 3% of Buyer's closing costs. This will be rejected unless the Buyer's loan is VA, FHA or USDA;
- c. That the Seller shall pay for repairs following an inspection. The sale is "AS IS" therefore the lender will not pay for repairs, but may allow a credit against the purchase price for repairs;
- d. That Seller pay for pumping, maintenance or repair of the septic system, or for compliance with local government septic regulations, such as King County Health Code Section 13.60.030, which requires sellers of residential property served by septic systems to have their system inspected by a licensed On-Site System Maintainer prior to selling the property.

6. RECOMMENDATION THAT SELLER OBTAIN PROFESSIONAL ADVICE PRIOR TO LISTING THE PROPERTY.

IT IS STRONGLY RECOMMENDED THAT PRIOR TO LISTING THE PROPERTY AS A SHORT SALE THE LISTING BROKER RECOMMEND TO THE POTENTIAL SELLER THAT HE/SHE CONSULT WITH COMPETENT LEGAL COUNSEL TO DETERMINE WHETHER A SHORT SALE IS THE BEST OPTION FOR THE POTENTIAL SELLER. FREE OR REDUCED LEGAL ASSISTANCE MAY BE AVAILABLE FROM ONE OF THE FOLLOWING SOURCES:

- A. NORTHWEST JUSTICE PROJECT, [HTTP://WWW.NWJUSTICE.ORG](http://www.nwjustice.org), (206) 464-1519, OR 1-888-201-1012 ;
- B. WASHINGTON STATE BAR ASSOCIATION, HOME FORECLOSURE LEGAL AID PROJECT, [HTTP://WWW.MYWSBA.ORG/DEFAULT.ASPX?TABID=163](http://www.mywsba.org/default.aspx?tabid=163), 1(877) 894-HOME

FREE HUD APPROVED HOUSING COUNSELORS ARE ALSO AVAILABLE AT

- A. SEATTLE AREA—SOLID GROUND WASHINGTON, [WWW.SOLID-GROUND.ORG](http://www.solid-ground.org), (206) 694-6766;

B. OTHER HUD AGENCIES-

HTTP://WWW.HUD.GOV/OFFICES/HSG/SFH/HCC/HCS.CFM?&WEBLISTACT
ION=SEARCH&SEARCHSTATE=WA OR CALL (800)569-4287 OR TDD
(800)877-8339.

(NOTE: WHEN GRLG IS ACTING AS A NEUTRAL NEGOTIATOR UNDER THE ABOVE
CRITERIA, IT CANNOT PROVIDE THE SELLER WITH LEGAL ADVICE).

WE, THE LISTING AND SELLER BROKER, ACKNOWLEDGE THAT WE HAVE READ AND
UNDERSTAND THE TERMS OF THIS MEMORANDUM.

LISTING BROKER: _____ (signature)

PRINT NAME: _____

DATE: _____

SELLING BROKER: _____ (signature)

PRINT NAME: _____

DATE: _____