Complete Guide To Pre Forclosure & Foreclosure Process



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Shattering Myths

There are as many different ways to approach a short sale transaction as there are lending organizations. Can you imagine two lending organizations ever seeing eye to eye on anything? I learned this a long time ago doing Short Sales, there are no rules nor any consistency of policies from one organization to the next. For presenters to make blanket statements to the real estate community regarding short sales along the lines of 'this is how it is and how it is done,' is not only reckless, and irresponsible but also misleading.

On Friday, January 18th, 2008 I attended a seminar on Short Sales. Incidentally, I have addressed this same topic for 16 years now and have trained over 10,000 Brokers/Agents on the subject. I was disappointed to hear how real estate agents and lenders were being told what to do in this space. If you are a broker/owner of a company, **THIS IS A MUST READ.**

Below are three of the numerous subjects the speaker addressed, which could bankrupt Real Estate Companies, attract lawsuits and ruin careers. This is not a jealous and competitive attack from one speaker to another. REAL CONCERN motivates this outline and the information disseminated by some professional speakers to our industry. READ THIS NOW.

Before we get started we need to shatter some myths.

Myth # 1 - "The bank pays the commissions on a short sale."

No, they do not! The seller signs the listing agreement, the seller signs the commission disbursement authorization, and the seller signs the agency agreement. The lender is nothing more than a demand in the escrow process. The lender has the same right to counter and change commissions in escrow as the agents do.

Taking this a step further, the escrow officer or closing attorney does not even have to acknowledge the part of a demand that says "commission to be 4-1/2%, 5% or 6% or 7%." The bank was never paying a commission. If you have an escrow officer that will not accept this policy, get a new escrow officer!

If you want to have fun with this thought and the lender can submit a demand with a reduced commission, why can't the agent submit an addendum with an increased commission? The lender and the agent have the same relationship to the escrow process; they are both third-party sources.

Myth #2 - "The lender is doing the real estate community and the seller's a favor by cooperating with the short sale process."

The lenders are doing themselves a favor and not anyone else. Think about it. As buyer's agents, we would have a much easier sale by allowing the home go to foreclosure and buying it as an REO. Lenders do short sales for one reason - GREED. With repossessions, lenders have so many negatives attached to it. As you go through this outline, you will see in the letters I use, why lenders cooperate with the Short Sale process.

Myth #3 - "I need to be polite to the Short Sale officer, even if they are not, because I may have another Short Sale in the future."

Yes and no. Staffing turns over, policies change and chances are very slim that you will have multiple Short Sales with the same person. A wide array of things happen and there is constant change in this dynamic environment. However, that said, this does not give a person license to be rude although there have been times when I have needed to be firm in order to get my files approved. One should be courteous, at the same time firm. The best practice in short sales, is to reduce EVERYTHING to writing. By writing it out many times one removes the emotion from the message. **The lender has no obligation to cooperate with you.** If you push them over the edge, they will throw your file in the trash, literally. Win with the facts - not emotion!

Myth #4 - "We don't have these type of transactions here."

Oh, yes you do. Every market has repossessions and Short Sales - it is only a matter of to what degree. Every market has sellers losing their homes or over-encumbering property for an array of reasons. In slower markets, REO's and Short Sales tend to drive the market, thus stealing the limelight. Even in good markets, there are REO's and Short Sales, just fewer of them.

I want to share with you how I came upon this business. After I moved from San Diego to Orange County, about 100 miles apart, I really started my Real Estate career all over again. I went to work for a nine-office organization, at that time, the largest in Orange County. I heard agents talk about the listings they couldn't take because the sellers had no equity and I remembered during my trip to Dallas in 1989 that I had spoken with a few agents who said they specialized in Short Sales. I decided to go after this sector of the business. What I will share with you, is a system that produced over 150 listing appointments, and at its peak, over 100 listings per year for me.

Myth # 5 - "One can negotiate with a lender to NOT FILE a 1099-C or report the transaction to the IRS."

At a seminar I attended recently regarding Short Sales the public speaker made references towards their ability to "negotiate" with the lender to NOT file a 1099-C creating tax obligations for the seller. They verbally referenced this issue as well as in writing in their Home Owner presentations as well as on various forms and checklists. It is illegal for a lending organization to NOT file the proper tax documents and forms associated with a foreclosure. If they do not do so, then they are electing to break the law and can be subject to fines and penalties. When the IRS audits a file where a request was granted then they can pursue the parties that conspired with them to commit IRS TAX FRAUD. A Realtor® cannot "negotiate" with a lender to ask that lender to

CONSPIRE with them and not file a 1099-C for indebtedness income interpretations. Either the client owes or they don't. During the last foreclosure market here in Southern California, I am proud to say I brought this very deception perpetrated by a company to the attention of state officials and was then used as a resource as the case against this company progressed.

Tax codes and laws do not exist for the arbitrary use of them. Lending organizations MUST report those losses and when a Realtor® falsely represents to the client that they can "negotiate with a lender to re-write our tax laws" that is flat out misrepresentation and it is a subject that the Realtor® should not go near. No one has the power to rewrite the tax codes except Congress and the President.

Besides, anyone who knows anything about loss mitigation departments also knows that the loss mitigation department does not communicate or have ANY say over the accounting department as to the lenders policies and procedures. I'll take this point one step further. It would be a rare event if a loss mitigation department for a major lender even knows where the accounting department is.

On January 11, 1995, the Los Angeles office of the IRS issued a news release with the heading:

"HOMEOWNERS BEWARE! IRS WILL NOT RESPECT 'SHAM' PROPERTY TRANSFERS TO AVOID TAXES ON FORGIVEN MORTGAGE DEBT."

On February 26, 1996, the People of the State of California vs. Boston Harbor Corporation, et al case went to trial. On March 22, 1996, the Superior Court of San Diego entered a final judgment on a settlement agreement between the Attorney General's office and Boston Harbor Corporation. A summary of the settlement follows:

- The defendants are permanently enjoined from making claims regarding relief from cancellation of indebtedness until the IRS or Ninth Circuit Tax Court has made a decision that the defendants can actually provide consumers such relief. Defendants are precluded from claiming that the transfer from a homeowner to defendant corporation will or may eliminate potential future negative effects on the consumer's credit report.
- Defendants cannot represent that their "Fresh Start" or similar program will help a client's liability under the loan unless defendants affirmatively state that liability for a deficiency or other obligation remains unchanged.
- Defendants will establish a grievance resolution procedure to deal with complaints from clients and determine whether a refund of any fees is warranted.
- Defendants will pay the state \$100,000 for costs and attorney fees.

Despite the settlement, the Attorney General's office still warns homeowners to be aware of unsubstantiated claims by this corporation or other similar programs. The California Attorney General has taken the position that these business practices are false and misleading. Please note, not every borrower is subject to tax on debt relief. If the debt is non-recourse, no debt relief tax would be owed.

Also, the insolvency of the borrower may decrease the debt relief tax. These are issues a Realtor® should not go near nor use in presentations or conversations with consumers or banks associated with Short Sales. The client should seek QUALIFIED third party interpretations from professionals such as tax attorneys, CPA's, Enrolled Agents and other service providers who are taxation experts.

Real estate licensees are not required to provide tax advice. Licensees should take care not to refer clients to any operation without first consulting proper counsel and tax professionals. These types of companies many times do not address this issue not to mention the issue of capital gains associated with foreclosure for fear of "losing the deal" if the consumer is informed. How do they sleep at night?

Myth #6 "The Seller must be delinquent in their payments in order to qualify for a short sale." Yes and no. During a seminar I attended recently by someone claiming to be an "expert" - as a matter of fact the presenter went so far as labeling himself a "genius" demonstrated his SELLERS not OWNERS Presentation. He had one slide where he begins to tell a story along the lines of, "You better start saving all of your cash, because you are going to need it." He continues his rant along the lines of, "Your credit is going to be screwed and so are you, no landlord is going to touch you so you better get at least \$10,000 behind you." He even has an example in the presentation showing four payments of about \$2,400 per month totaling around \$9,200 or so. Then he says, "Even though I am not telling you to stop making your payments..." are you kidding me? He is not telling them but he is showing them what to do.

More importantly, does he understand the potential liability and exposure he is subjecting his audience to? He demonstrates how to target upside down homeowners who are not behind in their payments and talk them into exasperating the current market by dumping their property into the Short Sale space. As a broker/owner of many Real Estate firms, I was cringing inside, looking around the room at the naïve agents who are going to expose their brokers to all this liability. A licensee who makes an improper recommendation may face civil liability.

As I am typing this outline I have a copy of the FNMA (Fannie Mae) servicing guidelines and it clearly states that the property must be three months in arrears in order to qualify for a short sale. The truth of the issue regarding "the seller must be delinquent" is that it depends on what type of loan it is. Fannie Mae, Freddie Mac, FHA, VA, Jumbo, private money, hard money, loans with PMI insurance all have different servicing criteria. If a servicer modifies the terms and conditions of a loan that servicer may no longer qualify for the insurance tied to that loan. As an example, in a FHA, if a servicer (collector and manager of the mortgage, not necessarily the lender) modifies the terms and conditions of the loan without the investors (money source) permission, the servicer may now be liable for the losses and may not seek restitution for losses (which is why FHA loans have MIP) from the Federal Housing Administration (FHA) for losses associated with that loan.

Myth #7 "Give the lenders what they need to approve the deal."

At the seminar I recently attended, the presenter spent the first part of the morning BASHING sub-prime lenders. The presenter made a reference about unscrupulous lenders by telling stories along the lines of "if you can fog a mirror, you're approved!" By the way, the same lender he worked for in the loss mitigation departments are the lenders guiltiest of the lending practices he was bashing. He spent the better part of 20 minutes ranting about "LENDERS" by the way, made little to no reference separating the good ones from the crooks.

After a break he came back and started to address the components needed for consideration for a Short Sale approval. Then he started to talk about the financial statement that the home owner wanting a Short Sale must complete. He repeated the statement "STATED STATED" and then continued his rant along the lines of telling the audience that "loss mitigation departments do not verify any of the information provided by the way of VOE's, VOD's or VOM's" and then restated "STATED, STATED STATED - give them a reason to approve the file."

He then went to tell stories of how there are stacks and stacks of disorganized and disconnected documentation (which is sad but true) associated with when the loan was originated to now and that the paper trail was impossible to follow. The message he was delivering was along the lines of don't worry about getting caught. As I am typing this I am thinking that is why when you review his resume, he has come from a long list of out of business or soon to be, companies. I learned this a long time ago doing Short Sales. The advice he gives is in the same category as the slimy sub-prime lenders he referred to earlier in his presentation that are now out of business.

He described himself by referring to others and exposed those in attendance, carefully observing and reading between the lines his shallow standards, lack of integrity, ethics, his complete abandonment of professionalism, 'get the deal done at any cost,' mindset and his complete disregard for the industry as a whole. He should go back to work for one of those slimy lenders he referred to because he is thrashing the real estate/lending industry, an industry I love and which has provided me, my family, and many friends the opportunity to assist in building a future. If you are going to pick up that microphone and lead, do it the right way or not at all.

Myth #8 "Foreclosure's are up because of the shady lending practices"

At another seminar I recently attended by a self proclaimed "expert," he blamed the current foreclosure problem on the Mortgage Industry, instead of where the real blame should be placed, on Wall Street and Washington DC. Not all sub-prime lenders are bad. Sub-prime loan programs provide home ownership opportunities where many "traditional banks" turn their backs on these types of borrowers. As a matter of fact, a very small percentage of sub-prime loans are in

default, in just over 84% of ALL sub-prime loans, the borrowers have NEVER missed a payment.

EVERYONE had a role in this conundrum we find ourselves in. Realtors® were selling homes to investors promising rates of returns with no mention of that property values move both ways, up and down. Investor speculation was rife in many markets and everyone earned a fee for providing services involved. Yes, some unscrupulous lenders targeted and preyed upon the ignorant. Yes, Wall Street firms had internet, consumer direct based business models for "do-it-yourself" Home Depot types of consumers that went out and obtained financing without professional consultation.

So yes, even the consumer had a role in this. Builders contributed by lowering the qualifying standards to move more inventories. Taxation companies like H&R Block and others had a role in this from taxation people selling mortgages. Insurance annuity sales people partnered with mortgage lenders for equity stripping based business models.

I can go on ad infinitum, however, in summary, everyone played a role. The media has decided to make the Mortgage Broker the poster child for the blame for this mess. One last example of how ridiculous it is to blame Mortgage Brokers for this mess is illustrated by this example. I was from San Diego, California, and now reside 60 miles north in Laguna Hills, California. Recently there were numerous fires in the San Diego area. Some of you will remember a sensationalist reporter by the name of Geraldo Rivera. On the news he blamed the homes burning on the Realtors® that sold the homes to the homeowners - not the builder that built them, not the consumer that wanted that property. When the homeowner purchased the property, it was a By-Owner transaction, where should the blame be now? Ridiculous!

Listen, Short Sales are a part of the market. You cannot ignore them and only know how to sell real estate in good times. However, there is a right way and a wrong way to do it. There is an honest and ethical way to do it and there is a greedy, self serving method at the cost of driving a market even lower, a 'thrashing our industry in the process' way to do it. Short Sales and REO's are going to be a part of

the market for the next 18 to 24 months and maybe longer. Even when they are not predominant, there is still a market in that space, they just no longer drive the market.

H.U.D Pre-Foreclosure

Procedures



PREFORECLOSURE SALES PROGRAM

The Preforeclosure Sale Program allows a mortgagor in default to sell his or her home and use the sales proceeds to satisfy the mortgage debt, even if the proceeds are less than the amount owed. Ref: Mortgage Letters 2001-07, 2000-05 and 1994-45.

FACTS

- · Outright sales to a third party. It must be an "arms length" transaction.
- HUD can pay up to \$1,000 compensation to the mortgagor.
- HUD can pay an additional amount up to \$1,000 for the discharge of junior liens but the mortgagor's incentive must be used first.
- HUD allows all reasonable cost of the sale including up to 6% sales commission, local/state transfer tax stamp and other customary closing cost such as the cost for a title search, appraisal and title insurances.
- The appraised value must be at least 63% of the outstanding mortgage. Mortgage indebtedness = principal and interest only.
- Net sales proceeds must be at least 82% of the property's "as is" appraised value, defined as selling price minus sales commission and consideration paid to seller, amount to discharge any lien (not to exceed \$1,000), and customary sellers closing
- <u>Under no circumstance</u> should the mortgagor be encouraged to default on their mortgage for the purpose of participating in this Program.

ELIGIBILITY

- The property must be owner-occupied, no "walk-a ways" or investment properties.
 Exceptions: when it is verifiable that the need to vacate was related to the cause of default (job loss, transfer, divorce, death), and the subject property was not purchased as a rental investment, or used as a rental for more than 12 months.
- The mortgagor must be 31 days delinquent or more at the time of the Preforeclosure sale closing.
- The mortgagor must provide documentation of a reduction in income or an increase in living expense, and documentation that verifies the mortgagors need to vacate the property.

PROCEDURES

(1) Mortgagors who wish to participate in the Preforeclosure Sale Program must submit an *Application to Participate* HUD-90036 along with the financial information required by mortgagees.

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- (2) The mortgagee must obtain a standard FHA appraisal from an appraiser who does not share any interest with the mortgagor or mortgagor's agent. The appraisal must contain both "As Is" and "As Repaired" values for the property, and will be valid for six months.
- (3) Prior to execution of the *Approval to Participate*, the mortgagee must obtain a title search to verify that the title is not impaired with un-resolvable title problems, or junior liens that cannot be discharged as allowed by HUD.
- (4) The mortgagee will determine the mortgagors' eligibility for the PFS procedure. (A) The "As Is" appraised value must be 63% of the present unpaid principle balance and accrued interest (plus if appropriate the partial claim amount) (B) Must have marketable title.
- (5) When an application is accepted an *Approval to Participate* form is used. The date of this form becomes the starting date of the PFS participation. *The Approval to Participate* must include the date by which a signed contract for sale must be obtained and minimum acceptable net sales price.
 - The mortgagor agrees to show good faith in attempting to market and sell the property.
 - The mortgagor must perform all normal property maintenance and repairs until closing of the preforeclosure sale.
 - The mortgagor must list the property with a licensed real estate broker, unrelated to
 the mortgagor. The listing agreement must include a specific cancellation clause in
 the event the terms of the sales are not acceptable to HUD.
- (6) The mortgagee delays foreclosure to allow pursuit of the preforeclosure sale.
- (7) The preforeclosure sale period shall be three months beginning upon mortgagee approval (automatically extended two months for mortgagees in Tier 1).
- (8) The mortgagee should review marketing efforts with the mortgagor on a monthly basis. After 90 days without a scheduled closing, the mortgagee must discuss the likelihood of a sale with the real estate broker and make a determination to either end the preforeclosure sale period or extend it for an additional 30 days if a sale is likely.
- (9) The closing of the sale must occur within six months, eight months if mortgagee is in Tier 1, from the date the mortgagee notified the mortgagor in writing of approval to participate in the Preforeclosure Sale Program.

If you have any question you may contact NSC at:

National Servicing Center E-mail: <u>hsg-lossmit@hud.gov</u> 1-888-297-8685

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U. S. Department of Housing and Urban Development Washington, D.C. 20410-8000

September 25, 1991 OFFICE OF THE ASSISTANT SECRETARY FOR HOUSING-FEDERAL HOUSING COMMISSIONER MORTGAGEE LETTER 91-45

TO: ALL APPROVED MORTGAGEES

ATTENTION: SERVICING MANAGERS (SINGLE FAMILY)
SUBJECT: ANNOUNCEMENT OF HUD'S PRE-FORECLOSURE SALE
PROGRAM DEMONSTRATION

This Mortgagee Letter describes the Department's Pre-foreclosure Sale ("PFS") program demonstration. The demonstration has been designed to gauge the demand for, and the efficacy of, pre-foreclosure sales as a means of saving the Department money and of assisting qualified mortgagors in avoiding foreclosure of their FHA-insured mortgages. A successful demonstration will result in Department-wide implementation of the pre-foreclosure sale option, and its inclusion in the Department's range of HUD-approved relief provisions.

The demonstration program, which will last approximately 12 months, will be conducted in five local HUD Offices: Milwaukee, Atlanta, Denver, Houston, and Phoenix. This selection includes three offices in long-term "soft" real estate markets, as well as two other offices in more typical markets. FHA-approved mortgagees and servicers around the country are being apprised of the program, but we are specifically instructing those mortgagees with significant servicing operations in one or more of the five affected areas to pay close attention to the requirements of the Pre-foreclosure Sale demonstration.

The PFS demonstration in Wisconsin is being administered "in-house" by the Milwaukee HUD Office. The demonstration in the other four jurisdictions will be coordinated by contractors as yet to be selected.

EFFECTIVE DATE: Effective with the date of this Mortgagee Letter the following PFS demonstration guidelines must be fully implemented in Wisconsin only. HUD will notify mortgagees at a later date when to implement these guidelines fully in the other demonstration areas. Until the contractors are selected, the remaining four demonstration offices and all other field offices have been authorized to consider potential pre-foreclosure sales on a case-by-case basis.

Participating FHA mortgagees will play a crucial role in the demonstration. Mortgagee cooperation is essential for the program's smooth operation. Although it is also in the mortgagee's best interest that this program prove successful, HUD

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acknowledges that mortgagees will be faced with start-up costs for this demonstration. HUD will pay \$250 to defray mortgagees' administrative costs relating to each Pre-foreclosure Sale demonstration program participant. This expenditure will be reviewed before a decision is made regarding its continuation after the demonstration.

OVERVIEW

The Department believes that a significant number of mortgagors who enter into a "defaulted" status on their mortgages would take advantage of the opportunity to sell their properties at current fair market value to a third party, to free themselves of the financial obligation that their mortgage represents, and also to avoid foreclosure. Of course, there will be homeowners whose first priority is to retain their properties, and those individuals should be encouraged to explore all available options, including application for mortgage assignment, discussion of forbearance or recasting possibilities with their lenders, etc. But for those mortgagors who desire to withdraw from their mortgage obligation, and who attempted to sell their properties in the past, or would have listed them for sale, but have been prevented from doing so by a decline in the value of their property that would produce insufficient sale proceeds to pay off their mortgages, the PFS option represents an opportunity to realize their objective.1/ Affording them this opportunity is in keeping with the Department's overall goal of reducing its losses resulting from defaults and foreclosures. In addition, making this option available to qualifying mortgagors will place HUD in the mainstream with other agencies that utilize pre-foreclosure sales as a servicing and loss-mitigation tool in appropriate circumstances.

IMPORTANT PROGRAM PROVISIONS

Eligibility Criteria:

In order to be eligible for the PFS program, a mortgagor-applicant must:

- (1) be an owner-occupant in a single family unit with a mortgage under Sections 203(b), 221(d)(2), 234(c), 235, or 245 of the National Housing Act (12 U.S.C. 1709, 17151, 1715y, 1715z, or 1715z-10);
- (2) have an account in default; i.e., with three installments due and unpaid (the default must not be

^{1/} At this time, a "pre-foreclosure sale" is only envisioned as an outright sale of the premises. No assumptions, regardless of provisions for release of liability, will be permitted under the program.

- the result of the mortgagor's willful abuse 2/ of the single family mortgage program); and
- (3) have been made aware of the assignment program, as discussed below under Notification of Program, and have been either turned down for it by HUD, or have decided not to apply for it.

NOTE: In addition, those mortgagors who are small investors with only one FHA-insured mortgage (e.g., a former owner-occupant who now rents out his/her property) will be considered for eligibility under the Pre-Foreclosure Sale Program. Under no circumstances, however, will the program be made available to "walkaways" who have abandoned their mortgage obligations despite their continued ability to pay. Mortgagors determined to be eligible for, and who participate in, pre-foreclosure sales will not be pursued for deficiency judgments by the Department.

Use of Contractors As Program Coordinators:

The Department intends to utilize the services of one or more contractors to perform many crucial steps in the Pre-Foreclosure Sale Program. Contractors are expected to be used in four of the five demonstration sites. For purposes of comparison, the Department will have staff in one of the five local HUD offices (Milwaukee) perform the tasks of program coordination instead of a Contractor.

Participating in the Pre-foreclosure Sale Program:

Once a mortgagor contacts a program coordinator (Contractor or local HUD office, as appropriate), is determined to be eligible to pursue a pre-foreclosure sale and is so notified, the mortgagor is then enrolled and may pursue a pre-foreclosure sale. The coordinator will also refer the mortgagor to one or more real estate brokers in an attempt to market the property within the established time and price guidelines. These brokers will be prohibited from sharing a business interest with the Contractor. HUD's Information Sheet will explain that, while mortgagors are free to try to sell their properties themselves, the Department strongly recommends that a broker be retained because of the tight time constraints involved in the pre-foreclosure sale process.

^{2/} Any attempt to enroll in this program by deliberately manufacturing a mortgage default or by misrepresenting pertinent facts about the applicant's financial or other qualifying status shall be considered "willful abuse" in the context of the pre-foreclosure sale program.

An "As-Is" appraisal will be ordered from the local HUD Office by the coordinator. Any costs for the appraisal will be borne by the local HUD Office. The appraisal will be conveyed to the coordinator, who will forward a copy to the program participant.

Homeownership Counseling Responsibilities:

Before a particular pre-foreclosure sale transaction can be approved, either a HUD-approved counseling agency or program staff will do the following:

- (1) Provide substantive "homeownership counseling" to mortgagors considering the pre-foreclosure sale option. This will include explaining the alternatives to a pre-foreclosure sale that are available to the mortgagor at that time.
- (2) Advise mortgagors that they may wish to contact a financial or tax counselor to learn the specific tax consequences to them of a pre-foreclosure sale.
- (3) Assist in executing certifications before the actual pre-foreclosure sale is approved. These certifications shall include statements that:
 - (a) homeownership counseling has been received;
 - (b) the proposed pre-foreclosure sale is an "arm's length" transaction between the mortgagor and would-be purchaser; 3/
 - (c) the broker hired to sell the property must not share a business interest with the program coordinator; and
 - (d) if the mortgagor has not made application for mortgage assignment, that the assignment program has been explained to him and that he desires to waive any right to apply for the program arising from his present mortgage default.

Approving the Pre-foreclosure Sale:

^{3/} For purposes of this program, an "arm's length" transaction is a pre-foreclosure sale between two unrelated parties that is characterized by a selling price and other conditions that would prevail in an open market environment. No hidden terms or special understandings can exist between buyer and seller, or between the seller or buyer and the sales agent or program coordinator.

The real estate broker (or the mortgagor's attorney) should forward to the coordinator a copy of the contract of sale (including sales commission) made conditional upon HUD's approval, and the necessary certifications (if they have not yet been sent to the program office) that have been signed by the mortgagor. The coordinator will review the package for approval and render a decision within five (5) working days of receiving the proposed sales contract. A copy of the approved Sales Contract will be sent to the mortgagee to document the servicing file that a closing is imminent.

Other Provisions:

During the demonstration, the following additional provisions will apply:

- (1) The coordinator will have the authority, on a case-by-case basis, to extend a lender's foreclosure sale date to accommodate participation in the program, if it determines that it would be in HUD's best interest to do so.
- (2) In determining the eligibility of a mortgagor to participate in the PFS program, the coordinator shall determine whether the property's appraised value is at least 70% of the outstanding mortgage indebtedness at the time application is made for the program. In cases where the appraised value is less than 70% of the outstanding debt, the coordinator must obtain local HUD Office (ATTN: Loan Management Branch) approval to allow the mortgagor to engage in a pre-foreclosure sale.
- (3) The offer to purchase the property should net HUD at least 90% of the appraised value of the property. However, the coordinator may exercise discretion in cases where the bid is at least 90% of appraised value but the net to HUD, after sales commission and other adjustments, is less than 90% of appraised value. Offers which do not reach the 90% level of appraised value, but which the coordinator thinks should be accepted anyway, must be approved in advance by the local HUD Office (ATTN: Director of Housing Management).
- (4) All proposed sales contracts must be approved by the coordinator before a "closing" can be scheduled.

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The Closing of the Pre-Foreclosure Sale:

If all applicable criteria are met, or any criteria not met are appropriately waived, the following will occur prior to closing the sale:

(1) The coordinator will provide to the Closing Agent a Closing Worksheet which contains a list of financial incentives and amounts payable out of sale proceeds. These incentives are a base amount of \$1500 for participation in the program; an additional \$500 if the closing occurs within three (3) months of acceptance into the program, OR \$200 if the closing occurs within four months. If the sales proceeds exceed the appraised market value of the property, the participant will be paid 50% of the excess, or \$1500, whichever is greater.

The Closing Agent will enter these incentives on lines 1303-1305 of the form HUD-1, "Settlement Statement."

- (2) The Closing Agent will calculate the actual net sale proceeds and provide a copy of the HUD-1 to the coordinator. The coordinator will ascertain whether the actual terms of the transaction are in accordance with the proposed sale that had been previously approved.
- (3) If the coordinator approves the transaction, and "closing" occurs, the Closing Agent will pay the listed incentives. The Closing Agent will send the net proceeds of sale and a completed form HUD-1 to the mortgagee. A copy of the HUD-1 and an executed "Closing Worksheet\Recap," certifying that the appropriate incentives have been paid, will be sent by the Closing Agent to the coordinator.

RESPONSIBILITIES OF MORTGAGEES "DOING BUSINESS" IN THE DEMONSTRATION AREAS

Mortgagees will be involved in the following important activities relating to, or affected by, pre-foreclosure sales:

(1) Notification and referral. HUD has prepared a brief Bulletin (see Appendix), which shall be reprinted by each mortgagee as necessary, that explains the basic nature of the Pre-foreclosure Sale program, and provides mortgagors with a toll-free number to call to contact program coordinators in their area. These

half-sheet notices must be inserted in the envelopes along with the following mailed materials:

(a) Pamphlet HUD-426-H(12), "Avoiding Mortgage Default," typically sent to mortgagors who fall two mortgage payments behind;

- (b) HUD Exhibit #1 Letter, sent after a mortgagor's account becomes 3 or more payments in arrears; and
- (c) HUD Exhibit #2 or Exhibit #3 Letter.

Generally, mortgagees may, at their discretion, alert homeowners to the PFS program if the mortgagee believes that the homeowners, situation is worthy of consideration by the coordinator.

Any mortgagors who initiate an inquiry about the pre-foreclosure sale option at other times should be directed by mortgagee personnel to call the toll-free number for further information.

(In addition, the local HUD Office will be responsible for sending a similar notification to mortgagors who lose the right to apply for mortgage assignment or are turned down during the processing of their applications. Finally, HUD-approved housing counseling agencies and local HUD Offices will be circulating an Information Sheet describing the Pre-foreclosure Sale demonstration, and containing the toll-free number to contact program coordinators.)

- (2) Liaison with PFS program coordinators. Mortgagees will have periodic contact with program coordinators, (either the Contractors working for HUD or the local HUD offices overseeing the pre-foreclosure sale program).
 - (a) There may be a need for servicing staff to "trouble shoot" certain situations that can arise while a mortgagor is participating in the PFS program. Examples include answering inquiries from the mortgagor about other available options, such as a forbearance agreement, reinstatement, etc. There may be questions about form letters and other mailings sent to the mortgagors automatically, but perhaps erroneously in some cases, by the mortgagee while the mortgagor is still participating in the PFS program (for example, Notices of Intent to Foreclose, or applications for occupied conveyance). Assurances may have to be given to mortgagors or program

8

coordinators that not all provisions or language contained in the mailings is appropriately directed to a mortgagor still engaged in the Pre-foreclosure Sale program.

(b) There may also be a need to respond to inquiries from the program coordinators about issues

relating to the accounts of program participants; for example, knowledge by servicing staff of secondary liens and encumbrances that could affect whether a pre-foreclosure sale can be approved.

(3) Executing a deed-in-lieu in the context of the Preforeclosure

Sale program.

- The PFS demonstration utilizes the option to (a) accept a deed-in-lieu of foreclosure from qualified program participants who, despite a good faith effort, fail to find a qualified buyer for their properties. The deed-in-lieu is thus considered the "second most desirable" outcome under this program, and the program coordinator will be in a position to strongly recommend that the mortgagee execute a deed-in-lieu, rather than to continue taking steps leading to foreclosure. Although this procedure does not alter the existing criteria that apply to decisions regarding deeds-in-lieu, it does change the party making the recommendation--but only in the context of the Pre-foreclosure Sale program. In situations involving mortgagors who are not participating in Pre-foreclosure Sales, the mortgagee will continue to follow procedures as set forth in Handbook 4330.1, REV-2, paragraph 9-4.
- (b) In furtherance of this deed-in-lieu provision, HUD has decided to implement several changes--as part of the demonstration only--in the processing, and in the reimbursement of expenses relating to, deeds-in-lieu of foreclosure. See 24 CFR 203.357 and 203.402(f).
 - (i) For participants in the PFS program who fail to execute sales transactions despite a good faith effort, as determined by the program coordinator, the consideration payable to the mortgagor for executing the deed-in-lieu will be \$500.
 - (ii) The consideration payable to the mortgagor in such cases will be fully reimbursable to the mortgagee via the Single Family Claims for Insurance Benefits. Detailed instructions on the filing of claims involving participants in the PFS program will be issued separately.

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(4) Possible postponement of foreclosure-related actions.

If, in the judgment of the program Coordinator, by

giving a participant a limited amount of additional time, he or she would have a good chance of executing a pre-foreclosure sale, a request will be made to the mortgagee to postpone a scheduled foreclosure sale date.

Any request to the mortgagee for a delay in scheduling a foreclosure sale date will be made, or followed up, in writing, for the documentation of the mortgagee's case file. A failure to comply with such a request where the basis for the request is the prospect of a pre-foreclosure sale, could result in a finding by HUD of a failure to protect HUD's interest.

- (5) Claims.
 - (a) Claims instructions for use in cases where a pre-foreclosure sale does result from participation in the program will be distributed shortly.
 - (b) In cases where there is no pre-foreclosure sale transaction despite participation in the program, the claim will be treated as a conveyance claim, with the following exceptions:
 - (i) Mortgagees will receive full reimbursement of the \$500 consideration paid to program participants who qualify for a deed-in-lieu of foreclosure.
 - (ii) Mortgagees will receive the amount of \$250 from HUD, for every program participant (regardless of outcome), to defray the mortgagees, initial administrative expenses relating to enrollment in the PFS program. Payment of this fee will be reviewed as part of HUD's analysis of the demonstration.

If you have questions regarding pre-foreclosure sales or the demonstration program, please direct your inquiries to the Insured Servicing Branch at HUD Headquarters at 202-708-1719.

Very sincerely yours,

Arthur J. Hill Assistant Secretary for Housing-Federal Housing Commissioner

Attachment

APPENDIX

HOMEOWNER: PLEASE READ THIS IMPORTANT BULLETIN!

There is another way that you might be able to avoid the foreclosure $% \left(1\right) =\left(1\right) \left(1\right)$

of your mortgage and its effect on your credit record. If you believe that

you can no longer handle your mortgage obligation, you may want to consider

selling your home before the foreclosure occurs. This is known as a "Pre-Foreclosure Sale." Even if you are not able to sell your home for enough money to pay off your mortgage, you could qualify for the Department

of HUD to pay off the remainder of your mortgage debt after the sale, if

you meet certain eligibility criteria. These criteria are different from

those for HUD's Mortgage Assignment Program. (If you want HUD to consider

accepting an assignment of your mortgage, you must apply for that program -- separately -- while you are still eligible to do so.) If you

want to learn more about the "Pre-Foreclosure Sale" Program and whether you

are eligible to participate in it, call HUD at the following telephone number: 1-800-800-3088. The number is TOLL FREE and there is NO OBLIGATION

on your part as a result of making this call.

Your prompt action could increase your chances of success in the Pre-foreclosure Sale Program. Don't delay!

24

08/5/91

APPDX1.PFS

Tel: 949.545.8859

Freddie Mac

Workout Incentive Program













Key Features:

- Mortgages on 1- to 4unit homes, including those covered by mortgage insurance, are eligible
- Receive a check for eligible workouts each month

Looking for more information on default management?

Visit www.FreddieMac.com/ service/msp/ for more information on:

- EarlyIndicator®
- Expense ManagerSM
- Online 104SF
- Timeline ManagerSM
- Workout Manager[®]
- Workout Prospector[®]

To Learn More:

- Call (800) FREDDIE
- Contact a Freddie Mac servicing representative

Workout Incentive Program

Receive Compensation for Settled Alternatives to Foreclosure and Qualifying Repayment Plans

Servicers and Freddie Mac both have an interest in helping borrowers who are delinquent in their mortgage payments avoid foreclosure and remain homeowners. *Workouts* offer alternatives to foreclosure that, in most cases, keep borrowers in their homes. We know that the resources you devote to pursuing workouts impact your bottom line. That's why we created the Workout Incentive Program to help you offset your costs and to encourage you to pursue workouts more aggressively, which we believe can help more borrowers avoid foreclosure. When preventing foreclosure is not possible, we promote effective foreclosure timeline management to reduce the costs for everyone involved.

Servicer Benefits

Our Workout Incentive Program rewards you, regardless of your tier rating, for the hard work you do to find the right solution for your borrower. The program is designed to

- Help you offset your costs for eligible alternatives to foreclosure
- Complement our array of cutting-edge default management tools
- Encourage you to aggressively pursue alternatives to foreclosure

Borrower Benefits

Freddie Mac is committed to helping borrowers sustain homeownership or avoid foreclosure. We deliver on that commitment by developing management tools that enable you to work effectively with defaulted borrowers, and by giving you monetary incentives for completed eligible alternatives to foreclosure. We've also enhanced our web pages at FreddieMac.com/avoiding_foreclosure to give you a powerful new tool to help your borrowers better understand that they should contact you as soon as possible when financial hardship strikes. The pages explain, in English and Spanish, different types of workout options that may be available to them, and give them resources to locate a qualified credit-counseling agency in their area. Above all, the clear message to borrowers is to seek competent help promptly and avoid foreclosure.

Eligible Mortgages

Mortgages on 1- to 4-unit homes, including those covered by mortgage insurance, are eligible for the program. Second mortgages, home improvement loans, mortgages guaranteed by the FHA, VA, or RHS, and mortgages sold to us with recourse are not eligible. If a mortgage insurer's contribution to a short payoff fully pays off the borrower's debt to us (also known as a *make-whole pre-foreclosure sale*), you will receive the incentive amount for a short payoff.

See reverse for additional details.

Mortgage Debt Relief Act

HR 3648

110TH CONGRESS 1ST SESSION

H. R. 3648

IN THE SENATE OF THE UNITED STATES

OCTOBER 4, 2007

Received; read twice and referred to the Committee on Finance

AN ACT

To amend the Internal Revenue Code of 1986 to exclude discharges of indebtedness on principal residences from gross income, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE. 2 This Act may be cited as the "Mortgage Forgiveness Debt Relief Act of 2007". 3 SEC. 2. DISCHARGES OF INDEBTEDNESS ON PRINCIPAL 5 RESIDENCE EXCLUDED FROM GROSS IN-6 COME. 7 (a) IN GENERAL.—Paragraph (1) of section 108(a) of the Internal Revenue Code of 1986 is amended by striking "or" at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting ", or", and by inserting after subparagraph (D) the following new subparagraph: 12 13 "(E) the indebtedness discharged is quali-14 fied principal residence indebtedness.". 15 (b) Special Rules Relating to Qualified Prin-16 CIPAL RESIDENCE INDEBTEDNESS.—Section 108 of such Code is amended by adding at the end the following new subsection: 18 19 "(h) Special Rules Relating to Qualified Principal Residence Indebtedness.— 20 21 "(1) Basis reduction.—The amount excluded 22 from gross income by reason of subsection (a)(1)(E)23 shall be applied to reduce (but not below zero) the

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26

DEBTEDNESS.—For purposes of this section, the

basis of the principal residence of the taxpayer.

"(2) QUALIFIED PRINCIPAL RESIDENCE IN-

1	term 'qualified principal residence indebtedness'
2	means acquisition indebtedness (within the meaning
3	of section 163(h)(3)(B), applied by substituting
4	\$2,000,000 $($1,000,000)$ for $$1,000,000$
5	(\$500,000' in clause (ii) thereof) with respect to the
6	principal residence of the taxpayer.
7	"(3) Exception for certain discharges
8	NOT RELATED TO TAXPAYER'S FINANCIAL CONDI-
9	TION.—Subsection (a)(1)(E) shall not apply to the
10	discharge of a loan if the discharge is on account of
11	services performed for the lender or any other factor
12	not directly related to a decline in the value of the
13	residence or to the financial condition of the tax-
14	payer.
15	"(4) Ordering rule.—If any loan is dis-
16	charged, in whole or in part, and only a portion of
17	such loan is qualified principal residence indebted-
18	ness, subsection (a)(1)(E) shall apply only to so
19	much of the amount discharged as exceeds the
20	amount of the loan (as determined immediately be-
21	fore such discharge) which is not qualified principal
22	residence indebtedness.
23	"(5) PRINCIPAL RESIDENCE.—For purposes of
24	this subsection, the term 'principal residence' has

the same meaning as when used in section 121.".

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1	(c) COORDINATION.—
2	(1) Subparagraph (A) of section 108(a)(2) of
3	such Code is amended by striking "and (D)" and in-
4	serting "(D), and (E)".
5	(2) Paragraph (2) of section 108(a) of such
6	Code is amended by adding at the end the following
7	new subparagraph:
8	"(C) PRINCIPAL RESIDENCE EXCLUSION
9	TAKES PRECEDENCE OVER INSOLVENCY EXCLU-
10	SION UNLESS ELECTED OTHERWISE.—Para-
11	graph (1)(B) shall not apply to a discharge to
12	which paragraph (1)(E) applies unless the tax-
13	payer elects to apply paragraph (1)(B) in lieu
14	of paragraph (1)(E).".
15	(d) Effective Date.—The amendments made by
16	this section shall apply to discharges of indebtedness on
17	or after January 1, 2007.
18	SEC. 3. LONG-TERM EXTENSION OF DEDUCTION FOR MORT-
19	GAGE INSURANCE PREMIUMS.
20	(a) In General.—Subparagraph (E) of section
21	163(h)(3) of the Internal Revenue Code of 1986 (relating
22	to mortgage insurance premiums treated as interest) is
23	amended by striking clauses (iii) and (iv) and inserting
24	the following new clause:

1	"(iii) Application.—Clause (i) shall
2	not apply with respect to any mortgage in-
3	surance contract issued before January 1,
4	2007, or after December 31, 2014.".
5	(b) EFFECTIVE DATE.—The amendment made by
6	subsection (a) shall apply to contracts issued after Decem-
7	ber 31, 2006.
8	SEC. 4. ALTERNATIVE TESTS FOR QUALIFYING AS COOPER-
9	ATIVE HOUSING CORPORATION.
10	(a) In General.—Subparagraph (D) of section
11	216(b)(1) of the Internal Revenue Code of 1986 (defining
12	cooperative housing corporation) is amended to read as
13	follows:
14	"(D) meeting 1 or more of the following
15	requirements for the taxable year in which the
16	taxes and interest described in subsection (a)
17	are paid or incurred:
18	"(i) 80 percent or more of the cor-
19	poration's gross income for such taxable
20	year is derived from tenant-stockholders.
21	"(ii) At all times during such taxable
22	year, 80 percent or more of the total
23	square footage of the corporation's prop-
24	erty is used or available for use by the ten-

1	ant-stockholders for residential purposes or
2	purposes ancillary to such residential use.
3	"(iii) 90 percent or more of the ex-
4	penditures of the corporation paid or in-
5	curred during such taxable year are paid
6	or incurred for the acquisition, construc-
7	tion, management, maintenance, or care of
8	the corporation's property for the benefit
9	of the tenant-stockholders.".
10	(b) Effective Date.—The amendment made by
11	this section shall apply to taxable years ending after the
12	date of the enactment of this Act.
13	SEC. 5. GAIN FROM SALE OF PRINCIPAL RESIDENCE ALLO-
14	CATED TO NONQUALIFIED USE NOT EX-
15	CLUDED FROM INCOME.
16	(a) In General.—Subsection (b) of section 121 of
17	the Internal Revenue Code of 1986 (relating to limita-
18	tions) is amended by adding at the end the following new
19	paragraph:
20	
	"(4) Exclusion of gain allocated to non-
21	"(4) EXCLUSION OF GAIN ALLOCATED TO NON-QUALIFIED USE.—
21 22	
	QUALIFIED USE.—
22	QUALIFIED USE.— "(A) IN GENERAL.—Subsection (a) shall

	7
1	"(B) GAIN ALLOCATED TO PERIODS OF
2	NONQUALIFIED USE.—For purposes of subpara-
3	graph (A), gain shall be allocated to periods of
4	nonqualified use based on the ratio which—
5	"(i) the aggregate periods of non-
6	qualified use during the period such prop-
7	erty was owned by the taxpayer, bears to
8	"(ii) the period such property was
9	owned by the taxpayer.
10	"(C) Period of nonqualified use.—
11	For purposes of this paragraph—
12	"(i) In general.—The term 'period
13	of nonqualified use' means any period
14	(other than the portion of any period pre-
15	ceding January 1, 2008) during which the
16	property is not used as the principal resi-
17	dence of the taxpayer or the taxpayer's
18	spouse or former spouse.
19	"(ii) Exceptions.—The term 'period
20	of nonqualified use' does not include—
21	"(I) any portion of the 5-year pe-
22	riod described in subsection (a) which
23	is after the last date that such prop-
24	erty is used as the principal residence

1	of the taxpayer or the taxpayer's
2	spouse,
3	"(II) any period (not to exceed
4	an aggregate period of 10 years) dur-
5	ing which the taxpayer or the tax-
6	payer's spouse is serving on qualified
7	official extended duty (as defined in
8	subsection (d)(9)(C)) described in
9	clause (i), (ii), or (iii) of subsection
10	(d)(9)(A), and
11	"(III) any other period of tem-
12	porary absence (not to exceed an ag-
13	gregate period of 2 years) due to
14	change of employment, health condi-
15	tions, or such other unforeseen cir-
16	cumstances as may be specified by the
17	Secretary.
18	"(D) Coordination with recognition
19	OF GAIN ATTRIBUTABLE TO DEPRECIATION.—
20	For purposes of this paragraph—
21	"(i) subparagraph (A) shall be applied
22	after the application of subsection (d)(6),
23	and

1	"(ii) subparagraph (B) shall be ap-					
2	plied without regard to any gain to which					
3	subsection (d)(6) applies.".					
4	(b) EFFECTIVE DATE.—The amendment made by					
5	this section shall apply to sales and exchanges after De-					
6	cember 31, 2007.					
7	SEC. 6. TIME FOR PAYMENT OF CORPORATE ESTIMATED					
8	TAXES.					
9	Subparagraph (B) of section 401(1) of the Tax In-					
10	crease Prevention and Reconciliation Act of 2005 is					
11	amended by striking the percentage contained therein and					
12	inserting "116.75 percent".					
	Passed the House of Representatives October 4,					
	2007.					
	Attest: LORRAINE C. MILLER,					

Clerk.

IRS

Mortgage Forgiveness Debt Relief Act

What is the Mortgage Forgiveness Debt Relief Act of 2007?

The Mortgage Forgiveness Debt Relief Act of 2007 was enacted on December 20, 2007 (see News Release IR-2008-17). Generally, the Act allows exclusion of income realized as a result of modification of the terms of the mortgage, or foreclosure on your principal residence.

What does that mean?

Usually, debt that is forgiven or cancelled by a lender must be included as income on your tax return and is taxable. The Mortgage Forgiveness Debt Relief Act of 2007 allows you to exclude certain cancelled debt on your principal residence from income.

Does the Mortgage Forgiveness Debt Relief Act of 2007 apply to all forgiven or cancelled debts?

No, the Act applies only to forgiven or cancelled debt used to buy, build or substantially improve your principal residence, or to refinance debt incurred for those purposes.

What about refinanced homes?

Debt used to refinance your home qualifies for this exclusion, but only up to the extent that the principal balance of the old mortgage, immediately before the refinancing, would have qualified.

Does this provision apply for the 2007 tax year only? It applies to qualified debt forgiven in 2007, 2008 or 2009.

If the forgiven debt is excluded from income, do I have to report it on my tax return?

Yes. The amount of debt forgiven must be reported on Form 982 and the Form 982 must be attached to your tax return.

Do I have to complete the entire Form 982?

Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Adjustment), is used for other purposes in addition to reporting the exclusion of forgiveness of qualified principal residence indebtedness. If you are using the form only to report the exclusion of forgiveness of qualified principal residence indebtedness as the result of foreclosure on your principal residence, you only need to complete lines 1e and 2. If you kept ownership of your home and modification of the terms of your mortgage resulted in the forgiveness of qualified principal residence indebtedness, complete lines 1e, 2, and 10b. Attach the Form 982 to your tax return.

Where can I get this form?

You can download the form at IRS.gov, or call 1-800-829-3676. If you call to order, please allow 7-10 days for delivery.

How do I know or find out how much was forgiven?

Your lender should send a Form 1099-C, Cancellation of Debt, by January 31, 2008. The amount of debt forgiven or cancelled will be shown in box 2. If this debt is all qualified principal residence indebtedness, the amount shown in box 2 will generally be the amount that you enter on lines 2 and 10b, if applicable, on Form 982.

Can I exclude debt forgiven on my second home, credit card or car loans?

Not under this provision. Only cancelled debt used to buy, build or improve your principal residence or refinance debt incurred for those purposes qualifies for this exclusion.

If part of the forgiven debt doesn't qualify for exclusion from income under this provision, is it possible that it may qualify for exclusion under a different provision?

Yes. The forgiven debt may qualify under the "insolvency" exclusion. Normally, a taxpayer is not required to include forgiven debts in income to the extent that the taxpayer is insolvent. A taxpayer is insolvent when his or her total liabilities exceed his or her total assets. The forgiven debt may also qualify for exclusion if the debt was discharged in a Title 11 bankruptcy proceeding or if the debt is qualified farm indebtedness or qualified real property business indebtedness. If you believe you qualify for any of these exceptions, see the instructions for Form 982.

Is there a limit on the amount of forgiven qualified principal residence indebtedness that can be excluded from income?

There is no dollar limit if the principal balance of the loan was less than \$2 million (\$1 million if married filing separately for the tax year) at the time the loan was forgiven. If the balance was greater, see the instructions to Form 982, page 4.

Is there anything else I need to know before filing?

Yes. Because the Mortgage Forgiveness Debt Relief Act of 2007 was passed so late in the year, the software systems used by tax preparers and at the Internal Revenue Service need to be updated to accept the revised Form 982. The IRS expects to be able to process the new Form 982 electronically on March 3, 2008.

Form **982**

(Rev. February 2008) Department of the Treasury

Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)

OMB No. 1545-0046 Attachment Sequence No. 94

► Attach this form to your income tax return. Internal Revenue Service

Name shown on return Identifying number Part I General Information (see instructions) 1 Amount excluded is due to (check applicable box(es)): Do you elect to treat all real property described in section 1221(a)(1), relating to property held for sale to Reduction of Tax Attributes. You must attach a description of any transactions resulting in the reduction in basis under section 1017. See Regulations section 1.1017-1 for basis reduction ordering rules, and, if applicable, required partnership consent statements. (For additional information, see the instructions for Part II.) Enter amount excluded from gross income: For a discharge of qualified real property business indebtedness, applied to reduce the basis of 4 That you elect under section 108(b)(5) to apply first to reduce the basis (under section 1017) of Applied to reduce any net operating loss that occurred in the tax year of the discharge or carried 7 Applied to reduce any general business credit carryover to or from the tax year of the discharge Applied to reduce any minimum tax credit as of the beginning of the tax year immediately after 8 Applied to reduce any net capital loss for the tax year of the discharge including any capital loss 9 10a Applied to reduce the basis of nondepreciable and depreciable property if not reduced on line 10a **b** Applied to reduce the basis of your principal residence. Enter amount here ONLY if line 1e is 10b For a discharge of qualified farm indebtedness, applied to reduce the basis of: a Depreciable property used or held for use in a trade or business, or for the production of income, if 11a 11b c Other property used or held for use in a trade or business, or for the production of income. 12 12 Applied to reduce any passive activity loss and credit carryovers from the tax year of the discharge Applied to reduce any foreign tax credit carryover to or from the tax year of the discharge. Part III Consent of Corporation to Adjustment of Basis of Its Property Under Section 1082(a)(2) Under section 1081(b), the corporation named above has excluded \$ from its gross income for the tax year beginning _______, and ending _______ Under that section, the corporation consents to have the basis of its property adjusted in accordance with the regulations prescribed under section 1082(a)(2) in effect at the time of filing its income tax return for that year. The corporation is organized under the laws (State of incorporation)

Tel: 949.545.8859

Form 982 (Rev. 2-2008) Page **3**

Definitions

Title 11 case. A *title 11 case* is a case under title 11 of the United States Code (relating to bankruptcy), but only if you are under the jurisdiction of the court in the case and the discharge of indebtedness is granted by the court or is under a plan approved by the court.

Discharge of indebtedness. The term *discharge of indebtedness* conveys forgiveness of, or release from, an obligation to repay.

When To File

File Form 982 with your federal income tax return for a year a discharge of indebtedness is excluded from your income under section 108(a).

The election to reduce the basis of depreciable property under section 108(b)(5) and the election made on line 1d of Part I regarding the discharge of qualified real property business indebtedness must be made on a timely-filed return (including extensions) and may be revoked only with the consent of the IRS.

If you timely filed your tax return without making either of these elections, you can still make either election by filing an amended return within 6 months of the due date of the return (excluding extensions). Write "Filed pursuant to section 301,9100-2" on the amended return and file it at the same place you filed the original return.

Specific Instructions

Part |

Lines 1a through 1c. If you check any of these boxes, you may elect, by completing line 5, to apply all or a part of the debt discharge amount to first reduce the basis of depreciable property (including property you elected on line 3 to treat as depreciable property). Any balance of the debt discharge amount will then be applied to reduce the tax attributes in the order listed on lines 6 through 13 (excluding line 10b). For lines 1a and 1b only, if after reducing the tax attributes there remains a balance of the debt discharge, the excess is permanently excluded from your gross income. You must attach a statement describing the transactions that resulted in the reduction in basis and identifying the property for which you reduced the basis. If you do not make the election on line 5, complete lines 6 through 13 (excluding line 10b) to reduce your attributes. See section 1017(b)(2) and (c) for limitations of reductions in basis on line 10a.

Line 1b. The insolvency exclusion does not apply to any discharge that occurs in a title 11 case. It also does not apply to a discharge of qualified principal residence indebtedness (see the instructions for line 1e on page 4) unless you elect to have the insolvency exclusion apply instead of the exclusion for qualified principal residence indebtedness.

Check the box on line 1b if the discharge of indebtedness occurred while you were insolvent. You were insolvent to the extent that your liabilities exceeded the fair market value (FMV) of your assets immediately before the discharge. For details, see Pub. 908, Bankruptcy Tax Guide.

Example. You were released from your obligation to pay your credit card debt in the amount of \$5,000. The FMV of your total assets immediately before the discharge was \$7,000 and your liabilities were \$10,000. You were insolvent to the extent of \$3,000 (\$10,000 of total liabilities minus \$7,000 of total assets). Check the box on line 1b and include \$3,000 on line 2.

Line 1c. Check this box if the income you exclude is from the discharge of qualified farm indebtedness. The exclusion relating to qualified farm indebtedness does not apply to a discharge that occurs in a title 11 case or to the extent you were insolvent.

Qualified farm indebtedness is the amount of indebtedness incurred directly in connection with the trade or business of farming. In addition, 50% or more of your aggregate gross receipts for the 3 tax years preceding the tax year in which the discharge of such indebtedness occurs must be from the trade or business of farming. For more information, see sections 108(g) and 1017(b)(4).

The discharge must have been made by a qualified person. Generally, a *qualified person* is an individual, organization, etc., who is actively and regularly engaged in the business of lending money. This person cannot be related to you, be the person from whom you acquired the property, or be a person who receives a fee with respect to your investment in the property. Also, a qualified person includes any federal, state, or local government or agency or instrumentality thereof.

If you checked line 1c and did not make the election on line 5, the debt discharge amount will be applied to reduce the tax attributes in the order listed on lines 6 through 9. Any remaining amount will be applied to reduce the tax attributes in the order listed on lines 11a through 13.

You cannot exclude more than the total of your: (a) tax attributes (determined under section 108(g)(3)(B)); and (b) basis of property used or held for use in a trade or business or for the production of income. Any excess is included in income.

Line 1d. If you check this box, the discharge of qualified real property business indebtedness is applied to reduce the basis of depreciable real property on line 4. The exclusion relating to qualified real property business indebtedness does not apply to a discharge that occurs in a title 11 case or to the extent you were insolvent.

Qualified real property business indebtedness is indebtedness (other than qualified farm indebtedness) that: (a) is incurred or assumed in connection with real property used in a trade or business; (b) is secured by that real property; and (c) with respect to which you have made an election under this provision. This provision does not apply to a corporation (other than an S corporation).

Indebtedness incurred or assumed after 1992 is not qualified real property business indebtedness unless it is either: (a) debt incurred to refinance qualified real property business indebtedness incurred or assumed before 1993 (but only to the extent the amount of such debt does not exceed the amount of debt being refinanced) or (b) qualified acquisition indebtedness.

Qualified acquisition indebtedness is (a) debt incurred or assumed to acquire, construct, reconstruct, or substantially improve real property that is secured by such debt; and (b) debt resulting from the refinancing of qualified acquisition indebtedness, to the extent the amount of such debt does not exceed the amount of debt being refinanced.

You cannot exclude more than the excess of the outstanding principal amount of the debt (immediately before the discharge) over the net FMV (as of that time) of the property securing the debt, reduced by the outstanding principal amount of other qualified real property business indebtedness secured by that property (as of that time). The amount excluded is further limited to the aggregate adjusted basis (as of the first day of the next tax year, or if earlier, the date of disposition) of depreciable real property (determined after any reductions under sections 108(b) and (gl) you held immediately before the discharge (other than property acquired in contemplation of the discharge). Any excess is included in income.

Line 1e. Check this box if the income you exclude is from discharge of qualified principal residence indebtedness. Also, be sure you complete line 2 and line 10b. However, if the discharge occurs in a title 11 case, you must check the box on line 1a and not this box. If you are insolvent (and not in a title 11 case), you can elect to follow the insolvency rules by checking box 1b instead of checking this box.

Principal residence. Your principal residence is the home where you ordinarily live most of the time. You can have only one principal residence at any one time.

Qualified principal residence indebtedness. This indebtedness is a mortgage you took out to buy, build, or substantially improve your principal residence. It also must be secured by your principal residence. If the amount of your original mortgage is more than the cost of your principal residence plus the cost of any substantial improvements, only the debt that is not more than the cost of your principal residence plus improvements is qualified principal residence indebtedness. Any debt secured by your principal residence that you use to refinance qualified principal residence indebtedness is treated as qualified principal residence indebtedness, but only up to the amount of the old mortgage principal just before the refinancing. Any additional debt you incurred to substantially improve your principal residence is also treated as qualified principal residence indebtedness.

Amount eligible for the exclusion. The exclusion applies only to debt discharged after 2006 and before 2010. The maximum amount you can treat as qualified principal residence indebtedness is \$2 million (\$1 million if married filing separately). You cannot exclude from gross income discharge of qualified principal residence indebtedness if the discharge was for services performed for the lender or on account of any other factor not directly related to a decline in the value of your residence or to your financial condition.

Ordering rule. If only a part of a loan is qualified principal residence indebtedness, the exclusion applies only to the extent the amount discharged exceeds the amount of the loan (immediately before the discharge) that is **not** qualified principal residence indebtedness. For example, assume your principal residence is secured by a debt of \$1 million, of which \$800,000 is qualified principal residence indebtedness. If your residence is sold for \$700,000 and \$300,000 of debt is discharged, only \$100,000 of the debt discharged may be excluded (the \$300,000 that was discharged minus the \$200,000 of nonqualified debt). The remaining \$200,000 of nonqualified debt may qualify in whole or in part for one of the other exclusions, such as the insolvency exclusion.

Line 2. Enter the total amount excluded from your gross income due to discharge of indebtedness under section 108. If you checked any box on lines 1b through 1e, do not enter more than the limit explained in the instructions for those lines. If you checked line 1a, 1b, or 1c, this amount will not necessarily equal the total reductions on lines 5 through 13 (excluding line 10b) because the debt discharge amount may exceed the total tax attributes.

See section 382(I)(5) for a special rule regarding a reduction of a corporation's tax attributes after certain ownership changes.

Line 3. You may elect under section 1017(b)(3)(E) to treat all real property held primarily for sale to customers in the ordinary course of a trade or business as if it were depreciable property. This election does not apply to the discharge of qualified real property business indebtedness. To make the election, check the "Yes" box.

Part II

Line 7. If you have a general business credit carryover to or from the tax year of the discharge, you must reduce that carryover by 33% cents for each dollar excluded from gross income. See Form 3800, General Business Credit, for more details on the general business credit, including rules for figuring any carryforward or carryback.

Line 10a. In the case of a title 11 case or insolvency (except when an election under section 108(b)(5) is made), the reduction in basis is limited to the aggregate of the basis of your property immediately after the discharge over the aggregate of your liabilities immediately after the discharge.

Line 10b. If box 1e is checked, enter the smaller of:

- The part of line 2 that is attributable to the exclusion of qualified principal residence indebtedness, or
- The basis of your principal residence.

Part I

Adjustment to basis. Unless it specifically states otherwise, the corporation, by filing this form, agrees to apply the general rule for adjusting the basis of property (as described in Regulations section 1.1082-3(b)).

If the corporation desires to have the basis of its property adjusted in a manner different from the general rule, it must attach a request for variation from the general rule. The request must show the precise method used and the allocation of amounts.

Consent to the request for variation from the general rule will be effective only if it is incorporated in a closing agreement entered into by the corporation and the Commissioner of Internal Revenue under the rules of section 7121. If no agreement is entered into, then the general rule will apply in determining the basis of the corporation's property.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown as follows:

Recordkeeping, 5 hr., 58 min.; Learning about the law or the form, 2 hr., 17 min., Preparing and sending the form to the IRS, 2 hr., 28 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

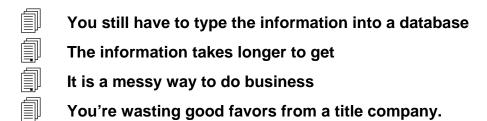
Getting The Information

Depending on your market and the procedures for foreclosure, you may have to slightly adjust the terms I use here. I will use California as an example.

In almost every state, lenders usually hire an attorney or foreclosure service to process the necessary paperwork to accommodate the lenders through the foreclosure procedure.

When the foreclosure process starts, the lender files a Notice of Default (NOD). This process usually lasts for a three-month period. In other states, like Arizona, the lender files what is called a Notice of Sale at the beginning that lasts about a four-month period of time.

In most communities you have one of two choices of how to obtain the data. The first is from title companies dropping of lists or printed information, which I feel is the least desirable way to get it for the following reasons:



After 3 months in the California marketplace, the lender then files what is called a Notice of Sale (NOS). Twenty-one days later the trustee or the person hired to accommodate the foreclosure holds a public auction on the property. If no one bids, the property goes back to the lender or foreclosing source.

The second source for information is a database provider like Dataquick. Most of these services allow you to download multiple files in the same time it takes to input one by hand. The cost to obtain data via this method is usually offset by the labor savings.

The largest benefits of downloading this information into your own computer is that you now have in your computer the database of a

title issuance company. This allows you to create reports, analyze the market, export the information to a graphical software program to create charts, write press releases, and more.

If you have ever heard any of my material regarding "Power Referrals," you will understand this next part. All of this information allows you to position yourself as the authoritative person in your market regarding the subject.

Download the NOD information. Now scan through and review the data. Look at the NOD template I have provided as we go through this section.

When running this system in my marketplace, I look for the following items for the following reasons. Again, be flexible and ready to adjust. What was not a positive for me or my market may be what is driving your market.

I look for single family properties. I don't sell apartments, vacant land or commercial listings. My market at the time was saturated with 1 or 2 bedroom condos, so I did not go after those either. I also try to recognize tracts that are in litigation and difficult to finance. Who needs a tough-to-sell listing? The other item I look at is the property's value. If it is at the very low or extremely high end, I don't like to go after it.

ADDRESS: 4 Narbonne TRUSTOR: Gabriela De La Parra	Newport Beach		G: 889-H7 HO.EX: -	TRUST	DEEDS
OWNER :Maria Dabour			000 YEAR BUILT: 80		
BENEFRY: William O. Wagner	,949-759-8023	TAX VALUE: \$ 1,486,6	01 TAX YR: 88	2nd:(*)\$250,000	, 06/21/0
LEGAL :Lot 9 Tr 9860		NOD : 01-496192	PRCH.DATE: 05/16/01	3rd:()\$. 11
ASSESSOR'S PARCEL#: 461-111-29		T.D.1D#:	00-326577	4th:()\$. 11
LOAN #: L321551 DEFAULT	AMOUNT :\$ 4,789	AS OF : 07/30/01 S	SINCE : 07/01/01	5th:()\$. 11
OTHER INFO:					
				6th:()\$	- / /
DORESS:23372 Via San Miguel	Laguna Hills	, CA 92656 T.C	S: 921-E1 HO.EX: Y	TRUS	T DEEDS
RUSTOR: Maximo & Diana Mendoza et.al.	US	E :R RM CNT:6-3-	S: <u>921-E1</u> HO.EX: Y	TRUS'	T DEEDS
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A good friend of mine in Charleston, South Carolina that has built his business tracing NOD's (although they're not called that there) found another way of getting the information. He has no on-line database providers in his market. So he has hired an assistant that sits at the recorder's office all day and copies the foreclosure related filings as they happen. This may seem a little tedious, however having lived in the state for just over two years he is now the top producer in his market.

I am also aware of agents that have created relationships with lenders. The benefit to this is that some lenders, once a relationship exists, may refer an agent to a seller to discuss their options with them. I know one agent that has the lender mail my video with the agent's marketing piece and a cover letter from the lender, encouraging the owners to refer to a professional to discuss their options.

Once you have the data, there are a three different ways to approach the person in foreclosure:



Before we start this, I want to quote Pastor Rick Warren. "People are like tea bags. You don't know what is in them until you put them in hot water." This is especially true about people in foreclosure. He also says that "most people can't see the light until they feel the heat." This is true about people in foreclosure, as well.

When approaching owners in distress, you need to be very subtle and non- threatening. Most people in foreclosure are always waiting for something to happen, or some magic solution to pull them out of foreclosure. Most of them are in denial regarding their present situation. A common remark is that "we have everything under control." If that were true, they wouldn't be in foreclosure.

Let's take them one at a time - first telemarketing. I do not telemarket these people. I know agents that telemarket with some success however; I never found this to be a good way to go after the business. First of all, getting the phone number is tough, even if they are listed. I have discovered that when people are in foreclosure, usually the mortgage is not the only item unpaid. Owners in distress usually screen their phone calls from all of their other creditors and are very hard to get to.

Next there is door knocking. I and my assistants have done this with a great deal of success. However, there are a few things I should warn you about. We have knocked on the door and been the one to tell an uninformed spouse that the house payments haven't been made. Also, we found people reacted very strongly to their privacy being invaded by us coming to their door. We felt like ambulance-chasing attorneys.

Mailing is where I have had the most success. Actually, a good combination of mailing outside of the area and dropping off packages on the doors of those close to my office worked the best. Understand this about this base of business—it is all about timing and being there first.

In my market, cheap agents go up to their favorite title company and beg for a free list of notices to be dropped off. This is stupid. Electronic data is usually two to three days faster than paper lists. I cannot tell you how many times I have had a home listed for a few days, only to have my seller call me because they were being bombarded by other agents.

When a notice is recorded against a property, the owner usually receives many mailers from many professions. The largest group mailing to these people is from attorneys soliciting bankruptcies. The next largest group is from hard money lenders trying to lend them more money. Next come, the so-called "investors": what I call vultures. And then there are Realtors; probably the small group of professionals approaching these people.

My mornings usually started at 7:00 am. Downloading the information took about four to five minutes. Merging the data took about three to four more minutes. I then would quickly scan the information and remove those properties I did not want to pursue.

The next step was to create labels for the mailings and identify those properties in my marketplace where I wanted to drop off during my previewing or FSBO stops. Usually by one or two in the afternoon the packages would be sent or delivered to the homes: the same day the information became available.

This was very effective. We immediately received calls and appointments. After about two months of this program I was receiving, on a slow day, at least three calls; and on a hot day as many as eight calls from owners in distress. At the program's maximum I was listing three to four properties per week. Later I will share with you the marketing piece we delivered.

What made this program even more effective was when I produced a video called "The Pre-foreclosure Process, Facts You Should Know." This allowed me to make fewer contacts, lowering my costs and the demands on my staff, while receiving the same response rate. Bottom line: it was more efficient.

Another program I created was to download my community in a format called a "lender's form package." This is where each property listing also contains all open loans on the property, not just the loans at the time of purchase.

When you download, keep the information separated by assessors, parcel numbers, or individual tracts. Next sort the properties by square footage. If, as an example, the home you're looking at is a tract, this will group the plans. All the Plan Ones or Twos or Threes will be grouped because of the separation of square footage.

Let's say the area you are looking at is not a tract. If you are a full-time practicing professional, when you look at a group of homes in a particular area you know their value, give or take three to five

percent. What you're looking for are properties that are in a no equity or less than ten percent equity position.

Once you have identified your target market, send the following letter. I have received testimonials from agents claiming as high as an eleven percent response rate. My highest response was nine percent. Anyone that has done any direct mail marketing knows that is an outstanding rate of return.

Pre-Foreclosure Letter

Date

Homeowner 123 Main Street Anytown, US 00000

Dear Homeowner,

Many owners wanted to refinance and move into a larger home. Many owners wanted take advantage of the lower interest rates recently offered, as well as lower housing prices. Many were told "you owe too much on your present home; you have no equity; the value has dropped and the property cannot appraise," etc.

In direct response to the current market, many lenders have opened options for homeowners. Every major bank or lending institution has established what is called a "Short Pay-Off" or "Discounted Pay-Off" department.

This allows owners to sell their property while the lender discounts the amount due to the lender. The best part is that the lender will discount to allow all the closing cost and commissions associated with a sale to be paid from what is owed to them.

Many brokers and agents think that owners have to have a financial hardship or life threatening illness to qualify for this program, and that simply is not true. As an example, people have qualified while receiving increases of pay while relocating. The benefits are too numerous to list in this letter.

I have enclosed a few testimonials from my client base that have taken advantage of this program. For a FREE, no hassle, no cost, confidential evaluation to see if you qualify for this program, call my office at (800) 313-6639.

Cordially,

Ron Quintero

If you want to decrease your opening rate, place your company logo or name on the outside of the envelope. Your mailer looks like and is mail solicitation. If you insist on putting your return address with your company logo or name on the outside, you will waste a lot of time and money. I use my P.O. Box number for my return address and use a 9" x 12" envelope. Everyone else mailing to these people sent everything in a standard envelope.

On the next eight pages you will find the actual marketing piece I sent to distressed owners. The first page had my picture on it. One thing I noticed is that almost none of the mailers owners in distress were receiving had pictures. So we put my picture on ours.

I also noticed that most of the letters tried to scare the client into doing something. I always felt as though this would make the clients hide or shy away. I felt that giving them hope would draw them out from behind their telephone answering machine.

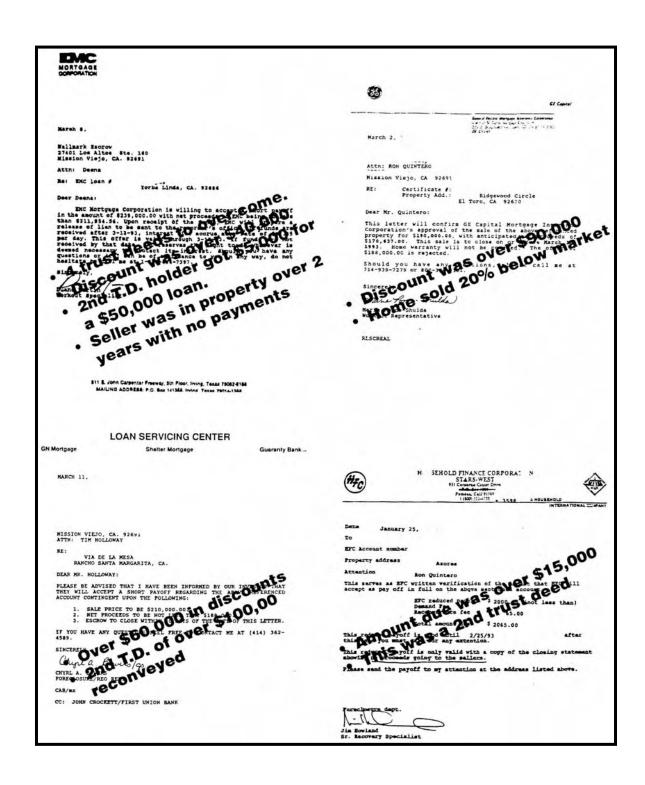
As you read the first paragraph of my letter, notice that I say "8 out of 10" of these types of notices are cured, and with that in mind, I want to help. This is a true statistic. Next I refer to my personal experience with this process, which provided common ground with these people. You may want to replace my verbiage with something like, "I have had many clients that have lost their home to foreclosure."

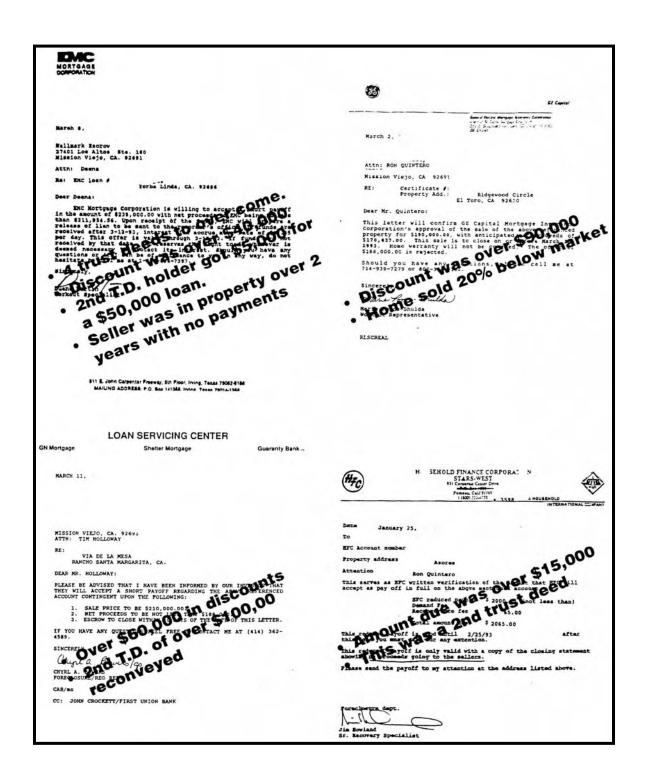
On the second page of the mailer, I attempt is to educate, not intimidate, the client. I give them examples of the negative ramifications of foreclosure. I then will follow-up with the solutions and remedies. The next few pages are examples of how lenders cooperate with the process, giving proof that this is not a scam or hoax.

I also leave the logos for each company on the mailer. I have had many people contact me that have a loan with one of the companies I have posted here that I have had success with. Again common ground: Feel free to use these examples, proving that this can be done.

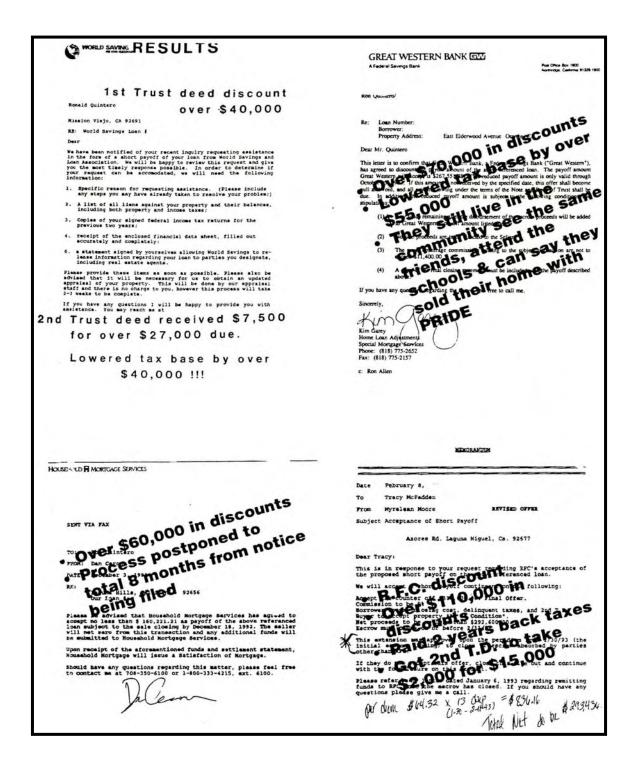
WHAT I DO FOR MY CLIENTS

- CONFIDENTIAL I'm not the guy who passes out pumpkins, scratch pads, refrigerator magnets or whatever they're passing out now no one will know your business.
- LIQUIDATE Sometimes it's best to rid yourself of the item that could be responsible for other areas of your life that may be out of balance.
- NEGOTIATE with lenders to give discounts to allow a transfer if that's needed.
- RENEGOTIATE YOUR LOAN we can renegotiate a repayment program depending upon the type of loan.
- OTHER DEBT We have arranged to have paid off through the process personal loans, personal taxes, and other items that in foreclosures would have transferred with the client.
- POSTPONE FORECLOSURE we had one client in a property for over two years
 with no payment, however on average we get two to four months of extensions or
 postponements if presented properly to the foreclosing sources.
- DAMAGE CONTROL There are tax ramifications possibly both good and bad. We
 help stop the bleeding by controlling the amount of gains or losses.
- BANKRUPTCY If you're thinking about it we just happen to know a few good attorneys to refer you to - they use these laws to help you.
- BOTTOMLINE We can begin the process on 1, 2, or 3 of the above items all at the same time. That's what I was referring to about plan A, B, or C in the cover letter. So many people put all their eggs in one basket and pray it doesn't get kicked over, and when it does, there's no time left to begin another option. Use all your resources and take action, it's time to go on the offensive vs. a defensive position.





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I'M NOT PROMISING you the perfect outcome you desire. What I am saying is that if it's possible I'm qualified to handle it. If I can't the people I know can. If something is possible I'll tell you straight out - I'll also tell you straight out if something not possible. I DON'T LIKE MY CHAIN TO BE PULLED AND I WON'T PULL YOURS.

You're probably asking yourself, "HOW DOES THIS GUY GET PAID?"

- PLAN A Market & liquidate the home. Now's not the time
 to be "a guinea pig" for some "agent" to "try to work with the
 bank." Maybe you've determined that if the situation was
 cured it may happen again or is the cause of other problems.
- IF YOU HAVE EQUITY We'll work with you on the commissions and in many cases we pay for ourselves by negotiating away fees & penalties.
- IF YOU HAVE NO EQUITY Not one penny will come from your pocket or checkbook. I'll pay for myself by negotiating with the lender and I will build my commissions into the discount from the lender.

We put EVERYTHING IN WRITING with specialized addendums to cover your assets and to protect you throughout the process.

- PLAN B Renegotiate your loan or back payments. More gets done through a professional third party source.
- PLAN C Renegotiate your loan or back payments, search for outside lending sources, and begin the marketing process just in case.

BOTTOMLINE is if you want to keep the home, work all of your options.

Please leave a day and evening phone number.

THANK YOU, RON!

as we faced, with sensitivity and dignity.

problems we fasted, with semitivity and dignity.

Approp, that was a Thorstoff, so Euclid of the same week Ros Quincare came to nor
home and not with my wife and synulf. On Ronday there was a sign in front of our house
and so behandedy he tonk 23 realizers through our home from his office. Within 3 medial
had complicted the ma 5.2. C Super Solution 3 sale of our home. He made sure that the
person buying the home had prosperoved financing, hadang finalizing the sale. He then started on the mortgage bolder and the V.A. to hammer out a solution. We do not have nagative credit record. We did not so through a foreclosure. As the sale completed likerry Bearmeatte, who works for Non Quintero, spent alot of her evenings helping us to h all the places available for rent. We are on the read to rect I highly recommend Eco Quinters

L. Patrick Castellary.

Julie a Constillance

The following is an outline of my Pre-Foreclosure video. This video was produced from a third-party point of view, giving credibility to the agent that provides the video to the client. I have received many testimonials from agents using this tape with a high degree of success. I have also been told that a few agents got local video stores to carry the tape as a consumer informational video. Many have personalized my tape with their own labels and covers.

Pre-Foreclosure Video Topics

- Third-Party Introduction
- I explain the <u>timeframes</u> involved, <u>negative ramifications</u>, indebtedness income and capitol gains.
- Solutions and remedies, confidentiality
- Pay off other debt, <u>postponement</u>, damage control, etc.
- Not the time to procrastinate, sellers hurt themselves
- Do not wait for a false promise from a lender
- How we will take over all communication
- The addendum to use to <u>protect the client</u>
- Attorneys and C.P.A.'s bad advice-get it in writing

Consult with the broker that provided this video.

NOD.OO3

NOTICE OF DEFAULT DELIVERY PROCEDURE

- 1. Address search through Multiple Listing Service.
- Cross-reference via index in the back of the map as to page and grid numbers and post the location in the upper right-hand corner where postage would normally be placed.
- 3. Map out with red marker street locations for package drop-offs.
- 4. Check with agent for any additional pick-ups or drop-offs.
- 5. Leave the office quickly with no lingering.
- 6. Approach each door.
- 7. On the half-page Print Full Listing information sheet write:
 - * Time and Date of delivery
 - * Contact person (if any)
 - * Phone numbers (if possible)
 - * Any comments helpful to agent.
- 8. If the property has a company "For Sale" sign, do not leave package.
- 9. Look for and write down all For Sale By Owner information including:
 - * Time and Date of sign was seen
 - * Address of FSBO
 - * Phone number of FSBO
 - * Any helpful comments
- 10. Maintain a professional appearance and return in a timely manner.

NOD.004

Follow-up letter sent the day after the package was delivered.

Date Homeowner 123 Main Street Anytown, US 00000 Dear Homeowner: I left a package on your doorstep the other day when I came by to meet you personally. The package is regarding the Notice of Default recently filed on your property. I've also experienced this situation and believe me, I WANT TO HELP. Hopefully, you have had time to review the materials and have questions that need answering. I can be of assistance to you, so please give me a call whether it is simply to understand the NOD process, or to market your property all at NO OBLIGATION. My ten years of experience will be advantageous no matter what your intentions. Cordially, **Broker-Associate**

Many times a person would call in the posture of gathering information, not yet ready to commit. When this happens, I follow up with this letter. Often, I would get a call one to two weeks later, ready to move ahead with the process.

NOD.005

Date
Homeowner 123 Main Street Anytown, US 00000 Dear Homeowner:
I'd like to thank you for taking a few minutes to speak with me the other day regarding your property at ().
I wish you the best and if I can be of any service in the future with your real estate needs, I'd appreciate you giving me a call.
Cordially,
Broker-Associate

I am not a big fan of telemarketing. I have done it with some success; however I feel the time spent, the labor costs, and the lack of professionalism associated with this approach make it counterproductive. I also understand that many people do not have the same feelings I do towards telemarketing. The telemarketing script I developed for my assistants is outlined below.

NOD.006 NOTICE OF DEFAULT SCRIPT

Hello, my name is () with ('s) office.
I was calling to see if yo dropped off yesterday.	ou received ('s) package that was

Do you have any questions regarding the information?

(If you don't know the answer) I'm really not qualified to give you an answer, because different situations require different solutions, and I don't want to misinform you.

(FACTS--opt.)

Most people calling you are looking for money. We're not. The difference is we're here to help.

Notice of Defaults are up ()% over the same time last year and 8/10 are cured without foreclosure.

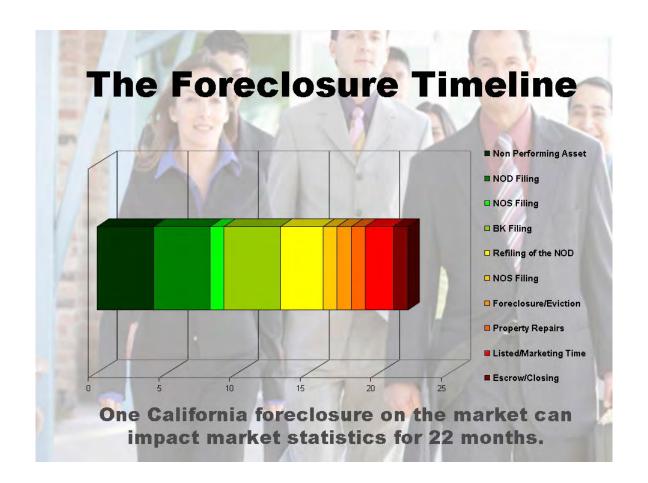
(CLOSE FOR APPOINTMENT)

What I want to do is find 30 minutes when (Agent's name) can sit down with you and discuss the foreclosure process.

There is NO obligation, NO hard sale, and 3/10 people that (Agent's name) sits down with find a solution without selling the property.

Would tonight or tomorrow be better? AM or PM? (SET APPT!!) This is an advertisements we have had success with.

The Presentation



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The Addendums

SHORT SALE - SELLER 1

[Date]

Mr. and Mrs. Ive Gottasell 1245 Debt Lane Gotcha, CA 90000

Dear Mr. and Mrs. Gottasell:

I left a package on your doorstep the other day when I came by to meet you personally. I saw the Notice of Default recently filed on your property and I wanted you to know that I've helped many homeowners in this situation.

Hopefully, you have had time to review the package materials. If you have questions about the foreclosure process, or about marketing your property, please give me a call. With my fifteen years of real estate experience, I can assist you in this sometimes complicated situation.

My goal is to build clients for life, whether we work together now or in the future, and your questions will be answered at no obligation to you.

Cordially,

YOUR NAME

YOUR NAME

SHORT SALE - NEED HELP

[Date]

Mr. and Mrs. Need Help 123 Expensive Street Big Town, CA 90000

Dear Mr. and Mrs. Help:

Any time an action is filed against a property, it becomes a matter of public record. This is how I know about the action that was filed against your property recently. *Did you know that 8 out of 10 of these types of notices can be cured?* With that in mind, I'd like to offer my services.

Maybe you're thinking "if they want the home, they can have it!" You may be harassed, embarrassed or somewhat fearful with little knowledge about how a foreclosure can affect you. Over the years, I have turned this negative experience into appositive one for many people. I've built my business specializing in reversing this type of situation.

My mortgage experience gives me an edge – AN EDGE YOU MAY NEED—in negotiating with lenders to remove fees and late charges, and in some cases, to get the lender to discount the amount due with no future reprisals and to hold you completely harmless. Once you are working through a third party (it's better than bankruptcy), the foreclosing source becomes cooperative because they see that you are making an attempt to correct the situation.

I know. TALK IS CHEAP. You're probably being bombarded by letters and calls from agents claiming to "specialize" in your situation. Have them send you the DOCUMENTED results of their success. I have enclosed a list of a few of the clients I have consulted with this year for your review.

I would like to talk with you about your options. My phone numbers are listed in the enclosed literature—as for YOUR NAME YOUR NAME or my assistant. Everyone at my office is extremely qualified to obtain initial information and can set a time for a personal, confidential appointment, all at no cost or obligation. I look forward to talking with you.

Respectfully,

YOUR NAME

YOUR NAME

Platinum Lending Solutions 959 South Coast Drive, Suit 425 Costa Mesa, CA 92626 Tel:714.384.3000 Fax:714.384.3001

SHORT SALE - SELLER 2

[Date]

Mr. and Mrs. Client Forlife 111 A Nice Street YOUR TERRITORY, CA 90802

Dear Mr. and Mrs. Forlife:

I'd like to thank you for taking a few minutes to speak with me the other day regarding your property at (PROPERTY ADDRESS).

I know these are trying times and I wish you the best. If I can be of any service in the future with your real estate needs, I'd be happy to help. It is my goal to become an asset and a resource to you and to build a client for life.

Sincerely,

YOUR NAME

YOUR NAME

SHORT SALE - SELLER 3

[Date]

Mr. Short Seller 3333 Third St. YOUR TERRITORY, CA 90804

Dear Mr. Seller:

"Short payoffs" are becoming more prevalent in today's real estate market. What is a "short payoff?" It is when we ask the lender to accept less than what is owed. The lender does this in return for avoiding the complete foreclosure process.

It has been estimated that when a lending institution does implement foreclosure procedures (takes the foreclosure full term, obtains ownership of the property, prepares the property for market, markets the property and sells it), they may net as little as 40% of the original appraisal.

In order to alleviate this problem for the lender and to possibly save the credit of our clients, we have implemented a program of negotiating with lenders on a market value sale that is generated by listing the property at a price that will generate a loss to the lender. During this marketing period, the lending institution has little to do with the short sale. However, we do make sure that they are at least aware of it, that they will consider it, and that a file has been opened.

The lending institution is only interested in negotiating once an offer is received. By pricing this property at market value or a little bit less than market value, we should be able to obtain that offer and send it to the bank for their consideration.

Many things will be required from you at that time. First, a financial disclosure is required by the lender when considering your request for a short payoff. Obviously, this document should be truthful, but it's acceptable to include all of your discouraging financial news in this financial statement.

Second, we will need a letter of explanation telling why you are requesting this short payoff, which may include your reasons for moving, how long the property has been on the market, the failure rate you've had with previous real estate agents, and any other disturbing news that has prevented you from selling the property.

A third item requested is an authorization to work on your behalf toward this short payoff, meaning the bank must know that you have authorized The YOUR NAME to negotiate the terms of the short payoff.

Platinum Lending Solutions 959 South Coast Drive, Suit 425 Costa Mesa, CA 92626 Tel:714.384.3000 Fax:714.384.3001 70

Nations Title Company 24422 Avenida De La Carlota, Suit 230 Laguna Hills, CA 92653 Tel: 949.545.8859

(Seller #3 Page 2)

Finally, you are required to submit employment verification, pay stubs, or two years worth of federal tax returns, and verifications of deposits or bank statements for the last three months.

These documents will be required only when we actually receive an offer, but it would help to gather them now, so that we can submit them immediately with the offer. Enclosed is a financial statement and a self-addressed, stamped envelope for your return.

Thank you for using YOUR NAME. Our experience is without equal in YOUR TERRITORY, and we hope to prove to you that we are an asset and a resource to your real estate future with a goal toward building clients for life.

Sincerely,

YOUR NAME

YOUR NAME

Enclosures

The following pages are the addendums used when taking the listing for a person in foreclosure. Again, please review your state or local laws and make any needed adjustments.

The first form is needed in every situation and in every state. This is where the seller signs, giving you (the agent) authorization to discuss issues with the seller's lenders. Lenders usually require this to be in their possession prior to engaging in conversations with you.

If you read the last paragraph, you will notice that I try to build into the form some of the objections a seller may have. The form stresses that I am acting solely as a broker and have no interest or ownership to the property. This relaxes the seller because I am now documenting my intentions.

ADDENDUM 2

DATE:	
I	hereby give
Owner/Seller	, 0
	permission to
Lender/Lien Holde	er .
discuss any and all loan information	with Robert Darvish.
Loan # at Prop	erty Address
I also understand that Robert Dai promises as to the outcome from the no ownership or title to the above m is acting solely as a real estate broken	nis Agreement. Robert Darvish has nentioned property. Robert Darvish
Seller/Owner	

The next form is the addendum I attach to the standard stateapproved (listing contract) Exclusive Authorization to List. As you read the form, you will notice several points. Allow me to outline them:

Paragraph 1. States that type of transaction is approved basically by every type of agency there is.

Paragraph 2. Explains the definition of a short sale and that all costs will come from the negotiations.

Paragraph 3. Outlines of the sellers level of participation.

Paragraph 4. Recommends seeking outside assistance.

Paragraph 5. Explains that there could be a deficiency judgment on VA transactions.

Paragraph 6. To avoid evicting my own seller, the sellers agree to vacate prior to closing. Also, requests immediate completion of a statement of information required by the title company in my state.

Paragraph 7. You need to know what is expected to be negotiated, so get a termite report upfront.

Paragraph 8. Full disclosure up-front to eliminate surprises.

Paragraph 9. CYA (Cover Your Anatomy) disclosure.

Paragraph 10. No new leins after the process begins.

Paragraph 11. If I am to get paid, it is up to my ability to negotiate with the lender.

ADDENDUM.001

NOTICE OF DEFAULT LISTING ADDENDUM

1) It has been fully disclosed in accordance with the Federal National Mortgage Association (FNMA), Freddie Mac, Premium Mortgage Insurance Companies (PMI), Veteran's Administration Insurance (VA),

Federal Housing Administration (FHA), and other related Mortgage or loan

companies that we, as Real Estate Brokers, may negotiate a repayment program for back-interest and any other related charges.

- 2) In the event of a "Short Pay" or "Discounted Payoff," where the sales price of the property and/or net payoff to the mortgage holder is less than the outstanding principal loan balance, back-interest and/or penalties, any and all transactions will be contingent upon the approval of the mortgage company and/or any lien holder's written agreement to discount the payoff, allowing all closing costs to be paid and to cooperate with the sale of the subject property.
- 3) In the event of a "Short Pay" or "Discounted Payoff," the following could apply:
 - A. Zero net proceeds to the seller.
 - B. Completion of a financial statement (may include bank statements or recent pay stubs).
 - C. Disclosure of past years' tax returns.
 - D. Purchase of an appraisal.
 - E. Letter from seller as to why they are in a default situation, i.e., loss of employment, disability, death, divorce, etc.

4)	it nas	aiso	been	aisciosea	tnat

Brokers/Agents are not attorneys or tax consultants and recommend the seller seek the advise or council of such professionals.

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24422 Avenida De La Carlota, Suit 230 Laguna Hills, CA 92653 Tel: 949.545.8859

- 5) In the event of a short pay or discounted payoff on a Veterans Administration (V.A.) insured loan, there will be a deficiency judgment filed against the sellers after closing.
- 6) In the event of a sale, and upon loan approval by the buyers/sellers to agree to vacate the property 5 days prior to close of escrow, need to complete any and all necessary repairs or clearances to include termite work. Sellers also agree to complete a statement of information for Title Company purposes within 7 days of this agreement.
- 7) Sellers also agree to have a termite inspection performed within 7 days of this agreement being put into effect.
- 8) As the following items can have a significant effect on negotiations, sellers agree to disclose to Brokers, all liens on subject property, both recorded and unrecorded.

 9) ______ Brokers/Agents make no promises, commitments, or warranties as to the outcome or results from any lien holders or negotiations. Each situation has its own unique factors which prohibits anyone from making any type of
- 10) In the event sellers have personal liens filed or recorded against them which prohibit a transfer or sale, the sellers agree to pay for these items as it is disclosed to all parties that in the event of a foreclosure, these liens will transfer with the sellers.

commitment, or to promise a specific outcome, result, or final net

11) In the event of a "Short Pay" or "Discounted Payoff," the amount of the discount shall include all closing costs and Real Estate Broker's commissions.

X	X	
SELLER	AGENT	
X		
SELLER		

proceeds figure.

The following addendum I review with the seller so they have a better understanding of the process. The form is self explanatory.

What to Expect in a Short Pay Situation

- 1. This is a very complex transaction compared to the traditional real estate transaction. Please do not use a previous experience in buying or selling real estate as a reference point for this transaction; the two have nothing in common.
- How a transaction starts is how a transaction ends. That is, if the necessary documentation is slow to come in, the process will be slow to begin. Every lender requires the same documentation and the reality is that your transaction will not even be reviewed or begin until the necessary documentation is delivered.
- 3. We can give no answers until the following has been received by us, reviewed, packaged, and sent to the lender:
 - A. Two Years' tax returns
 - B. A letter from the seller requesting a short pay-off
 - C. A letter from the seller (in their own wording) why a discount is necessary
 - D. Signed authorization giving permission to discuss issues with the lender
- 4. Timeframes and what to expect:

Week 1- Initial marketing and packaging. There's more to it than what one might think. We will be accumulating approximately 100 to 120 pages of documentation to send to the lender, and this process is very complicated. There is 90 % preparation only 10 % negotiation. If we do a great job packaging the home and seller, this will expedite the entire process.

Week 2 - For the lender to receive our package, lose it once and for us to send a second package.

Week 3 - For the lender to acquire their necessary documentation to make a decision, i.e., appraisal, preliminary title, escrow net sheets, etc., this process can take the lender as long as 3 weeks, but we have had a response within 3 days, as well. This process is out of our control. A lot of it depends on the lenders work load at the time of our request.

Week 5 - Let the games begin. Now that the lender has all the necessary documentation, they will throw their first real gambit at us. Of course it will have some ridiculous requests, however, do not panic. There will be a minimum of 3 to 4 gambits until we have a final answer. This process tends to wear out most sellers, so please sit back and let us do our job.

- 5. Within the first week we have an investor who will write an offer on your property. This is necessary because the bank will not open negotiations unless we have an offer. He only intends to purchase the property if he can get it at an extremely low price, and to this date, has only been able to purchase one of our properties of the over 50 offers to purchase, written on our listings. However, he has helped us negotiate several. Please be advised that we have no personal or business relationship with this investor.
- 6. The more times you call us, the less time we have to talk to the lenders, and will result in delaying services to you, as well as our other clients. We will be in contact by mail quite often, however, lenders are very difficult to contact, so most of our time will be spent on the phone to them or in the field with buyers, to secure offers to fulfill our commitment to you.
- 7. Do not talk to the lender during this process. They are trained and skilled in negotiations and many times like to use a technique called "good cop, bad cop." They will cause chaos in our camp and only confuse issues that will be to their benefit. We may

involve you if necessary, however, only if necessary, and only after we have spoken.

8. The clock is ticking. With a property where the foreclosure process has begun, every day is valuable. We cannot afford to deny access or miss valuable exposure time. We must have a lock box and continued access all the way through the transaction. If the buyers have a problem obtaining their loan, we need to have a back-up. Some real estate agents are flat-out rude, so allow me to apologize for them now. However, we cannot afford to get emotional right now, and I'm requesting your patience throughout.

Thank you in advance for your cooperation and patience. We are looking forward to working with you.

X______X____

Date

Seller

Signed Acknowledgment

Seller

Date

This next addendum is what I use to obtain a marketing or processing fee in advance from the seller. This was created to offset my cost to take the listing.

Retainer Agreement

This is a bin	ding contract between Ron Quintero and the owner(s)
dated	for services to be performed in regards
to the subject	property located
in the city of_ of	County

- 1) It has also been disclosed that Ron Quintero is not an attorney or tax consultant.
- 2) Ron Quintero makes no promises, commitments, or guarantees as to the outcome or results from any lien holders or negotiations. Each situation has its own unique factors which prohibits anyone from making any type of commitment or to promise a specific outcome, result or final net proceeds figure.
- 3) The owner agrees to pay Ron Quintero a processing fee of \$375. The file processing fee is to be paid in advance for the following services rendered.

Services to be performed include preparation of package to submit to the foreclosing lender that includes, but is not limited to, the following: Seller provided tax returns, seller provided financial statement of lender approved format, detailed broker price opinion, preliminary title search, phone expense, postage, and federal express charges. Other items such as cover letters, newspaper articles, Ron's resume, etc. will be used as well. The initial retainer is not refundable once services have been rendered.

A. A three hundred and seventy-five dollar (\$375.00) retainer is to be placed into a trust account and to be disbursed as allowable by the Department of Real Estate.

- B. Additional postponements. Robert Darvish has the ability to obtain postponements from certain lenders. For each week of postponements. Robert Darvish will require a fee of one hundred and seventy-five dollars (\$175.00) payable in advance.
- C. In the event the seller elects to begin to market the subject property, the above mentioned processing fee shall be credited towards other items for service to be performed in the capacity of marketing and selling of the property.

Please select one:	
the marketing process continge cooperating with the selling proc remove the subject property fro	ne multiple listing service and beginent upon the foreclosing source ess. Seller reserves the right to market upon a successful ted. This will require additional
	rom the multiple listing service and en denial or approval from the
By the execution below, all parties	agree to the above stated:
X Seller	X Seller
X Robert Darvish	

This next form is for Californians only. In the state of California, in direct response to "rent skimmers," the state created two civil codes in a poor attempt to protect owners in default. What the form basically does is give the owners a "I want to think about it" clause.

The form also prevents real estate brokers and others from attempting to take unfair advantage of the owners in default.

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NOTICE REQUIRED BY CALIFORNIA LAW

R. [Darvish	or any	yone	e work	ing	for h	nim	canı	not,	in acc	ordar	nce w	ith
Civi	I Code	1695	or	2945,	do	any	of	the	follo	owing	until	they	have
com	pleted	the se	rvice	es con	trac	ted f	or:						

- 1) Receive any advanced fees or monies
- 2) Ask you to sign a deed, lien, or any instrument used to convey title or secure a future promise to pay for services to be rendered prior to those actual services having been rendered.

By my signature below, I acknowledge I have received a copy of this disclosure.

X	X
Seller	Date

NOTICE OF CANCELLATION

You may cancel this transaction without any penalty or obligation within 3 business days from the date above. To cancel this transaction, mail a signed copy of this cancellation notice, or any other written notice, or send a telegram to Robert Darvish, P.O. Box 3473, Mission Viejo, Calif. 92690.

Not later than midnight of	
•	Date
I hereby Cancel this transaction	
	Date
Owner's signature for cancellation _	
_	Signature

Packaging The Request

Tel: 949.545.8859

SHORT SALE – REO/WORKOUT DEPARTMENT SHORT SALE – DEFINITION OF TERMS

B.P.O. BROKER PRICE OPINION

Estimate of value by Real Estate professional working in subject property area having no personal interest in the property. (You may be paid for this.)

FORECLOSURE

A proceeding in or out of court, to extinguish all rights, title, and interest of the owner(s) of property in order to sell the property to satisfy a lien against it.

FORECLOSURE SALE

A sale of property used as security for a debt, to satisfy said debt.

LOAN WORK-OUT GROUP

Term used by some lenders to describe department handling borrowers who are late in payments (Pre-Foreclosure).

R.E.O. REAL ESTATE OWNED

The real estate owned by a lending institution. Handled by its R.E.O. Department.

OVER ENCUMBERED

The total of all the loans secured by the property exceed the value of the property.

DISCOUNTED NOTE

Face value of the note is reduced to a new, lower amount a lender will accept as payment in full.

N.O.D. NOTICE OF DEFAULT

A notice filed to show that the borrower under a mortgage of deed of trust is in default (behind on the payments).

H.U.D. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
The federal department responsible for the major housing programs in the U.S., such as F.H.A.

F.H.A. FEDERAL HOUSING ADMINISTRATION

A federal agency which insures first mortgages, enabling lenders to lend a very high percentage of the sales price.

(DEFINITION OF TERMS PAGE 2)

F.H.L.M.C.

(FREDDIE MAC) FEDERAL HOME LOAN MORTGAGE CORPORATION A federal agency purchasing first mortgages, both conventional and federally insures, from members of the Federal Reserve system and the Federal Home Loan Bank System.

F.N.M.A. (FANNIE MAE)

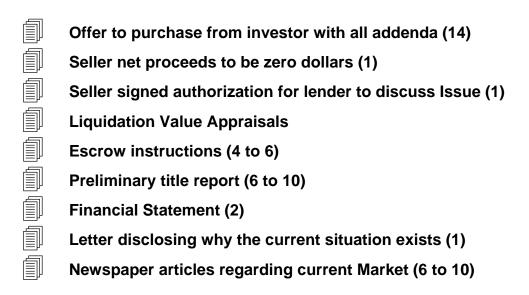
A private corporation dealing in the purchase of first mortgages at discounts.

G.N.M.A. (GINNIE MAE)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION A federal association, working with F.H.A., which offers special assistance in obtaining mortgages, and purchases mortgages in a secondary capacity.

This is what causes most of the delays and frustration in a short sale transaction. Most packages are submitted incomplete or improperly assembled. The following is a checklist of the basic contents.

This package, when completed properly, contains about 80 to 100 pages of information. At the end of each item I will put in a bracket how many pages each item is:



Do Not Submit Photos With The Package

Let's break down each item and review the contents in more detail. Forms to include would be the offer or purchase contract, the addendums I have already outlined, the agency disclosure, transfer disclosure, and any other forms used to complete a transaction.

The net sheet should be a request for a demand statement, not a request for a discount. There is a big difference. The most common complaint from

short sale departments in my conversations with them is that agents complete the net sheet incorrectly.

Start with the sales price. Next, put a zero where the payoff to the first lender would go. You are negotiating for the bottom line, not the discounted amount. Do not try to figure out what is owed to the

lender. The only thing you need to know is that the sales price is lower than the loan amount.

If there is a second lender and you want to try to get them \$2,500, request \$5,000 from the first. In most situations, the first lender will cut the request in half. If you want to end up at \$2,500, start with a request for \$5,000. However, in your communication with the second lender, never let them know you are requesting \$5,000. They will start to expect that amount and then you create a problem.

Then outline all of the other closing costs. For termite work, call it corrective work. I have found that many short pay departments refuse to buy bugs. They will, however, correct the property to allow it to be sold.

As every agent is taught in basic training, pad your net sheet. All costs should be padded to avoid surprises at the end of the transaction. The next item is the authorization to discuss signed by the seller. This is self-explanatory.

At my seminar I ask this question and in every city I get the same response: "True or not true, as a real estate professional, you can make any property comp out 3 to 5 % either way?" The answer is, of course, true. There is no such thing as market value, there is only perceived value; and if you want the listing sold and to help the seller avoid the foreclosure process, you need aggressive pricing.

Once you have all of this documentation printed in full disclosure format—approximately 60 to 70 pages—attach a two-page summary. What will be read: the 70 pages or the 2-page summary of the market? The 2-page summary, of course, and it *must* be credible, because the argument regarding value is supported with 60 to 70 pages of documentation.

On the following pages you will see an example of a personal statement most lenders will require. I never wait for the request; I include it with the initial package. On my first communication with the loss mitigation department, one of my questions is "do you have a preferred template to use for the financial statement to be completed

by the home owner?" Most of the time, the answer is "no". Please note; I did not ask them IF they want a financial statement, I asked them if they had a template. One will be included with the package.

The next items escrow and title, need no explanation. You should contact the short pay department you will be dealing with and request them to fax you a copy of the format they want used on their transaction.

When the offer comes in, you need to transfer any of the contingencies from the listing to the offer to purchase. Failure to do this could obligate or trap your seller into commitments they may not want. The addendum is self explanatory.

SHORT SALE - LENDER/JUST LISTED

[Date]

Mr. Joe Awesome PLAZA FUNDING P.O. Box 1234 YOUR TERRITORY, CA 90804

RE: Loan Number 145678

Dear Mr. Awesome:

We recently listed 1734 Apple Way for less than the current mortgage balance, as indicated on the first Note and Trust Deed. We listed this property below the amount of the loan to reflect the current market value. By doing this, we hope to save our Seller's credit and save you, the bank, the problems of filing, foreclosing, owning, and eventually selling this property. Enclosed is a copy of the listing agreement, ratified with the Seller, and the Seller's authorization for this company to work with you toward an acceptable resolution.

This transaction requires that you accept a short sale, based upon our listing price of \$350,000. Currently in the YOUR TERRITORY area, closing costs run 7.2%. When you deduct this from the gross proceeds of the listing price, you can see that your balance would be less than what is currently owed you. I have enclosed a certified net sheet based upon the listing price. The Seller, at this time, has no fund to bridge the difference. A personal financial statement from the Seller is forthcoming, along with a letter of explanation for this situation.

I understand that if you have sold this loan, you may not be able to make the decision on this arrangement. If you still hold this loan in your inventory, or service the loan, and are able to make these decisions, I would appreciate notification as to whether of not a short sale is possible.

With the proper marketing, I should be able to sell this property within 30 to 45 days. As soon as we receive an offer, we will forward it to you so that you can begin the process of determining whether or not you will accept this short payoff. Based upon your approval of any potential buyers, we hope that you will be able to delay any pending notice of default or trustee sale, of course pending the approval of application for a new loan.

Tel: 949.545.8859

(LENDER/JUST LISTED PAGE 2)

If there are any special or particular procedures that your bank would like us to follow, please notify me. If I have directed this information to the wrong person, please forward the information and inform me of the correct representative.

Sincerely,

YOUR NAME

YOUR NAME

Enclosures

SHORT SALE - LENDER/REQUEST APPRAISAL

[Date]

Bank of Cash 123 Main Street YOUR TERRITORY, CA 90000

Dear Banker:

We at YOUR NAME were selected to market and sell the property located at (PROPERTY ADDRESS) per your request. We sent you an information letter on (DATE). We talked with (CLIENT NAME) on (DATE). (CLIENT NAME) made no commitment at the time of the call, but did request to have offers submitted for approval. We understand that (LENDER NAME) makes no commitments prior to receiving offers.

I am aware of your company's policy to have one of your appraisers review the property prior to accepting an offer. I am requesting that you begin the appraisal process immediately because delaying the appraisal poses several challenges. I have enclosed my career highlights, personal brochure and company video to give credibility to my opinion.

- 1. Consumers do not understand the delays caused by waiting for an appraisal. To them, the decisions seem to be "cut and dried."
- 2. I currently have _____# NOD listings in _____ county, dealing with over _____lenders, and in several cases I have had answers within three to five business days of receiving the offer. These are very efficient companies that understand the necessity of responding promptly to a buyer.
- 3. If there is a way to rectify the situation, please disclose it. If there are open communication lines between the lender and my company, we can commit a larger marketing budget to the sale of the property.

(LENDER/REQUEST APPRAISAL PAGE 2)

You can protect your investors' money by pushing for an expedient decision when I bring you an offer on this file. Having the appraisal in your file will contribute to a quick decision. Once again, I have enclosed a new sheet based upon the current listing price and have given you a bottom-line number to work with. Please remember the time value of money must be considered in this transaction, because your alternative—foreclosure—could take months.

Sincerely,

YOUR NAME

SHORT SALE - LENDER/OFFER #2

[Date]

Mr. Joe Awesome PLAZA FUNDING P.O. Box 1234 YOUR TERRITORY, CA 90804

RE: Loan Number 145678

Dear Mr. Awesome:

Enclosed please find another Real Estate Purchase Contract for the property located at 44 E. 53rd Street in YOUR TERRITORY. Please refer to my letter dated [Date] where I asked you to accept a short sale based upon a market value price.

Also enclosed is a certified copy of escrow instructions, an estimated closing statement, a preliminary title report, and a copy of buyer loan application.

Please call or fax me the procedures you wish me to follow. As you know, "qualified" buyers are hard to hold onto, so time is of the essence.

I appreciate your prompt attention to this matter.

Sincerely,

YOUR NAME

YOUR NAME

Enclosures

SHORT SALE - ADJUSTMENT

[Date]

Mr. Tough Guy Lender OPTIMISTIC APPRAISAL S & L 123 Main Street YOUR TERRITORY, CA 90804

Dear Mr. Lender:

After opening of escrow, it has been brought to my attention that there are additional costs: \$4,200 in back taxes, \$1,811 in termite work and \$4,100 in repairs.

As previously disclosed, the sellers are not in a position to pay for the taxes or any related expenses toward the sale. As we are all aware, in the event of foreclosure, the property tax responsibility and the cost of preparing the property for sale simply transfers to THE LENDER.

In order to continue with the present agreement, I am bringing this to your attention for an adjustment of \$9,406 to the net proceeds due. Upon your approval, I will expedite the closing and avoid the foreclosure process.

Please response within three business days. Thank you.

Sincerely,

YOUR NAME

SHORT SALE - ADJUSTMENT 2

[Date]

Mr. Tough Guy Lender OPTIMISTIC APPRAISAL S & L 123 Main Street YOUR TERRITORY, CA 90804

Dear Mr. Lender:

Thank you for your approval with these two (2) conditions: Condition 1 -- Commission to be 6% or a reduction of \$2,431 -- ACCEPTED Condition 2 -- A \$10,000 contribution from the Seller -- REJECTED

Please consider the following:

- 1. California has no Deficiency Judgement on purchase money loans.
- 2. Escrow can close in 15 days.
- 3. Upon Trustee Sale, you will begin a new marketing process that will take approximately three months and will include the following costs:
 - *No Return on Capital *Taxes
 - *Cost of Acquisition *Property
 - *Management Fees *Vandalism
 - *Association Dues *Insurance
 - *Utilities

You will risk much more than \$10,000 and end up with the same result. I encourage the investor to reconsider this transaction and accept a \$10,000 contribution from the Seller.

Sincerely,

YOUR NAME

SHORT SALE - UPDATE APPROVAL

Date

Mr. Tough Guy Lender OPTIMISTIC APPRAISAL S & L 123 Main Street YOUR TERRITORY, CA 90804

RE:	TS#	
	Address:	_

Dear Mr. Lender:

Per our conversation today, here are my accomplishment:

- 1. I have located \$3,000 net through brokerage commission reductions.
- 2. We have countered the buyers with a sale price of \$220,000. They responded with the costs to rehabilitate this property to neighborhood standards including:
 - a. Pool/Spa requires draining, an acid wash, and refilling. Estimate: \$1,000
 - b. Holes throughout property require patching in addition to interior paint. Estimate: \$2,500
 - c. Carpet is wet and musty and must be replaced. Estimate: \$3,000 \$5,000 (Note: Rental grade carpet in this area would not be acceptable.)
 - d. Linoleum and tile in kitchen areas must be replaced. Estimate: \$1,000
 - i e. The rear decking is peeling and needs repair if not total replacement. Estimate: \$1,000

With the \$9,000 - \$10,000 in out-of-pocket expenses it will take to bring this property to normal living standards, the buyers feel their \$210,000 offer is well justified.

(UPDATE/APPROVAL PAGE 2)

Mr. Lender, if necessary, my office will send further documentation and photographs of items "a" through "e" for your review. Please instruct me on how to proceed. Also enclosed are the newspaper articles from yesterday and today verifying the fallen home prices in this area. As you can see from the YOUR TERRITORY paper, home prices have dropped 14.9% since January. The appraisal of December 9 is 30 days before that date. At a price of \$244,000 minus 14.9%, we present a purchase price of \$206,644.

Mr. Lender, I know, and the buyers feel, that we have a well-established purchase price. The new net figure of an additional \$3,000 from a commission reduction and a convincing argument about needed repairs, I hope, will guide you to a positive response.

The cost for your institution to reject this ready, willing, and an able buyer may include foreclosing, keeping the property for another four months and incurring additional expenses. Let's approve this tired file and close this transaction.

Thank you in advance for your cooperation.

Respectfully,

YOUR NAME

SHORT SALE - APPROVAL 2

[Date]

Mr. Tough Guy Lender NEGOTIATING S & L 123 Main Street YOUR TERRITORY, CA 90804

Dear Mr. Lender:

I understand the obvious stress of so many non-performing loans. We have made several attempts to call you. However, since time is of the essence, we submit this to you for your approval.

Your counter offer of \$185,000 net is extremely difficult to achieve in this marketplace, especially when an REO sale of the same model and floor plan only one street away just closed for \$185,000 TOTAL PURCHASE PRICE.

We were able to accomplish the following to increase your net proceeds and arrived very close to your net figure of \$185,000. Our extensive negotiations and suggestions have resulted in the following:

- 1. The second trust deed holder will reconvey for zero net proceeds (this improved our offer \$4,000).
- 2. The homeowner's association total of \$1,800 MUST come from the seller's proceeds as is customary for this area.
- 3. We countered the buyers \$230,500 which would have netted \$185,000, however, their counter offer, after waiting for 2 ½ months, is \$199,900.
- 4. It has been brought to our attention that the sellers have begun removing and selling items from this home (i.e., air conditioner, range, closet shelving, organizers, doors, garage shelving, etc.). We currently are preventing them from doing this.
- 5. Regarding the issue of brokerage fees, we feel we do three times as much work as a "normal" real estate transaction requires and believe the additional effort is worth our full 7% commission. Furthermore, it is currently your policy to pay a full 6% brokerage fee on your REO accounts. Full commission is going to be paid then. It makes sense to pay more now!

(APPROVAL #2 PAGE 2)

Here's the bottom line: we are submitting the counter proposal and an updated net sheet which will net you approximately \$180,000. This figure is more than 92% of what you asked for and we hope close enough to approve. The buyers in this transaction have their loan approved (subject to appraisal) and we can close in 15 business days!

We respectfully ask for your letter approving this sale, which will net you more dollars, get the file off your desk faster, allow a ready, willing and able buyer to purchase now, and prevent another REO from going on the books and the market.

We feel we have worked diligently and our past track record with your firm has proven that every transaction we have submitted has closed within the time frames agreed to and within the financial understanding agreed upon, all with no eleventh hour surprise.

Please respond at your earliest convenience.

Sincerely,

YOUR NAME

SHORT SALE - CO/OP BROKER

[Date]	
I LOV 123 M	Co-Op /E BUYERS REAL ESTATE Iain Street R TERRITORY, CA 90804
RE:	#Address:
Dear l	Mr. Co-Op:

As you know, we have been working with this file and property for many months now. We appreciate your patience! We have files that have been in escrow for more than 90 days and still have not had an answer, let alone approval. Your offer of January 21, 1998 was a relatively timely response of 51 days.

The decision process of the Lending Institution has been slow because of the lender's potential loss. With an offer of \$200,000 (giving the lender a new of \$180,000) it's easy to see why it is a lengthy decision to take a \$110,000 loss.

1 st Trust Deed 2 nd Trust Deed	\$ 250,000 \$ 40,000
Back Taxes and Association	\$ 6,200
TOTAL	\$ 296,200

Based upon the documents we have provided the lender, including personal financial statements from the seller, data on the current market conditions in this area, and a full review of the lender's confidential file, the lender has elected to approve and close this transaction based upon a \$210,000 sales price. This amount will satisfy their requirements based upon their confidential appraisal.

We feel that \$210,000 is at least 12% below market value and an excellent buy. If we were to place this property back on the market with out explosive "Back on Market" campaign that reaches 2,000 real estate agents and their waiting buyers, we feel that we would have several offers on this property within a week.

(CO/OP BROKER PAGE 2)

The lender feels that a sales price lower than \$210,000 would not be fair and they will go ahead with foreclosure process if they don't receive it!

Please let me know your client's decision at your earliest convenience.

Sincerely,

YOUR NAME

SHORT SALE - EXTEND CLOSING

[D	ate]				
RT 12	C BOUND S & L Main Street				
	OUR TERRITORY, CA 90804				
De	ear Mr. Saved:				
En Lo	Enclosed is a copy of the letter dated regarding a discounted p Loan# The first paragraph calls for a closing date of				
do	oan documents are in escrow. The buyer cuments today. Unfortunately, this transe are requesting a revised letter stating to be by	saction will not be	closed by .	and	
W	e appreciate your past efforts, and known mmission and prevented one less REO	v that we have ear on the market!	ned our con	npany a	
Tl	nank you for your cooperation,				
Y	OUR NAME				
Y	OUR NAME				

SHORT SALE - CLOSING DATE/VACANCY

[Date]
Mr. Larry Lethargic 222 Apple Street YOUR TERRITORY, CA 90803
RE: Close of Escrow, Vacancy
Dear Mr. Lethargic:
After discussions with the lender, they have made it clear this transaction must close by
Remember, discounting the note in order to allow a "short pay" or discounted payoff, and more importantly to save the foreclosure process, is quite a gift. If (DATE) is not adhered to the approval is null and void and foreclosure will proceed.
Therefore: 1. Escrow MUST close by (DATE). 2. The property MUST be vacant NO LATER than (DATE).
After discussions with the buyer's agent, there is a slight possibility of a "Rent Back" situation where you could remain in the property while paying rent to the new owners. At this point, however, we need to close and vacate according to the note-holder guidelines.
If you have any further questions or concerns please contact me immediately.
Sincerely,
YOUR NAME
YOUR NAME

SHORT SALE – STOP FORECLOSURE

Mr. REO Smith ANOTHER S & L COMPANY 123 Main Street YOUR TERRITORY, CA 90804		
Dear Mr. Smith:		
We are handling the property atnow currently in escrowSOLD!	, Loan #	It is
Please stop foreclosure proceedings (indicate soon be satisfied in escrow.	d to start 4/25/98) as this a	account will

Please forward any communication regarding this account to my office.

YOUR NAME

Thank you,

[Date]

SHORT SALE - UNSUCCESSFUL SHORT SALE

[Date]

Mr. Short Seller 222 Apple Street YOUR TERRITORY, CA 90803

RE: 123 Main Street

Dear Mr. Seller:

It is very unfortunate that the purchase offer on the above-referenced property has been rejected and the foreclosure process will now run its course. This was due to non-cooperation of the first trust deed holder, (Lender), and our inability to deal with the second and third trust deed holders in a short period of time.

Unfortunately we can no longer represent the sale of this property since foreclosure is no imminent.

It is always our goal to build a client for life and be an asset and resource. Please let us know how we can further assist you.

Sincerely,

YOUR NAME

YOUR NAME

P.S. It is still possible to buy a home with poor credit and very little money down!

SHORT SALE – REO/WORKOUT DEPARTMENT PROPOSAL AND INTRODUCTION

Property ownership/management is a job function most lenders don't like and don't do well. Buy because lenders own too much property, they are losing more of their depositors' money then necessary in this deflationary real estate market.

We would like to introduce the REO Workout Company, a team of experts in:

- *PRE-NOD COUNSELING
- *SHORT SALES
- *EXPERT, FAST-TRACK MARKETING
- *COST-CONSCIOUS REFURBSHMENT FOR SALE
- *EXPERT NEGOTIATION

Our goal is to eliminate a potential REO. If that is unavoidable, we'd like to change its status to "sold" as fast as profitably possible. It is our desire to become an asset and a resource to the lending institutions of Southern California.

Sincerely,

YOUR NAME

YOUR NAME / THE REO WORKOUT COMPANY

SHORT SALE – REO/WORKOUT DEPARTMENT COMPARABLE MARKET ANALYSIS FOR A SHORT SALE LENDER

In the past year we have seen a steady decline of values in YOUR TERRITORY properties due to (*USE YOUR OWN REASONS*) the loss of Port Disney, riots, layoffs and crime in the area. The future is still bright, but it may take as many as four years for real estate prices to rebound.

At the beginning of (*year*), property values in this area were \$_______to_____.

One year later it is easy to document the _______% drop in values from the

range to the \$_____ range. Also keep in mind that there has not

YOUR TERRITORY is saturated with properties for sale and the number of defaults and REOs are escalating, thus driving the market downward. As you can see, the comparable sales show that there was a transfer at \$250,000 for a discounted property similar to the subject property. Due to the current market, the lack of owner maintenance and upkeep, necessary repairs and cosmetic replacement, fair market for this home will range from \$\text{to \$_____}\$

Please inform me of the results of your appraisal as soon as you can.

been a transfer of this model for months.

Sincerely,

YOUR NAME

THER SERVICES OF THE REO WORKOUT COMPANY A DIVISION OF THE YOU NAME, INC.

MISSION STATEMENT

Our mission is to assist all parties in a challenging real estate transaction to reach their goals while they remain financially whole.

We believe that real estate decisions are best made with accurate facts and with the reality of the current marketplace in mind. Our goal is to make sure that all parties – the lender, the trustee and the trustor – have the most accurate facts in order to make their decisions.

Once the real estate decisions are made, implementing them quickly takes on the greatest importance because of time and value of money.

By counseling all parties on the reality of the current real estate market, and by producing a plan of action that will be implemented quickly, we believe that our service can eliminate a loss of equity on the parts of both the lender and the borrower.

Our philosophy is to get it done now! By working exclusively with determined buyers and sellers and be creating an environment in which we are motivated to produce, we successfully sell property and minimize losses.

A. COUNSELING: THE PRE-NOD CONFERENCE

We have found that some properties currently held in the REO department never should have been there. In addition to sincere and aggressive negotiations, we counsel the trustor about the benefits of real estate ownership, assist them in reducing expenses and increasing income, and/or develop a workable marketing plan for the disposition of the property. Non-activity many of the above categories may result in an unstoppable series of events which ultimately result in the lending institution owning the property.

Our counseling covers all aspects of credit, its importance and its future use, providing another incentive for the client to continue with his or her obligation to the lending institution. However, when we discover that the client is being backed into a corner because of an inability to make payments or a reduced equity, we may suggest a short sale.

B. SHORT SALE SERVICE

Many times the fastest way for a lending institution to clear a potential REO or problem loan is to accept a short payoff. Part of our counseling is suggesting this service to the client who has no other alternatives and who may soon stop making payments. By providing the trustor with the motivation to keep his or her credit clean, we've sometimes been able to keep the cash flow going to the institution for six to eight additional months. We price the property at current market values, and aggressively market and sell the property.

Occasionally these sales do result in short payoffs to the lending institution. We have founds that the cost to the lending institution of filing the foreclosure, keeping taxes and insurance current, administrative costs, lack of cash flow, trustee's fees, plus all the costs of ownership and remarketing the property far exceed the amount of money lost by way of short payoffs, sometimes by as much as 5-to-1 ratio!

We've been successful with institutions such as World Savings, Home Savings and Wells Fargo Bank. By using these fast, stop-gap measures we help the lenders to be liquid again and decrease the period in which the asset is non-producing.

C. THE NOD SERVICE

This combination service includes notifying the lender of the current market value and providing a comparative market analysis. We also provide estimates for the following: a description of repairs that are required on the property and the costs of those repairs, how much those repairs will increase the property value, the time needed to bring the property to saleable conditions, the time needed to sell the property, and the costs associated with selling the property.

Platinum Lending Solutions 959 South Coast Drive, Suit 425 Costa Mesa, CA 92626 Tel:714.384.3000 Fax:714.384.3001

108

Nations Title Company 24422 Avenida De La Carlota, Suit 230 Laguna Hills, CA 92653 Tel: 949.545.8859

(THE REO WORKOUT COMPANY PAGE 2)

Our consulting is ongoing with the trustor, We assist them in marketing the property at a price that is break-even or on a short sale provision.

D. THE REO

If all of the above-mentioned efforts do not result in a sale, and the lending institution elects what may be its most unprofitable alternative, taking the property into its REO department, then the Partners of THE REO WORKOUT COMPANY are ready to place the following plan into effect:

- 1. Determine market value, a marketing plan and a time for implementing this plan
- 2. Prepare an estimate of all structural and/or cosmetic repairs to the property to bring it to current market value, with a detailed cost analysis and an estimate as to how much those repairs will increase the same of the property both in speed and in value.
- 3. Arrange all repairs.
- 4. Implement comprehensive marketing plans, consisting of multiple listing service, networking with other agents, advertising, telemarketing, direct mail and other proven marketing methods.

THE FEE STRUCTURE

- 1. Sale prior to trustee sale:
 Trustor is responsible for commission paid upon successful close at current market commission rates. However, lender and REO Workout Company draw from proceeds in a short payoff situation
- 2. Sale subsequent to trustee sale:

 Commission is paid only upon successful close at current market commission rates.
- 3. Attorney/unlawful detainer services:
 Contract with the area experts on a bid basis.
- 4. Refurbishment for sale:
 Bids and plans submitted prior to work.
- 5. Full management: 10% of rents collected.

Laguna Hills, CA 92653 Tel: 949.545.8859

WHY WE SUCCEED

- 1. **INCENTIVE**. Our fees guarantee that we do not get paid until we are successful, which means that a substantial amount of our money is spent up front with no guarantee of repayment or profit, giving us the incentive to produce a massive and immediate effort to ensure that the lender's losses are cut and/or the property is sold.
- 2. **LISTING INVENTORY**. A low listing inventory allows us to devote a maximum amount of time, effort and enthusiasm, producing many qualified and motivated buyers in the shortest time possible.
- 3. **THE NICHE MARKET**. By specializing in the REO field, we leverage our contacts from that market.
- 4. **ON-LINE ACCESS**. State-of-the-art technology provides us with the tools to produce professional marketing materials, execute pinpoint demographic target marketing and perform relentless follow-up.
- 5. ACCESSIBILITY. You will be informed of our activities, our results and the reactions of the marketplace at all times. We never forget that we work for you, first and foremost. We understand that your time is your money.
- 6. **LOYALTY**. We earn our living from building clients for life, which multiplies by such efforts. When we cut your losses, we increase our client's allegiance.

GEOGRAPHICAL BOUNDARIES

The larger the project, the further we will travel!

LAKEWOOD

SIGNAL HILL

SEAL BEACH

YOUR TERRITORY

HUNTINGTON BEACH

WESTMINSTER

Why Should You Submit My Liquidation Value Appraisal With Your Short-Sale Offer Packages

1) The banks will most likely base their rebuttal offer on a market value appraisal and short-sales are anything but market value. Short sales are indicative of a liquidation value-type approach to value; one of the first steps that should be taken when attempting to value any property, is to determine what type of value is being estimated. Don't take my word for it though; see for yourself below where I have included the definitions of both market and liquidation value, verbatim right from the appraiser's text book.

<u>Market Value</u>- Market value is the most probable price that a property should bring in a competitive and open market **under all conditions requisite to a fair sale**, assuming that the buyer and seller are both acting prudently and knowledgeably and that the **price is not affected by undue stimulus**.

<u>Liquidation Value</u>- Liquidation value is **the value associated with a rapid sale**. Liquidation value represents the most probable price that a property should bring when **it has had less than a reasonable exposure time** to the market.

- 2) My liquidation value appraisals will utilize the data in the current declining market which will clearly show banks; the longer they hold onto the property to try and negotiate with you, the more money they will lose in the process. My appraisals will utilize techniques set forth in the "Short-Sale Playbook".
- 3) In the eyes of the bank, an appraisal from a State Certified Residential Appraiser holds much more merit than a BPO or a CMA. Just as an appraisal is required in the real estate transaction process where a mortgage loan is being used as a financing tool, so is it also essential in the transaction process of a short sale, where the bank's only concern is minimizing their losses. These liquidation value appraisals will illustrate to the banks exactly how much money they are losing in the negotiation process; an amount much greater than they will gain by delaying the agreement of a sale price with you and your seller.
- 4) My appraisals will also consider the Principle of Substitution which states that a buyer will pay no more for a particular property than can be paid for another property of equal or similar utility. With every neighborhood now containing at least a few very low active listings (usually short sale, pre-foreclosure or foreclosure listings), this will only help to further solidify your case in the eyes of the bank.

Feel free to contact me should you have any questions about the above material. Best of luck!

Regards,

Michael P. Cooper-State Certified Residential REA RD6795 MPC Appraisals, Inc. (954) 290-7211- Cell

File #	Liquidation	Appra	isal

	The purpose of this summary appraisal repo	ort is to provi	de the lender/client with an ac-	curate, and adequately supported, op	inion of the market value	of the subject property.
	Property Address 9876 NW 10 Street			City Plantation	State FL	Zip Code 33322
الر	Borrower N/A		Owner of Public Record		County Brow	
		a sales	CHILD OF LUDIC RECORD	CONT ORDER	County Brow	w.i.w.
	Legal Description See additional comm					
	Assessor's Parcel # 49-41-32-12-0000			Tax Year 2007	R.E. Taxes \$ 7	7,000.37
Н	Neighborhood Name N/A			Map Reference 49-41-32	Census Tract 6	505.040
SUBJECT	Occupant Owner Tenant Vac	ant	Special Assessments \$			per year 🖂 per month
5				N/A D	D 110A \$ 100.00 L	her hear M her monar
ы	Property Rights Appraised 🔀 Fee Simple	Leaseho				
S	Assignment Type 🔲 Purchase Transaction	Refina	ince Transaction 🔀 Other (de	escribe) Liquidation Value for	a short-sale transac	ction.
	Lender/Client ABCD Mortgage			NW 123 Street Miami, FL 3315		
	Is the subject property currently offered for sa	lo or hac it ha				Yes No
					s applaisai:	165 LINU
	Report data source(s) used, offering price(s),	and date(s).	See additional commen	ts.		
	I 🔲 did 🔀 did not analyze the contract fo	r sale for the	subject purchase transaction, Ex	plain the results of the analysis of the	contract for sale or why th	e analysis was not
	performed. A full copy of the contra					
_						Of the sale were
ပ	discussed with this appraiser and					
Κ.	Contract Price \$ 378,500 Date of Cor	itract 2/29/2	2008 Is the property seller t	he owner of public record? 🔀 Yes	■ No Data Source(s)	Contract/Tax Roll
툿	Is there any financial assistance (loan charges	sale concess	sions, gift or downpayment assi-	stance, etc.) to be paid by any party of	n behalf of the borrower?	☐ Yes ⋈ No
CONTRACT	If Yes, report the total dollar amount and desci			,,,,,,,,		
J	ii 163, report the total dollar amount and descr	ibe the items	to be paid. 147A			
	Note: Race and the racial composition of t	he neighborh	nood are not appraisal factors			
	Neighborhood Characteristics		One-Unit H	lousing Trends	One-Unit Housing	Present Land Use %
	Location Urban Suburban	Rural	Property Values Increasing	Stable Declining	PRICE AGE	One-Unit 90 %
	Built-Up 🔀 Over 75% 🔲 25-75% 🗌		Demand/Supply Shortage	☐ In Balance ☐ Over Supply	\$ (000) (yrs)	2-4 Unit %
000	Growth Rapid Stable	Slow	Marketing Time Under 3 m	ths 3-6 mths Over 6 mths	300 Low 15	Multi-Family %
¥		-		of Oakland Hill Blvd., east of	600 High 35	Commercial %
뜻		and the second s	ofth of Cleary Bivd., South	Of Cakiana Hill Biva., east of	CONTRACT CONTRACT CONTRACT	
ĕ	Nob Hill Road and west of University				400 Pred. 20-25	
EIGHBO	Neighborhood Description The subject i	s located in	a community consisting o	of detached, CBS, 1 & 2-story s	single family homes lo	cated on dry, canal
	and lakefront sites. The community i	s situated o	close to most major public	amenities including schools, sl	hopping, houses of w	orship, transportation
Z	and major road arteries including Bro					
					sivu., and 1-595.	
	Market Conditions (including support for the a	bove conclusi	ons) See additional cor	nments page.		
	Dimensions Not provided per plat.		Area 10,800 SF	per tax roll. Shape Rectangula	r View C	anal
					II VICW C.	aliai
	Specific Zoning Classification RS-3G			Single Family Residential		
	Zoning Compliance 🖂 Legal 🔲 Legal Nor	conforming (0	Grandfathered Use) 🔲 No Zonir	ng 💹 Illegal (describe)		2.5
	Is the highest and best use of subject property	as improved	(or as proposed per plans and s	specifications) the present use?	Yes No If No, de	scribe
	To the highest and neet need to carrie property	as impressed	(a. no biobassa bei binis min	production and productions		
			B 1 11 011 //			
	Utilities Public Other (describe)		Public Other (de		rovements - Type	Public Private
		W	/ater ⊠ □ Ci	ty Street Asp	halt	
ш	Electricity \(\square\) \(\square\) \(\square\) \(\square\)			ty on our Asp	iait	
SITE						
SITE	Gas None	S	anitary Sewer 🖂 🔲 Ci	ty Alley Non	е	
SITE	Gas None FEMA Special Flood Hazard Area Yes	Si No FEM	anitary Sewer 🖂 🔲 Ci MA Flood Zone	ty Alley Non FEMA Map #		
SITE	Gas None FEMA Special Flood Hazard Area Yes Are the utilities and off-site improvements typi	S No FEN cal for the ma	anitary Sewer ⊠ □ Ci √IA Flood Zone rket area? ⊠ Yes □ N	ty Alley Non FEMA Map # o If No, describe	e FEMA Map) Date
SITE	Gas None FEMA Special Flood Hazard Area Yes Are the utilities and off-site improvements typi Are there any adverse site conditions or extern	S No FEN cal for the ma al factors (ea	anitary Sewer	ty Alley Non FEMA Map # o If No, describe nmental conditions, land uses, etc.)?	e FEMA Map ☐ Yes ⊠ No	D Date If Yes, describe
SITE	Gas None FEMA Special Flood Hazard Area Yes Are the utilities and off-site improvements typi Are there any adverse site conditions or extern No adverse easements or encroachi	S No FEN cal for the ma al factors (ea	anitary Sewer	ty Alley Non FEMA Map # o If No, describe nmental conditions, land uses, etc.)?	e FEMA Map ☐ Yes ⊠ No	D Date If Yes, describe
SITE	Gas None FEMA Special Flood Hazard Area Yes Are the utilities and off-site improvements typi Are there any adverse site conditions or extern	S No FEN cal for the ma al factors (ea	anitary Sewer	ty Alley Non FEMA Map # o If No, describe nmental conditions, land uses, etc.)?	e FEMA Map ☐ Yes ⊠ No	D Date If Yes, describe
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	U	nitorm Re	sidential A	ppraisal l	Report	File#	Liquidatio	n Appraisal
		The state of the s			ce from \$ 325,000		to\$ 47	
			the past twelve mon			00		125,000 .
FEATURE Address 9876 NW 10 Stre	SUBJECT	9499 NW 10 Str	LE SALE # 1	1111 NW 94 A	BLE SALE # 2	0976	NW 18 Pla	LE SALE # 3
Plantation, FL 33		Plantation, FL 33		Plantation, FL		100,000	ation, FL 33	
Proximity to Subject		0.36 miles		0.17 miles		0.86		
Sale Price	\$ 378,500		\$ 350,000		\$ 400,000			\$ 359,900
Sale Price/Gross Liv. Area	\$ 157.84 sq.ft.		•	\$ 162.54 sq.			208.28 sq.ft.	
Data Source(s)		MLS,FARES,Co			ounty Records			unty Records
Verification Source(s) VALUE ADJUSTMENTS	DESCRIPTION	Agent & Exterior DESCRIPTION	+ (-) \$ Adjustment	Agent & Exterior DESCRIPTION	+ (-) \$ Adjustment		CRIPTION	Observation +(-) \$ Adjustment
Sales or Financing	DECOMI HOW	Conventional	+ (-) ψ Aujustmont	Conventional	+ (-) © Aujusunone		entional	T(-) # Adjustmont
Concessions		None per agent		None per agen	ıt	\$10,0		-10,000
Date of Sale/Time		2/2008		2/2008		11/20	07	
Location	Suburban	Suburban		Suburban		Subu		<i>y</i>
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple			Simple	
Site View	10,800 SF per ta Canal	Canal	No adj.	10,800 SF Small Lake	No adj.	6,166	dential	+23,000 +10,000
Design (Style)	1-Story	1-Story		1-Story	ino auj.	1-Sto		+10,000
Quality of Construction	CBS/Average	CBS/Average		CBS/Average			Average	
Actual Age	19	22	No adj.		No adj.			No adj.
Condition	Average	Average/Fair	+20,000	Average/Good				-40,000
Above Grade	Total Bdrms. Baths	Total Bdrms. Baths		Total Bdrms. Bath			Bdrms. Baths	1,000,000
Room Count	8 4 2.5	8 4 2	+5,000			8	3 2	+5,000
Gross Living Area Basement & Finished	2,398 sq.ft.	2,367 sq.ft. None	No adj.	2,461 sq. None	ft. No adj.	None	1,728 sq.ft.	+26,800
Rooms Below Grade		None		None		None		
Functional Utility	Satisfactory	Satisfactory		Satisfactory			factory	
Heating/Cooling	Central	Central		Central		Centi		
Energy Efficient Items	Typical Items	Typical Items		Typical Items		Typic	al Items	3
Garage/Carport	2	Garage (2)		Garage (2)			ge (2)	
Porch/Patio/Deck	Entry Porch	Entry Porch		Entry Porch			Porch	1
Porches/Patios/Decks Pool/Patio/Spa	Rear Porch S.Pool&Patio	Rear Porch S.Pool,Pat.,Spa	No adi	Rear Porch Op.Pool&Patio	No adj.		Porch ol&Patio	
1 00(1 aa0) opa	O.I COIGH ALIC	0.1 00i,1 at.,0pa	ino auj.	Op.i colar atio	ino auj.	0.1 0	oldi allo	7
Net Adjustment (Total)		□ + □ -	\$ 25,000	□ + □ -	\$ 15,000		+ 🔲 -	\$ 14,800
Adjusted Sale Price		Net Adj. %		100000000000000000000000000000000000000	%	Net Ad		
of Comparables					% \$ 385,000	Gross	Adj. %	\$ 374,700
I 🖂 did 🔲 did not research	the sale or transfer hi	istory of the subject p	roperty and comparat	ole sales. It not, expl	ain			
My research ⊠ did ☐ did	not reveal any prior sa	ales or transfers of the	e subject property for	the three vears prior	r to the effective date of	this apr	raisal.	
	ounty Tax Roll							
		ales or transfers of th	e comparable sales fo	r the year prior to th	e date of sale of the co	mparabl	e sale.	
	ounty Tax Roll						200	
Report the results of the researc		prior sale or transfer i IBJECT	nistory of the subject p COMPARABLE S		rable sales (report addit COMPARABLE SALE #			ige 3). RABLE SALE #3
Date of Prior Sale/Transfer	12/2005, 1/2		N/A	N/A		- Z	N/A	TABLE SALE #3
Price of Prior Sale/Transfer	Quit Claim, S		N/A	N/A			N/A	
Data Source(s)	FARES, Tax		FARES, Tax Roll		RES, Tax Roll		FARES, Ta	ax Roll
Effective Date of Data Source(s)	3/1/2008	- 2	3/1/2008	3/1/	2008		3/1/2008	
Analysis of prior sale or transfer					rchased 1/2005 for			en Quit Claim
Deeded 12/2005 for \$100). There have bee	en no transfers fo	rany of the comp	arables within o	ne year of the com	parable	e sale date.	
1								
Summary of Sales Comparison	Approach All thr	ee sales are clos	sed resales of ho	mes that were	sold under liquid	ation v	value cond	itions, meaning
that the sellers were hig								
differences in square fo								
was also placed on activation will pay no more for a p								
condition, location).	articulai propert	y than can be p	aid for afformer p	roperty or sim	nai oi equal utility	neatu	ies (squai	e lootage, view,
Indicated Value by Sales Compa								
Indicated Value by: Sales Con			Cost Approach (if de			•	(if developed	
Most emphasis was place								
sellers in the current ma	irket. The income	e Approach was t	considered but no	t used, as this is	predominantly an	owner-	-occupied c	ommunity.
This appraisal is made 🖂 "as	is", subject to	completion per plans	s and specifications of	n the basis of a h	ypothetical condition the	at the ir	nprovements	have been
completed, subject to the	following repairs or a	literations on the bas	is of a hypothetical c	ondition that the re	pairs or alterations hav	e been	completed, or	subject to the
following required inspection ba					re alteration or repair:	The su	ibject prope	erty was
appraised in it's "as is" co	inspection of the in	ject to the Statem	areas of the subject	maitions. t property define	d scope of work eta	tement	of assumpti	ons and limiting
Based on a complete visual conditions, and appraiser's	certification, my (or	ur) opinion of the	market value, as de	fined, of the real	property that is the	subject	of this repo	rt is
\$ 380,000 as of	3/1/2008	which is t	he date of inenective	on and the offect	ive date of this annu	raigal		

File # Liquidation Appraisal

IACADANDA DADCEL 100 112 26 D DODTION OF TRIP DESC AS CO					
JACARANDA PARCEL 100 112-26 B PORTION OF TR B DESC AS, CO		PARCEL,E	LY 792.54		
TO POB,CONT ELY 80,NLY 135,WLY 80,SLY 135 TO POB AKA: LOT 1	5				
URAR : Subject - Data Source(s), Offering Price(s), Date(s)					
MLS-The subject property was listed for sale on MLS 8/19/2006 for \$ 6/2007 to \$524,900, then reduced again 7/2007 to \$499,900 and then price was reduced to \$375,000 as it was not seling.					
URAR : Neighborhood - Market Conditions					
The market is declining after a period of over-inflated property value	es, due to frivolous lendin	g creating a	an over-abundan	ce of b	uvers and
driving up property values unnecessarily. Now, in the past year as t rate, making payments unfeasible for the homeowner, foreclosures	hese ARM (adjustable rat	e mortgage	e) loans, have adj	usted 1	to a highe
mortgage payment that they can no longer afford. This panic has c					
rising foreclosures credit has become scarce and therefore, with litt	le to no buyers in the ma	ket, the pro	perties either for	reclose	>,
short-sale or stay on the market and never sell.					
In the subject's city of Plantation, there are currently 750+ foreclosu	re properties A Success	ive Sales M	ethod (mathemat	ical m	ethod
used to determine the rate of increase or decrease of property value the market has declined 7.6% over the past year. Active, withdrawn compared to closed sales (over the past year) to determine the mark 16.9%, meaning that out of all the properties listed for sale over the Average marketing time in the subject's market for a market value a depending on pricing. Average marketing time for a liquidation value 10 comparable active listings with distressed or motivated sellers lift financing is most prevalent, but cash purchases, FHA, VA, PMM fina	e in a market) was applied & expired listings (over the ket's absorption rate. The past year, only 16.9% of the pproach is between 3-6 reapproach is 30-90 days the subject listed between between the subject listed between the subject lis	I to the sub he past yea e current al hem were a nonths and . In the sub een \$350,0	ject's market and r) were also analy oscrption rate of the absorbed into the sometimes up to bject's market the 00-400,000. Conv	I revea yzed a this ma marko a yea ere are ventior	iled that ind arket is et. r currently
however credit is much less available. Buydowns and concessions		intorogt rate	o are carrently a	ao	, ,
	(not required by Fannie Mae)				
Provide adequate information for the lender/client to replicate the below cost figures and cal Support for the opinion of site value (summary of comparable land sales or other methods to		v volue ie be	and an land outros	tion du	a to the
lack of vacant land sales in this community. The Cost Approach is NOT re			sed on land extrac		
insurance or valuation purposes. It is provided ONLY as a courtesy to the					
	OPINION OF SITE VALUE		NAME AND ADDRESS OF THE PARTY O		
ESTIMATED REPRODUCTION OR REPLACEMENT COST NEW				=\$	130,000
Source of cost data Marshall & Swift		Sq.Ft. @ \$	30000 00000 00000	=\$	130,000 239,800
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005	DWELLING 2,398	Sq.Ft. @ \$		=\$ =\$	239,800
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.)	DWELLING 2,398 Appliances,Porches,Patio	Sq.Ft. @ \$ GDO,Sec.S	Syst.	=\$ =\$ =\$	239,800 30,000
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value.	DWELLING 2,398 Appliances,Porches,Patio Garage/Carport 469	Sq.Ft. @ \$	Syst.	=\$ =\$ =\$ =\$	239,800 30,000 21,105
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.)	DWELLING 2,398 Appliances, Porches, Patio Garage/Carport 469 Total Estimate of Cost-New	Sq.Ft. @ \$ GDO,Sec.S	Syst.	=\$ =\$ =\$	239,800 30,000
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494	Sq.Ft. @ \$ GDO, Sec. S Sq.Ft. @ \$	Syst	=\$ =\$ =\$ =\$	239,800 30,000 21,105
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system,	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvement	Sq.Ft. @ \$ GDO, Sec. S Sq.Ft. @ \$ Functional	Syst. 45.00External	=\$ =\$ =\$ =\$ =\$ =\$(30,000 21,105 290,905 48,494) 242,411
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494	Sq.Ft. @ \$ GDO, Sec. S Sq.Ft. @ \$ Functional	Syst. 45.00External	=\$ =\$ =\$ =\$ =\$	30,000 21,105 290,905 48,494)
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years.	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-is" Value of Site Improvemer	Sq.Ft. @ \$,GDO, Sec. S) Sq.Ft. @ \$ Functional ts	45.00	=\$ =\$ =\$ =\$ =\$ =\$ =\$	239,800 30,000 21,105 290,905 48,494) 242,411 5,000
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years. Estimated Remaining Economic Life (HUD and VA only)	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-is" Value of Site Improvemer	Sq.Ft. @ \$,GDO, Sec. S) Sq.Ft. @ \$ Functional ts	45.00	=\$ =\$ =\$ =\$ =\$ =\$(30,000 21,105 290,905 48,494) 242,411
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years. Estimated Remaining Economic Life (HUD and VA only) 50 Years	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-is" Value of Site Improvemer INDICATED VALUE BY COST API E (not required by Fannie Mae)	Sq.Ft. @ \$,GDO, Sec. S) Sq.Ft. @ \$ Functional ts	45.00	=\$ =\$ =\$ =\$ =\$ =\$	239,800 30,000 21,105 290,905 48,494) 242,411 5,000 377,411
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years. Estimated Remaining Economic Life (HUD and VA only) 50 Years INCOME APPROACH TO VALUE.	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-is" Value of Site Improvemer	Sq.Ft. @ \$,GDO, Sec. S) Sq.Ft. @ \$ Functional ts	45.00	=\$ =\$ =\$ =\$ =\$ =\$	239,800 30,000 21,105 290,905 48,494) 242,411 5,000 377,411
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years. Estimated Remaining Economic Life (HUD and VA only) 50 Years	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-is" Value of Site Improvemer INDICATED VALUE BY COST API E (not required by Fannie Mae)	Sq.Ft. @ \$,GDO, Sec. S) Sq.Ft. @ \$ Functional ts	45.00	=\$ =\$ =\$ =\$ =\$ =\$	239,800 30,000 21,105 290,905 48,494) 242,411 5,000 377,411
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years. Estimated Remaining Economic Life (HUD and VA only) 50 Years INCOME APPROACH TO VALUE Estimated Monthly Market Rent \$ N/A X Gross Rent Multiplier Summary of Income Approach (including support for market rent and GRM) N/A	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-is" Value of Site Improvemer INDICATED VALUE BY COST API E (not required by Fannie Mae) N/A = \$	Sq.Ft. @ \$,GDO, Sec. S) Sq.Ft. @ \$ Functional ts	45.00	=\$ =\$ =\$ =\$ =\$ =\$	239,800 30,000 21,105 290,905 48,494) 242,411 5,000 377,411
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years. Estimated Remaining Economic Life (HUD and VA only) 50 Years INCOME APPROACH TO VALUE Estimated Monthly Market Rent \$ N/A X Gross Rent Multiplier Summary of Income Approach (including support for market rent and GRM) N/A PROJECT INFORMATION Is the developer/builder in control of the Homeowners' Association (HOA)? Yes Provide the following information for PUDs ONLY if the developer/builder is in control of the	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-is" Value of Site Improvemer INDICATED VALUE BY COST API E (not required by Fannie Mae) N/A = \$ IFOR PUDs (if applicable) No Unit type(s) Detache	Sq.Ft. @ \$ GDO, Sec. S Sq.Ft. @ \$ Functional ts rts PROACH	External Indicated Value I	=\$ =\$ =\$ =\$ =\$ =\$	239,800 30,000 21,105 290,905 48,494) 242,411 5,000 377,411
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years. Estimated Remaining Economic Life (HUD and VA only) 50 Years INCOME APPROACH TO VALUE Estimated Monthly Market Rent \$ N/A X Gross Rent Multiplier Summary of Income Approach (including support for market rent and GRM) N/A PROJECT INFORMATION Is the developer/builder in control of the Homeowners' Association (HOA)? Yes Provide the following information for PUDs ONLY if the developer/builder is in control of the Legal Name of Project Jacaranda Lakes	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-Is" Value of Site Improvemer INDICATED VALUE BY COST API E (not required by Fannie Mae) N/A = \$ IFOR PUDs (if applicable) No Unit type(s) Detache HOA and the subject property is a	Sq.Ft. @ \$ GDO, Sec. S Sq.Ft. @ \$ Functional ts rts PROACH	External Indicated Value I	=\$ =\$ =\$ =\$ =\$ =\$	239,800 30,000 21,105 290,905 48,494) 242,411 5,000 377,411
Source of cost data Marshall & Swift Quality rating from cost service Avg/Gd Effective date of cost data 6/2005 Comments on Cost Approach (gross living area calculations, depreciation, etc.) (P) = Personal Property (no value given); (CV) = Contributory Value. Cost estimates were derived from Marshall & Swift Cost Handbook and local builder's prices. Site improvements include: sod, sprinkler system, driveway, pool and landscaping. The subject's estimated remaining economic life is between 45-50 years. Estimated Remaining Economic Life (HUD and VA only) 50 Years INCOME APPROACH TO VALUE Estimated Monthly Market Rent \$ N/A X Gross Rent Multiplier Summary of Income Approach (including support for market rent and GRM) N/A PROJECT INFORMATION Is the developer/builder in control of the Homeowners' Association (HOA)? Yes Provide the following information for PUDs ONLY if the developer/builder is in control of the Legal Name of Project Jacaranda Lakes Total number of phases	Appliances, Porches, Patio Garage/Carport 465 Total Estimate of Cost-New Less Physical Depreciation 48,494 Depreciated Cost of Improvemer "As-is" Value of Site Improvemer INDICATED VALUE BY COST API E (not required by Fannie Mae) N/A = \$ IFOR PUDs (if applicable) No Unit type(s) Detache HOA and the subject property is a	Sq.Ft. @ \$ GDO, Sec. S Sq.Ft. @ \$ Functional ts rts PROACH	External Indicated Value I	=\$ =\$ =\$ =\$ =\$ =\$	239,800 30,000 21,105 290,905 48,494) 242,411 5,000 377,411
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File# Liquidation Appraisal

- 21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).
- 22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.
- 23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.
- 24. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.
- 25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

- 1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
- 2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
- 3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.
- 4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
- 5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

APPRAISER	SUPERVISORY APPRAISER (ONLY IF REQUIRED)
Signature	Signature
Name Michael P. Cooper, St. Cert. REA	Name
Company Name MPC Appraisals, Inc.	Company Name
Company Address 110 NW 56 Street Oakland Park, FL 33309	Company Address
Telephone Number 954-290-7211	Telephone Number
Email Address michael@mpcappraisals.com	Email Address
Date of Signature and Report	Date of Signature
Effective Date of Appraisal 3/1/2008	
State Certification # RD6795	or State License #
or State License #	State FL
or Other (describe) State #	Expiration Date of Certification or License 11/30/2006
State FL	
Expiration Date of Certification or License 11/30/2006	_ SUBJECT PROPERTY
ADDRESS OF PROPERTY APPRAISED	☐ Did not inspect subject property
9876 NW 10 Street	 Did inspect exterior of subject property from street
Plantation, FL 33322	Date of Inspection
APPRAISED VALUE OF SUBJECT PROPERTY \$ 380,000	 Did inspect interior and exterior of subject property
LENDER/CLIENT	Date of Inspection
Name	00110101010101010
Company Name ABCD Mortgage	COMPARABLE SALES
Company Address 10066 NW 123 Street Miami, FL 33157	 Did not inspect exterior of comparable sales from street
	Did inspect exterior of comparable sales from street
Email Address	

Freddie Mac Form 70 March 2005

	L	Iniform Re	sidential A	ppraisa	l Report	File#	Liquidatio	n Appraisal
FEATURE	SUBJECT	COMPARAB	SLE SALE #4	COMPA	ARABLE SALE # 5		COMPARABL	E SALE #6
Address 9876 NW 10 St	reet	9200 NW 18 St	reet	9500 NW 11	1 Street	1500	NW 95 Ave	enue
Plantation, FL 3	3322	Plantation, FL 3	3322	Plantation, F	L 33322	Plant	ation, FL 33	322
Proximity to Subject		0.71 miles		0.42 miles		0.43	miles	
Sale Price	\$ 378,50		\$ 369,800		\$ 379,900			\$ 399,180
Sale Price/Gross Liv. Area	\$ 157.84 sq.f	. \$ 147.68 sq.ft		\$ 158.03			173.86 sq.ft.	
Data Source(s)		MLS,FARES,Co	ounty Records	MLS,FARES	S,County Records			unty Records
Verification Source(s)		ACTIVE LISTIN	Ģ	ACTIVE LIST		ACTI	VE LISTING	9
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+ (-) \$ Adjustment	DESCRIPTIO	DN + (-) \$ Adjustment	DE:	SCRIPTION	+ (-) \$ Adjustment
Sales or Financing		N/A		N/A		N/A		
Concessions		ACTIVE		ACTIVE		ACTI	VE	
Date of Sale/Time		N/A		N/A		N/A		
Location	Suburban	Suburban		Suburban		Subu	ırban	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple	2-1	Fee S	Simple	
Site	10,800 SF per t	a 12,240 SF		10,484 SF		12,15	50 SF	
View	Canal	Residential		Residential		Resid	dential	
Design (Style)	1-Story	1-Story		1-Story		1-Sto	ory	
Quality of Construction	CBS/Average	CBS/Average		CBS/Averag	je –	CBS	/Average	
Actual Age	19	19		25		28		
Condition	Average	Average		Average/Go	od	Avera	age/Good	
Above Grade	Total Bdrms. Baths			Total Bdrms. E			Bdrms. Baths	
Room Count	8 4 2.5			8 4	2	8	4 2	
Gross Living Area	2,398 sq.f			2,404	sq.ft.		2,296 sq.ft.	
Basement & Finished		None		None		None		
Rooms Below Grade		None		None		None		
Functional Utility	Satisfactory	Satisfactory		Satisfactory			factory	
Heating/Cooling	Central	Central		Central		Cent		
Energy Efficient Items	Typical Items	Typical Items		Typical Item:	s		al Items	
Garage/Carport	2	Garage (2)		Garage (2)			ge (2)	
Porch/Patio/Deck	Entry Porch	Entry Porch		Entry Porch	, 1		Porch	
Porches/Patios/Decks	Rear Porch	Rear Porch		Rear Porch		-	Porch	
Pool/Patio/Spa	S.Pool&Patio	S.Pool&Patio		S.Pool&Patie	0	-	ol,Pat.,Spa	
1 00()1 ano, opa	O.I OOIQI atio	O.I OOIGI atio		O.I OOKI ati	_	0.1 0	Oi,i at.,Opa	
Net Adjustment (Total)		-	\$	1] - \$		+ -	\$
Adjusted Sale Price			Ψ		Ψ		T	Ψ
of Comparables			\$ 369,800		\$ 379.900			\$ 399,180
	ch and analysis of the	nrior cale or transfer					ior cales on na	
Report the results of the resear			history of the subject (property and com	nparable sales (report addi	tional pr		ige 3).
Report the results of the resear ITEM	S	ÜBJECT	history of the subject COMPARABLE SA	property and com ALE # 4	nparable sales (report addit COMPARABLE SALE #	tional pr	COMPAR	
Report the results of the resear ITEM Date of Prior Sale/Transfer	12/2005, 1/	UBJECT 2005	history of the subject COMPARABLE S/ N/A	property and com	nparable sales (report addi COMPARABLE SALE # N/A	tional pr	COMPÁR N/A	ige 3).
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Example of a financial statement, page 1.

he following	informat	ion is provid	ed to become	me a part	of the appli	ication by _	(nan	e of bor	rower(s) a	s shown o	on FHL	MC Form	n 75)		
or a mortgage	loan in t	he amount o	of \$		with in	nterest at								y proper	ty kr
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Identify the		to whom the		informatic	on relates by	y entering th	ne numb	er corres	ponding to						
	IF EMP	LOYED IN		NT POS	ITION FO	R LESS T	HAN T	WO YE	ARS COM	MPLETE	THE	FOLLO	WING		
Previous Er	nployer/S	chool		City/St	ate	Турес	of Busine	55	Position/T	itle C	Dates F	rom/To	s Ar	nnual Inc	ome
								-	_	_			-		-
										+					
Creditor's N	lame and	Address		LIST	PREVIOU	US CRED	OUNT REI			rpose .		Highest	Balance	Date F	Pald
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Ca	ASSETS te by (*) those liabilities or piedged a Description sh Deposit Toward Purchase Held By ecking and Savings Accounts (show mes of institutions/acct. nos.) Acct #	Cash	hich will b or Market /alue	Creditors' Name	ale of real estat		ND PLEDGE		
Ca	Description sh Deposit Toward Purchase Held By secking and Savings Accounts (show mes of institutions/acct, nos.)	Cash	or Market	Creditors' Name		o onnea or ope	Treatment of	subject property.	COTTON TO THE
Ch	secking and Savings Accounts (show mes of institutions/acct, nos.)	S	7.00	Installment Dab			Acct, Name If Not Borrower's	Mo. Pmt. end Mos. left to pay	Unpaid Balance
Chnai	mes of Institutions/acct. nos.)			accts.)	ts (Include "rev	olving" charge		\$ Pmt./Mos.	s
	Acct. #		100		- 1,4 L			1	
	Acct #				_			1	-
								1	
	Acct. #					-		1	-
4	Acct. #							1	
	Acet. #			Other Debts Inci	uding stock ple	dges			
		-		Real Estate Loan				1	-
Sto	ecks and Bonds (no./description)		_					X	
					2				
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	e Insurance Net Cash Value					~		X	
SUE		\$						$\langle \cdot \rangle$	-
-	m Schedule of Real Estate Owned) ited Interest in Retirement Fund	-	-						
	Worth of Business Owned TACH FINANCIAL STATEMENT)								
Aut	tomobiles (make and year)			Automobile Loan	•				
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тот		A S		NET WORTH (A				TOTAL LIABILITIES	B \$
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(II	ndicate S if sold, PS if pending sale r R if rental being held for income)	0	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Taxes, Ins. Maintenance and Misc.	Net Rental Income
-		-		-	-				
-		-		-					
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fully	TOTALS ——		le by fine	or Imprisonment	or both to be	owingly make a	DV false Statemen	its concerning con-	of the shows
as app	plicable under the provisions of Title 1	8, Unit	Dete	Code, Section 10	14.	La L	100 1000	to concerning any	or the above

ADDENDUM.003

ADDENDUM TO OFFER TO PURCHASE

Tł	his is an	addendum	to th	e Real	Estate	Purchase	Contract	and
R	eceipt c	dated		,19_	_, on	property	known	as:
							in w	hich
					is ref	erred to as	Buyer an	d
					is ref	erred to as	Seller.	
		pts all of the with the follo					ve design	ated
1)	Title Co	mpany to be	:					
2)	Escrow	Company to	be					

- 3) Buyers are to have a walk-through within 5 days of acceptance and a second walk-through prior to close of escrow. The walk-through prior to close of escrow shall be for the sole purpose of verifying that repairs requested after the initial walk-through have been satisfactorily completed. THIS TRANSACTION SHALL NOT BE CONTINGENT UPON THE FINAL WALK-THROUGH.
- 4) Buyers to complete loan application within 2 business days of acceptance and buyer and/or their agent is to submit a written pre-approval letter from their lender to the listing agents within 5 days of acceptance. This letter shall remove any and all credit and qualifying contingencies. The pre-qualification letter shall contain a clear and unequivocal statement that "based upon the buyers representation in the credit application or otherwise and based on a diligent credit search, no conditions on credit exist that would prevent granting of the subject loan."
- 5) All inspections and reports are to be fulfilled within 15 business days to include walk-through. Any request or inconsistencies are to be in writing within this 15 day timeframe. Final walk-through prior to close of escrow shall only be to confirm completion of any work requirements.

- 6) Buyer's lender agrees to order appraisal within 2 business days from the date of acceptance of the lien holders and will disclose to Listing Agent Appraisers Name, Telephone Number, and Date appraisal was ordered.
- 7) Buyer authorizes lender to discuss with Listing Agent, Buyers front-end and back-end ratios. Any lack of cooperation by lender shall be deemed a breech of this contract and shall be grounds for immediate cancellation.
- 8) If any lock-in commitments for a loan are given to Buyer, the Listing Agent shall also receive a copy from the lender, signed by the lender as to cost, points, and expiration of lock in. Upon acceptance of this offer, a lock-in commitment shall not be a contingency of this transaction. If lock-in expires or is no longer valid, Buyer agrees to accept the best available loan.
- 9) All parties are aware and agree the subject property shall remain for sale and viewing through the Multiple Listing Service until buyers have satisfactorily completed any and all buying contingencies. The subject property will be removed from the market upon buyers receiving final written loan approval. Any and all subsequent offers can and will be accepted with the contingency of the cancellation of this transaction.
- 10) Regarding formal loan approval buyers within ____ days of contract date, buyers shall deliver to listing agent formal, unconditional loan approval.
 11) Escrow shall close within ____ days of the contract acceptance
- 11) Escrow shall close within ____ days of the contract acceptance. Any delays beyond ____ days not attributable to sellers actions shall/will result in damages payable to sellers from the buyers in the amount of ____ dollars per day. Such damages are payable in escrow.
- 12) Should buyers fail to follow the schedule above, sellers at their sole election, and at anytime during the contract period or escrow extensions thereof, may declare the buyers in breach of contract and

request forfeiture of the entire deposit, plus any increases specified in the contract. Further, should the selected lender fail to fund the loan for any reason, not the fault of the sellers and/or if the buyers fail to perform to the schedule specified above, the entire deposit, plus any increases specified by the contract, shall be forfeited to the sellers. The term "delivery," as used herein, is defined as personal delivery to the listing agent or telephone communication, indicating performance followed by the mailing of the required documentation, such mailing be postmarked no later than the above scheduled date, plus one day.

- 13) All parties acknowledge and agree that the following addendums are part of this offer to purchase, and shall be completed within 5 days of acceptance.
 - A. \$ to offer to purchase
 - B. Any and all cooperating brokers addendums
 - C. Agency relationship disclosure.
- 14) This transaction is contingent upon the lien holders involved in this transaction, discounting the amounts due to cooperate with a closing and transfer of ownership. It is now fully disclosed that there is a Notice of Default.
- 15) In the event of escrow cancellation, due to the actions of the lien holders that will not allow a closing or transfer of ownership to the buyers, the buyers will have no liabilities for costs involved.
- 16) The seller reserves the right to cancel this transaction upon any written denial from any lien holder in regards to this transaction that will not cooperate and allow a closing with the amount to be discounted to include all closing costs and commissions. However, the listing shall remain valid and in effect.

By their execution below, all parties agree to the above stated terms, that they have read and understood the above provisions, agree to them, and recognize that time is of the essence in this contract. I have received a copy hereof.

Next, I have enclosed two examples of what I call POW letters, which stands for "Prisoner Of Woe." ("Oh poor me, oh poor me.") The lender usually wants or needs to document a hardship to approve the package.

LISTING.003

TO WHOM IT MAY CONCERN,

THE FOLLOWING ARE THE REASONS FOR THE DEFAULT:

- 1. I HAVE ENCLOSED MY TAX RETURNS FROM MY PAST, AND AS YOU COMPARE THEM TO MY CURRENT CASH FLOW SITUATION, AS DISCLOSED IN THE COMPLETED FINANCIAL STATEMENTS, YOU CAN SEE I HAVE EXPERIENCED A STRONG DECLINE IN INCOME.
- 2. I HAVE ALSO ENCLOSED THE TAX LIENS WHICH SIMPLY DRAINED ANY AND ALL RESERVES I HAD SET ASIDE.
- 3. TO DATE I HAVE PAID OVER \$60,000 IN TAXES DUE TO AN I.R.S. INTERPRETATION OF A CAPITOL GAINS SITUATION, AND I SIMPLY CANNOT KEEP THIS HOME.
- 4. ALSO, IN THE PAST, AS DISCLOSED ON MY TAX RETURNS, I HAD A GAMBLING PROBLEM THAT HAS SINCE BEEN ADDRESSED.

THE COMBINATION OF ALL OF THE ABOVE EVENTS HAS PUT ME IN DEBT SO THAT I CANNOT OVERCOME THE PAST, AND EVEN IF I COULD CATCH UP, I CANNOT MAINTAIN THIS HOME ANY LONGER.

SINCERELY,

LISTING.004

DATE

TO WHOM IT MAY CONCERN,

THE FOLLOWING IS THE CHAIN OF EVENTS THAT NOW HAS US FACED WITH LOSING OUR HOME:

- 1. TWO YEARS AGO WE HAD OUR FIRST BABY, AND IN EXPECTING A NORMAL PREGNANCY, WE ANTICIPATED MY WIFE ONLY MISSING 3 WEEKS OF WORK. MY WIFE HAD SEVERAL COMPLICATIONS, THE WORST BEING HER BACK, WHICH PROHIBITED HER FROM RETURNING TO WORK FOR A PERIOD OF 1 YEAR, FOR WHICH WE DID NOT HAVE THE RESERVES TO SUSTAIN.
- 2. DUE TO THE COMPLICATIONS STATED ABOVE, IN AN EFFORT TO TRY TO SAVE OUR HOME, WE FILED BANKRUPTCY.
- 3. WE CURRENTLY OWE THE I.R.S. ABOUT \$6,100 AND WE DO NOT HAVE THE RESERVES, COLLATERAL, OR RESOURCES TO PAY OUR CURRENT, PAST, AND PRESENT MONTHLY OBLIGATIONS. WE HAVE BEGUN THE PROCESS OF LOOKING FOR HOUSING THAT WILL BE ABOUT HALF OF WHAT OUR CURRENT OBLIGATIONS ARE.

THE AGENTS HAVE WORKED EXTREMELY HARD ON THE SALE OF THIS HOME AND ARE ASSISTING IN HELPING US FIND A PROPERTY TO LEASE. I HOPE THE RESPONSIBLE PARTIES CAN ASSIST IN MAKING THIS SITUATION GO SMOOTHLY.

SINCERELY,

OWNER

The last items placed in the package are any negative articles written in your local newspapers regarding the market. Every day I quickly scan for positive and negative articles. The positive ones go into my buyer's package and the negatives ones into the short sale package.

In summary, the cover page should look like the following example with the above-mentioned items. This will be a thorough package. In the cover page you might want to look at the other items I have documented. These are examples for you to use, if any of them are relevant to your market.

List any challenges with the property. Disclose to the lender that you are also "playing psychiatrist" by trying to keep the seller involved, and that you need the lender's cooperation, not aggravation.

MASTER FOR NOD COVER PAGE

Dear

We are requesting a discounted payoff as outlined in the enclosed net sheet. As Listing Broker for the above referenced property, I am enclosing detailed information regarding the current marketing of the property, as well as the pending sales transaction. Please give this information your immediate attention.

Enclosed for your review:

- ♦ Offer to purchase
- Seller net proceeds to be zero dollars
- Seller's signed authorization for you to discuss this issue with me
- Broker's opinion or Comparative Market Analysis
- ♦ Escrow instructions
- Preliminary title report
- ♦ Financial statement
- Letter disclosing why the current situation exists.

Benefits to accepting this proposal:

- ♦ I'm requesting the sellers not file bankruptcy, which would turn a 4-month process into a 12-month ordeal.
- ◆ The property is not being leased out to tenants and the eviction process is eliminated.
- We can eliminate the lender's acquisition costs, including trust deed sale cost, property management fees, utility and maintenance costs, insurance costs, stop the bleeding of unpaid taxes or association fees, eviction costs, cost to clear title, no IRS interference, and eventual marketing expenditures.
- We won't let the sellers remove items such as appliances, built-ins, window coverings, etc.

A few items you should be aware of regarding this property are:

- ◆ The loan amount is much higher than market value.
- Property needs work (breakdown upon request)
- ◆ The owners have left the country and are now in the Middle East; however, we were able to obtain a Power of Attorney.
- This property is abandoned and is in dire need of repairs.
- The pool pump and equipment have been ripped out.
- The roof leaks and so does the plumbing.
- The home requires landscaping, gutting, and replacement.

- The home needs paint inside and out. Needs new carpet.
- The pool has been drained for over six months.
- ◆ The 3-year old community of Rancho Cielo has suffered from the recessionary times. There has been a 15% to 20% reduction in value over the past 24 months. More importantly, a buyer can purchase a brand new home from the builder, which has cathedral ceilings, a move-in condition property benefiting from extremely attractive builder incentives, and all within a 3-mile radius of the property.
- Out of eleven properties listed in the past six months, only two have sold. One of these sales was of this model. It sold for \$274,800 two months ago, and it was model-perfect. The current listing that is closest in price is listed for \$269,900 and contains 2,751 square feet: 500 square feet more than the above referenced property.
- ◆ Only TWO properties (one a Model), have SOLD in the (TRACT NAME) entire tract in the PAST YEAR.
- Mello-Roos taxes are in excess of 2% and has created a negative stigma in the real estate community. The Home Owner's Association has cut back services.
- Due to the financial situation of the seller, a significant amount of deferred maintenance exists.
- ♦ In reference to Item 3, a buyer can purchase a brand new home from the builder which has cathedral ceilings; a move-in condition property benefiting from extremely attractive builder incentives, all within a 3-mile radius of the property, and all with an affordable tax base of 1.25%.
- ◆ This property was on the market for 146 days at \$194,900, and not one offer was presented.
- ◆ The property is located on a corner, and backs to a major thoroughfare.
- ◆ The sellers, frightened by the foreclosure process, have abandoned the property and are now renting.

Please have any field representatives contact me for an inspection, as the home is vacant and I'm sure this will be of great assistance to determine what the bank can or cannot do.

Also enclosed is broker background information, including resume, brochure, and career highlights. We need your expedient response within three (3) business days regarding the enclosed discounted payoff proposal. Thank you for your cooperation and please feel free to contact us if you have any further questions.

Respectfully,

The next letter is used to notify the second note holder that the property is now in foreclosure and I need their cooperation. About half of the time when I submit this letter, I get an immediate call. Over 80 percent of the second note holders always start with "we are not going to cooperate." Expect that to happen, but continue to process the file.

It is amazing the large percentage that change their minds just prior to foreclosure. Twenty-five hundred to five thousand dollars is better than a worthless sheet of paper a few days from now.

Dear

As I'm sure you're aware, the property at (address) in (city) in which you hold a Second Trust Deed note, is now in the foreclosure process. I have enclosed for your review a net sheet on the property. Many decisions to buy were made during our last "Real Estate Boom," and as I also have experienced with this roll-back in recent values, have lost money.

As you can see from the enclosed information, with current sales below \$_____ after the cost of sale, the Second Trust Deed will simply be wiped out. You have the opportunity to be the wrecking ball and simply not cooperate, or to possibly cooperate and upon my marketing efforts in receiving, and only in the event of receiving an offer, to reconvey the Second Trust Deed.

I have currently listed Notice of Default properties, and the common course of action right now is a spirit of cooperation. This helps all property owners in the County not to contribute to an already negative situation in our current market condition and to continue to drive the market down.

I can be reached at (phone , ext.) or paged at () to discuss this issue in more detail. I would appreciate an expedient response so I know my position to proceed with my efforts, or let the First Trust Deed Holder take over. I would truly appreciate your cooperation. Thank you.

Sincerely,

Broker-Associate

enc: Net Sheet

Personal Brochure

Resume 1st Trust Deed

Show the net sheet with the First Note and now document the losses for the first. Be sure you lower the net to the second from what you

are trying to get. If you surprise them by getting more than they might expect, it could be a lead-in for handling some of their REO's.

The Drip System

"The squeaky wheel gets the grease." If you submit your package and think the bank has nothing better to do than to process your request for short sale, you are wrong. Once the package has been submitted, you have to constantly remind them and help them process your file.

Please get rid of any Pollyanna-ish idea that the world is fair. Banks will approve the easy files. If you have submitted an incomplete package, be prepared to wait and probably never get an approval. If you make it easy for the lender's to approve the package, then your package will get processed ahead of previously submitted requests for discounts.

For my assistants to use, I put together twenty-four contacts intended to be the "squeaky wheel." When I put these contacts together, I reviewed my previous files and addressed the most commonly heard objections or stall tactics that lenders employ. I strongly encourage you to get to know each response. This will help you in conversations with the lender.

These contacts can be used in postcard form or in letter/fax form. I use both. The following is an outline of the daily contacts made to the lender once the package has been submitted.

Our package was se	nt
--------------------	----

on _____. Please call us to update us as to any further requests.

We haven't heard

from your appraiser yet. Do you want me to contact them? We are progressing rapidly on this file and request an expedient response.

Two things appraisals do not figure in:

- 1. Seller's motivation
- 2. How many homes are not selling during the same time-frame.

Market value is not an appraisal, it is what a buyer is willing to pay.

Who else needs to	be involved:
PMI	
FNMA	
FREDDIE MAC	
INVESTORS	
OTHER LENDERS	
Let me know who I need them	to copy on this file and I'll help you save
money and losses.	
What we did to get	t this offer:
Open houses	Ads placed
Agents toured	
the property	Presented at board of Realtors
Brochures	
printed/distributed	Direct mail marketed
Telemarketed	
for buyers	Yard sign placed on property
Lock box used to all	low access
	department will use a few months from
now, in a declining marke	t. Let's close it.
The buyers have lo	oan approval
and we can close this now	w. Please respond so we can get this non-
performing asset off of yo	ur books.
All of your request	ted .
documentation is sent. W	/e need to know your net payoff to proceed.
We appreciate your atten-	tion on this issue.

<u>Declining fall line</u>

Our market has dropped ____ % in the past ____ years. Texas lasted 7 years, Colorado lasted 6 years, and in many areas the property values haven't come back for over 8 years. Let's close it.

Saturation. We currently have

Homes for sale in our area that compete with the subject
property.
Homes that have come on the market that didn't sell.
Percentage of our M.L.S. is selling. Let's close it.

Damage control department

Please contact us so we can close this file and limit the amount of losses you're experiencing.

The longer a wound is open

the more likely it is to become infected. Please close this fast and let's limit the amount of losses.

Property values

are dropping and the next offer will be less. Act fast to prevent further losses.

Why you won't or don't sue

- Costs too much
- Takes too long
- Gives back too many rights
- They'll just file bankruptcy and end up with the same result. Let's close it.

Going down-hill fast

The property is looking worse and worse each month. Act now to stop the losses.

Items to worry about:

- Rent skimmers
- So-called investors

- Garage sales that really mean the garage
- Bankruptcy
- Attorneys, everybody's friend
- Deferred maintenance

Let's close it before someone sends this transaction in the wrong direction.

The sellers level

of cooperation is slipping. Please respond while I still have everyone saying yes. Time is of the essence.

No more costs:

Trustee sale cost Property management cost

Utility cost Insurance cost

Non-performing

asset side effects Eviction costs

Refurbishing cost Eventual marketing expenditures.

No Stripping:

Built-ins, fixtures, landscaping, flooring, window coverings. Let's get the property sold while it shows it's best.

No Tenants

The seller would make more renting the home than cooperating. Let's close it before someone educates them!

No Bankruptcy

The seller will net 3 to 4 percent of the home's value by not paying rent, going through bankruptcy, and living there for free. Let's close it.

We're losing momentum

Let's close this while everyone is still motivated. We are truly hoping for a response this week. Please call.

All clear and ready for take-off

The title company has given us the green light to close. They're prepared to issue clear title. Let's close it.

OK, let's face the facts

- We have stayed off the phone
- We have contacted you ____ times by mail, respecting your time
- We have received little or no feedback from you
- We need an answer. Please call.

Postpone

Because of your company's back-log and turn-around time to respond, we request you postpone the sale date until ______. Thank you.

Lender Response

Once you have submitted the package to the lender, contacted them several times through a combination of faxes, mailers and phone calls, they actually start the negotiation process. One common response from the lender is that they will not process the file until all agents have agreed to come down to -4-1/2 or 5% commission.

Remember, everything in real estate has to be in writing. Technically this is a counter-offer, and as I covered with you in the opening of this outline, the lender is not paying the commissions. Inform the lender that you cannot expose yourself to a verbal counter and the request needs to be in writing.

At the same time, have the lender also document the payoff demand amount. Once they send you a letter, send them back this letter, or accept working at a lesser commission.

The next few pages are responses I have received from lending companies. Take a few minutes to read through them and understand why the lender is attempting to move the negotiations. Also, get a feel for the concessions lenders are willing to make in the short sale process.



HI SEHOLD FINANCE CURPURAL IN

931 Corporate Center Drive P.O. Ben 1880 Pomona, Calif 91769



1 (800) 353-4758 x 3598 A HOUSEHOLD

INTERNATIONAL COMPANY

Date

January 25,

To

First Team Real Estate

HFC Account number

21.2302-25-907680(Kirchoff)

Property address

32321 Azores

Attention

Ron Quintero

This serves as HFC written verification of the amount that HFC will accept as pay off in full on the above mentioned account.

HFC reduced payoff

\$ 2000.00 (not less than)

Demand Fee

Reconveyance fee

65.00

Total amount due

\$ 2065.00

This reduced payoff is good until 2/25 this date you must call for any extention

after

This reduced payoff is only valid with a copy of the closing statement showing no proceeds going to the sellers.

Please send the payoff to my attention at the address listed above.

Porecipsure dept.

Jim Howland

Sr. Recovery Specialist

MEMORANDUM

Date February 8,

To Tracy McFadden

From Myrelean Moore

REVISED OFFER

Subject Acceptance of Short Payoff

Loan #903476/1248350 Kirchoff, Joyce

32321 Azores Rd. Laguna Niguel, Ca. 92677

Dear Tracy:

This is in response to your request regarding RFC's acceptance of the proposed short payoff on the above referenced loan.

We will accept a short payoff contingent on the following:

Accept the counter off \$310,000.00. Final Offer. Commission to be 5% Borrower to pay closing cost, delinquent taxes, and 2nd T.D. Buyer to accept property "As Is Condition". Net proceeds to be no less than \$292,600.00. Escrow must close on or before 2/11/ .

This extension was approved upon the per diem from 1/30/ (the initial escrow closing) to close of escrow absorbed by parties other than RFC.

If they do not accept this offer, close this file out and continue with the foreclosure on this account.

Please refer to my letter dated January 6, regarding remitting funds to RFC once the escrow has closed. If you should have any questions please give me a call.

per drein \$64.32 \times (3 daip 3) = \$836.16 \$293,434.16

Total Net to be \$293,434.16



January 20,

General Electric Martgage Insurance Corporation A unit of CE Capital Martgage Comparation 2700 W. Grangawago Ave., Suite 130, Oranya, CA 92558 870 378-9164

Meridian Mortage Corp. P.O. Box 1517 Walla Walla, WA 99362-0318

Attn:

Mel Bazil

RF:

Your Loan No.: Certificate No.

Certificate No. Borrower Name:

Property Add .:

20 85502 Randal

2 Springfield Drive Laguna Niguel, CA 92677

Dear Mel:

This letter will confirm our approval of the sale of the above-referenced property for \$260,000.00. It is our understanding that the net proceeds of the sale will approximate \$240,000.00 which would be deducted from the estimated claim amount of \$366,189.00, resulting in a loss of approximately \$121,189.00. In the event it is determined that GE Capital Mortgage Insurance Corp. is liable under the above-referenced Certificate, GE's liability would be the lesser of (i) such loss or (ii) no more than the amount covered under the Master Policy.

It is also our understanding that escrow will closs on or around February 15, As this approval is based on figures good through this date, please advise GE if there is a postponement of the closing. Additionally, should any variances occur in the approved transaction, GE must be contacted to approve the changes.

Further requirements of this approval are as follows:

- If taxes have been paid by you, advise the closing agent.
 GE will not be liable if paid twice.
- Any required borrower contributions are to be paid at closing regardless of net from the sale.
- Any escrow balance is to be shown as a credit on the Claim for Loss. These funds are not to be returned to the borrower.
- The borrower (seller) must net zero. All proceeds are to be remitted to the lander.
- 5. Any refunds received on this account after claim settlement are to be forwarded to GE if you have been made whole.

 GE does not pay late charges, NSF charges, facsimile transmission charges, nor any prepayment penalties.

Our files are being held in suspense pending receipt of the following:

Completed Claim for Loss.

2. Settlement statement from sale.

3. Copy of net proceeds check from sale.

4. Loan payment history.

.... -- -- -- -- --

5. Receipts, if applicable

6. Copy of original promissory note

The authorization granted herein in no way constitutes any admission by GE of liability under the Master Policy with respect to the above-referenced Certificate, it being understood that GE is unable to determine whether all provisions of the Master Policy have been complied with until GE has completed its review of the Claim for Loss and the supporting file.

Should there be any changes or should you have any questions, please do not hesitate to contact me at 714-939-7261 or 800-334-9164.

Sincerely,

Frank Vigueras

Senior Workout Representative

RLSC35FV



A Bank of Boston Company

March 8,

Tim Holloway First Team Real Estate 27785 Santa margarita Parkway Suite B Mission Viejo, CA 92691

RE: Presale Approval Lee/Leo-Jorge 8 Paulownia

Rancho Santa Margari, CA 92688

Dear Mr. Holliway:

This letter serves as our approval for the Presale on the above captioned property. BantBoston Mortgage Corporation acknowledges this loan will close for less than the actual payoff amount of the mortgage. However, this closing is contingent on the following;

- 1. Sales Price is \$172000.00.
- 2. Real estate commission not more than \$10320.00.
- 3. Net proceeds not less than \$154481.00 payable to BancBoston Mortgage Corporatio
- 4. Any overages must increase the net proceeds.
- Closing on or before April 30, & net proceeds received by express mail in to office the day after closing takes place.
- 6. HUD-1 to be reviewed by BBMC prior to closing.
- 7. HUD-1 to be received with net proceeds.
- 8. Seller to net zero at closing.
- 9. Buyer committment to be faxed to this office as soon as approved for financing.
- 10. Property being sold in "as is" condition.
- 11. No other modifications or sales will be permitted without prior written approval by BBMC.
- 12. No buyers or sellers attorney fees will be paid in connection with this real esta transaction.
- Contingent on successful release of second mortgage, to be recorded prior to this transaction.
- 14. Contingent on Trustee approval for the sale.
- 15. Listing agent to provide closing agent with a copy of these instructions.

Should you have any questions concerning this sale contact me immediately.

Very truly yours,

Sales and Modifications

904-281-3049

904-291-3852 FAX



General Electric Mortgage Insurance Corporation A unit of ST Capital Mortgage Corporation 2000 NF Orangewood Ave., Suite 130, Crimiqa 124 12668 300 334-9164

March 2,

First Team Realty Attn: RON QUINTERO

27785 Santa Margarita Pkwy Suite B

Mission Viejo, CA 92691

RE:

Certificate #: 8550401730

Property Add.: 24612 Ridgewood Circle

El Toro, CA 92630

Dear Mr. Quintero:

This letter will confirm GE Capital Mortgage Insurance Corporation's approval of the sale of the above-referenced property for \$190,000.00, with anticipated net proceeds of \$170,637.00. This sale is to close on or before March 15,

. Home warranty will not be covered. The offer of \$188,000.00 is rejected.

Should you have any questions, please call me at 714-939-7279 or 800-334-9164.

Sincerely,

Marie Ponce-Shulda

Workout Representative

marie Ponce-Shulda

RLSCREAL

ITT Bowest Corporation A Financial Services Company

July 23,

Ron Quintero Century 21 First Team

Via Fax (714) 588-1954

Re: ITT Bowest Loan No. :

Mortgagor

Property Address

6009274

Cardenas

14811 Hunter Lane Midway City, CA

Dear Mr. Quintero:

Please be advised that both Federal National Mortgage Association and General Electric Mortgage Insurance Company have approved the sale of the above referenced property for the offered price of \$150,000.00 with the following terms and conditions:

1. The closing be held on or before August 31,

 The net sales proceeds will be approximately \$139,552.00.
 If the net sales proceeds vary by more than \$200.00 at closing, you must notify me and may not close escrow without prior approval from the lender.
4. The seller does not receive any proceeds from this sale.

5. The broker's commission does not exceed 6%.
6. A copy of the HUD Settlement Statement be received with the made payable to ITT Bowest Corporation.

Please advise of the closing date as soon as possible so that I may advise the investor and mortgage insurance company.

If you should have any other questions regarding this matter, please do not hesitate to contact me at extension 2417.

Ilene K. Cooper

Foreclosure Department

3301 North Torrev Pines Court • La Iolla, CA 92037-1021



Loan Administration 11119 N. Torrey Pines Road, La Jolla, CA 92037 1009 Telephone: 619 535 4900

July 20,

Jesus /ia Pepita Yorba Linda, CA 92686

Re: Loan Number 359-Property Address:

Via Pepita Yorba Linda, CA 92686

Enclosed is a form for you to complete relevant to your inquiry regarding a ASSISTANCE ON A SHORT PAYOFF on the above referenced loan.

THE ENCLOSED FORM AND ALL THE FOLLOWING DOCUMENTATION MUST BE RETURNED TO US AT ONE TIME, IN ONE COMPLETE PACKAGE, IN ORDER FOR US TO CONSIDER YOUR REQUEST. PLEASE DO NOT SEND PARTIAL INFORMATION.

- 1. a detailed explanation of your situation and reason for your request;
- copies of your last 2 years Federal Income Tax Returns (signed and dated) with W2"S;
 - 3. copy of Purchase Contract showing terms of sale;
 - 4. closing Statements showing estimated closing costs for buyer and seller;
- 5. borrower to pay for appraisal to be ordered by this office.

Consideration of a short payoff is based on your financial situation and the amount of net proceeds from the sale of the property. The amount of the net proceeds is determined by deducting the closing costs the "seller" must pay at closing from the sales price.

Upon receipt of your <u>COMPLETE</u> package, we will analyze the information provided and contact all interested parties. You will be notified as soon as a decision is reached.

We recommend that you contact a real estate agent in the area and list the property for "current market value". The agent's commission is considered a closing cost and 6% is usually approved.

Until a decision is reached, your loan will continue to be serviced in the usual manner including any delinquency or foreclosure processes.

Should a short payoff be accepted, you will not be liable for the shortage at a later date and the shortage will not be reported to the credit reporting agencies. The payoff will be reported as "PAID ACCOUNT/ZERO BALANCE".

Mailing Address: P.O. Box 85804, San Diego, CA 92186 5804



March 8,

Hallmark Escrow 27401 Los Altos Ste. 160 Mission Viejo, CA. 92691

Attn: Deena

Re: EMC loan # 0033 Via Papita, Yorba Linda, CA. 92686

Dear Deena:

EMC Mortgage Corporation is willing to accept a short payoff in the amount of \$239,000.00 with net proceeds to EMC being no less than \$211,954.56. Upon receipt of the funds, EMC will prepare a release of lien to be sent to the recorder's office. If funds are received after 3-12- , interest will accrue at a rate of \$87.85 per day. This offer is valid through 3-19- If funds are not received by that date, EMC reserves the right to do whatever is deemed necessary to protect its interest. Should you have any questions or if I can be of assistance to you in any way, do not hesitate to call me at 1-800-436-7397.

Sincerely,

Duane Martin / Workout Specialist

LOAN SERVICING CENTER

GN Mortgage

Shelter Mortgage

Guaranty Bank

MARCH 11,

FIRST TEAM REAL ESTATE 27785 SANTA MARGARITA PARKWAY, SUITE B MISSION VIEJO, CA. 92691 ATTN: TIM HOLLOWAY

HOCK/#022847-8 57 VIA DE LA MESA

RANCHO SANTA MARGARITA, CA.

DEAR MR. HOLLOWAY:

PLEASE BE ADVISED THAT I HAVE BEEN INFORMED BY OUR INVESTOR THAT THEY WILL ACCEPT A SHORT PAYOFF REGARDING THE ABOVE REFERENCED ACCOUNT CONTINGENT UPON THE FOLLOWING:

1. SALE PRICE TO BE \$210,000.00.

NET PROCEEDS TO BE NOT LESS THAT \$188,000.
 ESCROW TO CLOSE WITHIN 30 DAYS OF THE DATE OF THIS LETTER.

IF YOU HAVE ANY QUESTIONS FEEL FREE TO CONTACT ME AT (414) 362-4589.

SINCERELY,

Chype a Bowers/go

CHYRL A. BOWERS FORECLOSURE/REO REP.

CAB/ms

CC: JOHN CROCKETT/FIRST UNION BANK

P.O. Box 23046 - Milwaukee, WI 53223-0046 9275 N. 49th St. - Milwaukee, WI 53223

Toll Free 800-622-7776 (414) 362-4510

HOUSEHOLD MORTGAGE SERVICES

SENT VIA FAX

To: Ron Quintero

FROM: Dan Cerone

DATE: December 3,

RF: 63 Giotto

Laguna Hills, California 92656

Our Loan #: 043022-3

Please be advised that Household Mortgage Services has agreed to accept no less than \$ 160,221.21 as payoff of the above referenced lean subject to the sale closing by December 18, . The seller will net zero from this transaction and any additional funds will be submitted to Household Mortgage Services.

Upon receipt of the aforementioned funds and settlement statement, Household Mortgage will issue a Satisfaction of Mortgage.

Should have any questions regarding this matter, please feel free to contact me at 708-350-6100 or 1-800-333-4215, ext. 6100.

Photo Response

Now it's time to use the photographs. Earlier I put in bold print "Do Not Send Pictures." I strongly encourage you to read a book called Black Face, Thick Heart. It was written to educate Americans as to how the Pacific Rim negotiates.

Americans, for the most part, are very impatient negotiators. We live in an instant society and want everything now. In the negotiating process, you need to plan the gambits or moves. The funny thing is that the lender falls for the moves every time.

I would also highly recommend a tape series by Roger Dawson on Negotiating. I use the tactics he outlines in that series on a daily basis. The reason I have asked you to hold the photos until now is that the lenders first response will not have this information.

Most of the appraisals conducted by short sale departments are drive-by, and the appraiser rarely goes into the home or into the back yard. This is to your advantage. If you submit the photos with the initial package, the lender's response to you will be "we already took those things into consideration when we countered your offer." If you submit the photos too soon, you waste your best gambit.

I did not create the next letter. I was involved in a truncation with GE PMI. I submitted my offer at \$225,000. GE's appraisal was at \$310,000. I was instructed to go out, photograph and document my reasons for such a low offer. So I did. After all the photographs were submitted with a description and estimation of the costs, we settled on a sales price of \$265,000.

I have used this letter over 50 times with great success. I also have many testimonials on file from agents regarding their positive outcome from the use of this letter or format.

If you think about it, this letter is very easy to put together. At my seminars, I ask "True or not true, every agent in this room can walk into any property and find \$10,000 to \$15,000 minimum of necessary or desired cosmetic improvements or deferred maintenance?" The answer is always true.

NOD.018 ITEMIZATION OF DAMAGE AND NEEDED REPAIRS

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TO:

FROM:

RE: Loan # Address:

Dear :

Enclosed is documentation regarding the condition of the subject property.

This is a seven-year-old community and sold comparably in the high \$200,000's, benefitting from upgraded carpet, paint, appliances, landscaping, and overall prompt and preventative maintenance.

The subject property, because of the financial situation of the seller, has

suffered from deferred maintenance and insufficient repairs. Enclosed is a sample of the repairs and upgrades required to accurately compare the subject property.

Let's set the pace for the entire home. There are holes and wall work throughout this property that need to be repaired or replaced. These are only a few of the several items that need to be addressed. Not only should this property not be compared to regular residential sales, but it should compare to other distress sales. No one is going to take on these projects to just break even.

SUBJECT PROPERTY: ADDRESS REGARDING: Carpet, 2335sf ESTIMATED COST: \$6-10,000

PLACE PHOTO

As this property required new carpet, the owner did patchwork according to

their budget at the time. The end result is this property has several different colors and grades of carpets throughout, most of which is stained

and now in need of replacement again. The buyer intends to replace floorings throughout, and in a \$300,000 neighborhood rental grade would not be acceptable.

SUBJECT PROPERTY: ADDRESS

REGARDING: Bathrooms: tile/fixtures

ESTIMATED COST: \$3,000

PLACE PHOTO

In this \$300,000 neighborhood, bathrooms like this are NOT the norm. All need tile upgrades and recaulking. The shower doors leak and are deteriorating.

SUBJECT PROPERTY: ADDRESS

REGARDING: Floorings: Kitchen, Entry, Bath, Dining

Room

ESTIMATED COST: \$2-4,000

PLACE PHOTO

As you can see from the enclosed photos, it is water-damaged, not maintained, and has dated floorings. The edge of the entry has experienced harsh wear, and between you and me, I can't believe people live like this. The estimated cost reflects buyer's needs in this community. Again, I don't think rental grade would be acceptable.

SUBJECT PROPERTY: ADDRESS REGARDING: Fixtures ESTIMATED COST: \$4-6,000

PLACE PHOTO

As you can barely see from these amateur photographs, the property is in need of general upkeep and maintenance which has been deferred. In the photos, it was our goal to show one of several missing closet doors and other fixtures. This photo is a small example of necessary work which remains unaddressed throughout the home.

SUBJECT PROPERTY: ADDRESS REGARDING: Wall Coverings ESTIMATED COST: \$4-6,0000

PLACE PHOTO

The attached photo is one small example of the current wall coverings that, if congruent with the buyer's taste, would be easily repaired. However, the

current owner's taste and choice of wall coverings is extremely overpersonalized and in need of replacement. Result: remove all wall coverings,

refinish walls and paint.

SUBJECT PROPERTY: ADDRESS REGARDING: Attachments

ESTIMATED COST: \$2,500

PLACE PHOTO

As you can see, cabinets are nicked and scratched, and moldings need

replacement throughout the house. Also shown is another color of carpet (of the several available); it is stained here, as it is throughout. All need

replacement.

SUBJECT PROPERTY: ADDRESS REGARDING: New Paint

ESTIMATED COST: ?

PLACE PHOTO

Believe it or not, this is a bedroom. If it makes you nauseous, don't feel

alone--it did me too. This was painted with a high gloss paint and will have

to be stripped prior to refinishing.

SUBJECT PROPERTY: ADDRESS REGARDING: Kitchen ESTIMATED COST: \$8-14,000

PLACE PHOTO

The kitchen is in need of a total remodel. The cabinets are scarred, outdated

and in need of replacement. Appliances are dinged, scratched, and dented.

SUMMARY

From the final two photos showing holes in the walls, you can see that every

aspect of this home regarding maintenance and upkeep has been deferred or ignored. These photos are only of the interior of the home and make no reference to the exterior or landscaping, which also need to be addressed. This home is being maintained by a person with a \$1,600 a month income, which is twice what the mortgage payments are and one-fourth of what is necessary to own this home for qualifying purposes.

In this package, we have only shown you items that are exposed. We are

confident there are more problems that the photos do not show. Here is a line-by-line estimated cost breakdown for replacement/repairs on subject property for reference:

* Slats missing on shutters	\$ 700
* Microwave oven	600

* Garage door opener* Chipped sink in kitchen* Rat/rodent destroyed attic wiring	200 200 1 600
* Sprinklers non-functioning	1,000
* Spa resurface and equipment pr	oblems1,500
* Screens missing	400
* Landscape repairs (including pla	anters)6,000
* Bathroom tile/fixtures/doors	3,000
* Carpeted floorings	6-10,000
* Other floorings	5-10,000
* Fixtures	2,500
* Wall coverings	2,5-3,500
* Doors and moldings	1,5-2,500
* Kitchen	8-14,000
TOTAL\$39,7	00-56,700

This process has now entered its third month and has escalated the cost an additional \$10,000. The buyer is ready to proceed and close this transaction within 30 days of your approval at a sale price of \$260,000.

Let's stop the bleeding and bring this transaction to a conclusion.

This is NOT a \$300,000 home.

SINCERELY,

BROKER

The next group of letters are responses to lender's counters, objections or assessments of value. I am giving you this information as I use it. When a challenge or opportunity (however you decide to view it) arrives, I go through my previous letters and come up with a revised version in direct response to the current objection.

Sometimes I insert two or three letters together, delete the fat, and hit them back with a counter to hopefully close the transaction and negotiations. I have been told by many agents that have read these letters that they are somewhat entertaining. I have also been asked "did you really send that letter?" The only items you're not seeing in this outline are the ones that did not contribute to a closing.

Objections:

What about IRS liens? I have my escrow officer negotiate those. I give them an outline of how much money can be applied to the debt and they handle it from there. Most escrow or closing departments have the necessary fax and phone numbers to

.

Remember, you're in control.

157

DATE

SENT: VIA FAX

ATTN:

RE: Loan # Address:

Dear

Please note our new address, phone number and fax number above.

Per your conversation last week with THE BROKER and your counter offer, the buyers have responded as follows:

- 1. Purchase price to be \$199,900
- a. This is the maximum loan amount they qualify for
- b. The same floor plan in the same tract, as an REO property just closed at \$185,000 (per appraiser)
- c. These borrowers have VOE's and VOD's in; they are submitting for loan approval and can CLOSE ESCROW IN 15 DAYS
- 2. The effective NET to THE LENDER should adjust upward approximately \$10,000

NAME this is a good, solid, buyer that can perform expeditiously. We have done miracles holding the buyer in this deal for the past 90 days. Let's approve and close this transaction and get it off from all of our desks.

Respectfully,

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SENT VIA FAX

Dear

As we are both very busy, we have made several attempts to call you. Since time is of the essence, we commit this to writing for your approval.

Your counter offer of a \$185,000 NET is extremely difficult to achieve in this market-place, especially when an REO SALE of the same model, floor plan, and one street away, just closed for \$185,000 TOTAL PURCHASE PRICE.

We were able to accomplish the following to increase your net proceeds and arrived very close to your figure of \$185,000.

The extensive negotiations with the buyers has resulted in the following:

- 1. The second trust deed holder will reconvey for zero net proceeds (this improved our offer \$4k)
- 2. The homeowners association total of \$1800 MUST come from the seller's proceeds, as is customary for this area.
- 3. We countered the buyers at \$203,500 which could net \$185,000, however, their counter offer, after patiently waiting for 2.5 months, is \$199,900.
- 4. It has been brought to our attention that the sellers have begun the process of removing and selling away removable items of this home (i.e., air conditioner, range, plants, palm trees, planters, closet shelving, organizers, doors, garage shelving, etc.). We have currently stopped them from doing this.
- 5. Regarding the issue of the brokerage fees: we feel we do 2-3 times as much work than "normal" real estate transactions and feel the additional effort is worth our full 6% commission. Furthermore, it is currently Home Savings policy to pay a full 6% brokerage fee on their REO accounts as advertised. Full commission is going to be paid then, why not pay it now?

BOTTOM LINE--we are submitting the counter proposal, and an updated net sheet, which will net THE LENDER approximately \$180,000. This figure is over 92% of what was asked for and certainly close enough to approve.

Buyers in this transaction have their loan APPROVED, subject to appraisal, and we can close in 15 business days.

We respectfully ask for your letter approving this sale, which will not only net you more dollars, but will get the file off from your desk faster, allow a ready, willing and able buyer to purchase NOW, and prevent another REO from going on the books and market.

We feel we have worked diligently and our past track record with Home Savings has proven that every transaction we have submitted has closed within the time frames committed to and within the financial understanding agreed upon, all with no 11th hour surprises.

NAME, we have improved the NET to THE LENDER approximately \$11,400 from the target of 16,400. We have done everything possible, now let's close!

Please respond and instruct.

Respectfully submitted,

ATTN: FROM: RE: TS#					
Dear Mr.					
This is a copy of what was sent to NAME , the servicing company for the above referenced loan.					
Enclosed is a brand new purchase offer from new buyers which reflects:					
1. Buyer is putting 28% DOWN, conventional money					
Buyer is not only pre-qualified, but has sufficiently processed their loan to be able to CLOSE WITHIN 30 DAYS of approval from Bank.					
3. They are asking for NO CONCESSIONS from seller					
4 will NET NEARLY \$24,000 MORE than the previous offer					
5. The offer is \$210,000. Your appraised value (12/8/93) is \$244,000. THIS OFFER IS 86% OF APPRAISALclearly a fair 30-day liquidation price.					
* Also enclosed is information that suggests a reasonable marketing time in the form of Broker Price Opinions. A full professional appraisal is available upon request.					
Mr. this is a ready, willing, and able buyer who is motivated to purchase. We have full seller cooperation to close within 30 days of approval. Please call with any questions or concerns.					
Respectfully,					

DATE
Dear
As I'm sure you're aware, the property at (address) in (city) in which you hold a Second Trust Deed note is now in the foreclosure process. I have enclosed for your review a Net Sheet on the property. Many decisions to buy were made during our last "Real Estate Boom," and as I also have experienced with this roleback in recent values, have lost money.
As you can see from the enclosed information with current sales below \$ after the cost of sale, the Second Trust Deed will simply be wiped out. You have the opportunity to be the wrecking ball and simply not cooperate, or to possibly cooperate and upon my marketing efforts in receiving, and only in the event of receiving, an offer to reconvey the Second Trust Deed.
I currently have listed ## Notice of Default properties, and the common course of action right now is a spirit of cooperation. This helps all property owners in (name)County not to contribute to an already negative situation in our current market condition to continue to drive the market down.
I can be reached at () ext.() or paged at () to discuss this issue in more detail. I would appreciate an expedient response so I know my position to proceed with my efforts, or let the First Trust Deed Holder take over. I would truly appreciate your cooperation. Thank you.
Sincerely,
Broker-Associate
enc: Net Sheet Personal Brochure Resume

1st Trust Deed

FROM:			
RE: TS# Address:			
Dear Mr.			

Per our conversation today, the results are as follows:

- 1. We have located a maximum \$3,000 net through brokerage commissions (we started at 7 1/2%)
- 2. We have countered the buyers at a sales price of \$220,000.

The dollar amount needed to rehabilitate this property to neighborhood standards is:

- a. Pool/Spa require draining, acid wash, and refilling, est.\$1,000.
- b. Patching of holes throughout property, in addition to interior painting, est. \$2,500.
- c. Carpet is wet from the record California rains, musty throughout--total replacement \$3-5,000.*
- * Note, rental grade carpet in this area would not be acceptable.
- d. Replacement of linoleum, tile in kitchen areas, est. \$1,000.
- e. Ironic but true, but because of the inconsistencies of the rain, the lawn is dead and needs rehabilitation, est. \$500.
- f. The rear decking is peeling and need repair, if not total replacement, \$500-1K. The buyers feel with the \$9-11,000 out-of-pocket expense, it will take to bring this property up to a normal living standard, that their \$210,000 purchase price is well justified.
- Mr. , if necessary, my office will further document and photograph items a. through f. above, and Federal Express this package to you to receive by Tuesday. Please instruct.

Also enclosed are the newspaper articles from yesterday and today verifying

the fallen home prices in this area.

As you can see from the Orange County paper home prices in Rancho Santa Margarita, they have dropped 14.9% since JANUARY. The appraisal of December 8 is 30 days beyond that date and at \$244,000 minus 14.9% gives us a purchase price of \$207,644.

Mr. , the buyers and myself feel that we have a well-established purchase price, a new net figure for you of an additional \$3,000, and a fair figure for property rehabilitation.

The cost for your institution to reject this ready, willing and able buyer to foreclose, keep the property for another 4 months, and incur expenses doesn't make sense. Let's approve this immediate file and close this transaction.

Thank you in advance for your cooperation.

Respectfully,

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The Commission Close

Dear Lender:

In regards to our last conversation about the compensation on this transaction, I would like to address the following:

- 1. Your legal department will share with you that no lender has the ability to negotiate a contract that the lender is not a party to. That is why short pay departments do not negotiate the amount due until they have a signed contract by both the buyer and seller.
- 2. The lender is not a party to the listing contract between the seller and the listing agent. Nor does the lender have any right to negotiate our companies fees for services rendered to the seller.
- 3. We understand the lender is taking a loss; however, you're telling the real estate community that they are not worth the fees they charge on a real estate transaction. We didn't tell you how many points to charge when you originated the loan.
- 4. We also understand that at the time this loan was made, it was a good decision. However, like the stock market, real estate is not always a sure bet. Your company decided at the time of origination that the loan they made and the management direction at the time, were the right thing.
- 5. Stock brokers are middlemen and they get paid for services rendered, whether the client wins or loses. Real estate brokers are the same thing. We all wish there wasn't a recession and that prices were not dropping at the present alarming rate. In management there's a saying: "KILL THE MESSENGER." Brokers are not responsible, they're just delivering the bad news to you.
- 6. "You drop, we'll drop." This a company issue, not an employee issue. I have enclosed a sample breakdown ample of where our commissions go on a transaction. When you ask me to drop my

commissions, you're asking me to override company policy, and I can't do that. That's like asking you to come to work next month, perform an even tougher job than the one you're doing now, BUT FOR 30% LESS. That "the make it or break it" gambit on this transaction is a form of extortion, and no one is allowed to interfere with the contract between seller and listing agent. Short sales are 2 to 3 times more difficult than traditional transactions, and we shouldn't have to work at a loss.

- 7. "Kiss you, Slap you, Kiss you." At every Board of Realtors function, there are always representatives from most major lenders asking us to please refer our buyers to their company when we sell them a home. Then when we try to help your company by stopping the losses they are experiencing by bringing a cooperative seller and a transaction that's to the lender's benefit, you say "you're not worth it, and we want you to cut your commissions." Throughout the state of California, brokers are networking to determine who they will refer their future buyers to. This policy, I feel, is hurting or impacting the other end of the spectrum, loan origination.
- 8. We're doing you a favor and you're penalizing the agents. That simply is not fair. We in the real estate community can just sit back and let these properties go into foreclosure and allow the market to continue to worsen.

Lenders don't want that and neither do we.

Without creating a policy that is counter-productive and puts even more REO's on the market, lender's have the absolute most to lose by worsening the market place. After all, almost every home has monies owed on it to a lender. A bad decision only worsens the situation, and long after the seller and agent on this transaction are gone, you'll be negotiating another deal on a home in the same area that you lent to in the past. After all, no one in the state of California owns more homes than banks.

Let's stick to the issue at hand, NET PROCEEDS TO THE LENDER. I cannot override company policies or procedures. Please forward to us the net figure you will accept, while leaving the commission issue

out of the loop, before we lose the present buyer-incurring further losses-and put an end to the lender's losses.

CMA.001

When the property is in a high tax area.

Comparable Market Analysis for

In the past year you can easily see a steady decline of values in the area due to several items, the most prevalent being the Mello-Roos Assessments.

and now the I.R.S.'s interpretation (for deduction purposes), that Mello-Roos is a bond, not a tax, and is not a tax write-off.

At the beginning of 1992, property values in this tract were (\$) to (\$). One year later, it is easy to document the % drop of values from the \$ K range to the (\$ K) range. Also keep in mind there has not been a transfer of this model going into its 4th month.

(City) is saturated with properties for sale and the number of defaults and REO's is escalating, thus driving the market downward. As you can see in the comps, there was a transfer at \$165,000 for a discounted property similar to the subject property.

Due to the current market, the lack of owner maintenance and upkeep, necessary repairs and cosmetic replacement, fair market value for this home will range from \$.

CMA.002 WHEN LENDER IS DELAYING

Dear ((Lender),								
_					_				

Per your request to the sellers to market the home at (Address), we at (Company) Realty were selected to do the job. We sent you a letter on

(date). We followed up with a call to (name) on (date) . He made no commitments at the time of the call, however, he did request to have offers submitted to him for any approval and that makes no concessions up-front.

I'm aware of your company's policy to have one of your appraisers review the property prior to acceptance. I am requesting you begin this process immediately. I must take this opportunity at this time to address the flaws in this policy. I have enclosed for your review my resume, career highlights, personal brochure and company video to hopefully give a little credibility to the following. The challenges with the current policy are:

- 1) The time frames and red tape involved in getting an approval is fine for Corporate America, however, you're dealing with an emotional product, a home. Consumers simply don't understand the delays involved in making simple decisions.
- 2) I currently have () N.O.D. listings in () County dealing with over () lenders and in several cases I have an answer within 3 to 5 business days, and have a lot more open channels of communication.
- 3) You're playing poker by not disclosing to the person trying to rectify the situation the most, the agent. If there were better communication, the results would be more forth-coming.

What we need to do here is protect your investors monies by stopping the bleeding on this file and push for an expedient closing. I have enclosed a net sheet based upon the current offer and have given a bottom line net number for you to work with. I hope whoever is pricing your properties knows the difference between 30, 60, 90, & 180 day pricing.

This offer submitted to you is about \$ to \$ below the most recent sales price. However, we will lose that much money by not accepting this offer and continuing to have this property sit on the market.

If this offer is not acceptable, PLEASE give some direction to help us head towards bringing a conclusion to this file.

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I await your expedient response.

Cordially,

Broker-Associate

NEW BUILD AREA

To Whom It May Concern,

Enclosed is information regarding the market conditions in (City). This masterplanned, unincorporated community is 10 years old and is only 20 percent built out. The resale market has been especially hard hit, not only by today's recession, but also by the intense competition from new home tract sales.

(Name of unit) is a (##) bedroom (plus den) unit purchased at over \$\\$ in 19 , the peak of prices. Units on the market today are listed for \$\\$ and recent sales have been \$-. One alarming example of New Home competition is where a buyer can purchase at (####) sq.ft., move-in condition for \$\\$ with, \$\\$,000 worth of incentives. Or you could buy in (city) , (##) bedrooms, at (\$\\$) SF for \$\\$ with incentives. This is simply a tiny example of the fierce competition. In this package you will find many others.

Also included is a Print Full Listing from the (Name) Board of Realtors. This shows our efforts of pricing to the real estate community starting from \$ in July for 30 days to _____, for () weeks to finally settling at _____ for the remainder of the contract, and now selling at \$.

With the recessed market and only % of the Multiple Listing Service inventory currently selling in our area, this offer is rare indeed.

Enclosed for your review:

- -Net Sheet showing monies and expenditures involved
- -Copy of the Purchase Contract
- -Brokers Opinion (Comparative Market Analysis)
- -New Builders Data for surrounding competition.

Previously sent to you were:

- -Seller's income tax returns
- -Tax liens
- -Seller's Letter of Explanation indicating why this situation exists

We have already opened Escrow as of today () and are prepared to close in 30 days. In order to close this escrow we are requesting a discounted payoff (please refer to the enclosed Net Sheet).

Your expedient response is required and appreciated.

Older community

Dear

The following is information regarding the market conditions in (city) and the subject property of (address). This community was, over 30 years ago, an attractive neighborhood with nice floor plans and the potential for growth. Since its inception, this tract has seen a change in the neighborhood make-up, with many homes now suffering from deferred maintenance. This neighborhood was hit hard by the recent real estate recession.

The few properties that do sell in this area have benefited from remodeled kitchens, and new carpet and paint. This property has had some remodeling, but in this case, the sellers have taken a three bedroom floor plan and converted one of the bedrooms to a dining area. This greatly reduces the properties appeal to the masses and its over all value. It must now be compared to other two bedroom homes with comparable square footage. This property is situated on the corner of a major thoroughfare, in addition to its other negative features.

I have enclosed for your review:

- -Signed Listing Agreement
- -Comparable Sales

This information makes it painfully clear that the sale of this property will not realize enough money to satisfy the total indebtedness outstanding. In light of this information, we are asking that you reconvey your interest so that we may proceed with the sale.

The (##) year old community of (city) has suffered from deferred maintenance and recessionary times. The street of is in a hard to find location and is unpopular in the real estate community. More importantly, a buyer can purchase brand new, from the builder, light, bright with cathedral ceilings, a move-in condition property, benefiting from extremely attractive builder incentives, all within a 3-mile radius of the property. This is a rare offer.

We need your expedient response regarding this matter. We look forward to hearing from you within the next seven (7) business days.

Sincerely,

Date

Dear

I would like to address THE LENDER's recent denial for an additional \$1,500 discount on the loan balance due. After further review, the request needs to be made for \$2,000, not \$1,500. When the seller left the property

this past weekend, they did the following:

- 1) Removed light fixtures
- 2) Left debris in the home
- 3) Did not complete work requirements requested
- 4) Concealed a plumbing leak
- 5) Removed rose bushes and apple trees
- 6) Removed window coverings
- 7) Removed an appliance

I was able to get them to put those things back and now the plumbing situation has gone from \$150 to \$600.

I don't know what this property appraised for but after being involved in over Real Estate Transactions, I DO KNOW this property is sold very close to value in a market that's taking 80 to 100 working days on the market to sell. I've lowered all of my commissions that I'm going to and the other agent's response is that she can sell any of the thousands of homes on the market and get paid 3%. The committees premature denial, I feel, didn't take the following into consideration:

- 1) For the \$2,000 ,THE LENDERS will incur that much in cost in just filing the Notice of Trust Deed Sale and basic acquisition cost.
- 2) The sellers have shown their true colors and I hate to see how much more they would do to this home prior to sale.
- 3) THE LENDERS will get a property back in much worse than its present condition, at which time will have a negative impact on it's price as well as a plumbing problem that will sit there unattended for the next 3 weeks, and THE LENDERS will absorb that responsibility as well.
- 4) I'm making less than 3% commission. You're paying less than 6% commission to sell the property. That is less than what it costs your R.E.O. department to have the house listed.
- 5) We have a buyer with signed loan documents ready to go. The current management decision is stepping over dollars chasing pennies.
- 6) This decision is a clear example of the total lack of common sense decision making, corporate paranoia, and the pure fear to make a decision.
- 7) This decision is an example of one small reason why the S & L crisis in our country exists today. This decision by the committee shows nothing more than financial mismanagement, professional malpractice, or some kind of ridiculous attempt to job protect by having more homes to manage, thus creating job security.

BOTTOM LINE: We, in the Real Estate business, cannot control what's happened in today's marketplace, nor do we have any input as to why THE LENDERS having to lose the amount of money they are. I'm trying to appeal to a sense of responsibility to do the right thing by keeping a Repo off the market, to not contribute to an already negative situation that will only get worse, turn over the previous denial, and approve the discount of an additional \$2,000. Please make this decision as quickly as possible, as corporate procrastination, indecision, and indecisiveness will only push this present buyer away. They don't understand our system. I await your expedient response.

Sincerely,

ATTN: THE AGENT

FROM:

RE: PROPERTY ADDRESS

Dear

As you know we have been working this file for some time now. We appreciate your patience.

We have files that have been in escrow for more than 30 days and still have not had an answer, let alone approval. Your offer of January 25, 1993 has had a relatively timely response.

The decision process is extensive, because the amount owed against the property is:

* 1st Trust Deed \$238,500

* 2nd Trust Deed 27,000

* Back Taxes and Association 3,400

TOTAL.....\$268.000

As you can see with this amount owed against it, making an offer at \$190,000, thus giving them a net of \$168,000, it's easy to see why it is a lengthy decision to take a \$100,000 loss. If it was your \$100,000 loss, I'm sure you would take some time also.

Based upon the documents that we have provided the lender, including personal financial statements from the seller, data on the current market conditions in this area, and a full review of the lenders confidential file, they have elected to approve and close this transaction based upon a \$203,500 sales price. This amount will satisfy their requirements based upon a confidential appraisal.

We feel that \$203,500 is at least 10% below market value for this property and an excellent buy. If we were to put this property back on market based upon our explosive "Back on Market" campaign that reaches 2,000 real estate and their waiting buyers, in less than 24 hours, we feel that we would have several offers on this property by weeks end.

The lender feels that any amount lower that this would not be sufficient and they will go ahead with the foreclosure process. If you have any questions or concerns, please feel free to contact my office.

Respectfully,

Escrow Follow up

The following is a group of letters I send to clients once they're in escrow and after the closing. I developed a few of the letters myself and many of them I got from two other sources: Mark Burrell, from whom I purchased a computer system and software, and Walter Sanford. Both have taught me a great deal.

What I learned from the use of these letters is that if you train the client what the form of communication will be from the start then that is what they will expect. Hit them hard and often at the beginning of the relationship. Over time the communication can be less frequent.

Also, I can merge a letter to all of my clients in the same amount of time it could take to get caught up in a single phone call. I also found out that the client is very satisfied with a mail contact. They want the perception or feeling that you are doing your job.

ESCROW CHECK LIST
ENTER all information into the Q&A ESCROW FILE
UPDATE proper STATUS in M.L.S. COMPUTER, UP DESK
UPDATE Q&A LISTINGS FILE new CODE is now "ESCROW"
SEND OUT letter "ESCROW.004" including all needed forms HIGHLIGHT in yellow where you want CLIENT TO SIGN
SEND OUT the SAME FORMS AS ABOVE to the OTHER AGENT to have PAPERWORK DONE. SEND "ESCROW.005"
FAX a COPY of the DEPOSIT RECEIPT to ESCROW with all of the necessary COUNTERS to OPEN ESCROW. Be sure to GET THE: Title Number, Escrow Number, etc. USE LETTER ESCROW.002" as the COVER LETTER.
THE FOLLOWING FORMS COMPLETED WITHIN 5
Deposit Receipt Addendum Company's Addendum to Deposit Receipt Transfer Disclosure Statement Flight Path, Geologic, Smoke Detector Disclosures Agency Disclosure All Cooperating Brokers Disclosures Escrow Instructions and Grant Deed Completed C.D.A. for management and a copy of all required paperwork for management Order a termite inspection and SEND LETTER "ESCROW.009" Fax to printer "JUST PUT TO ESCROW" for mailers Call the other agent to get all missing documentation IE: lenders number/fax, pager, etc.

ESCROW.002 Please OPEN ESCROW with accompanying Deposit Receipt

Dear

Our dreams for an extremely efficient operation are coming together. We expect to close twice as much business in 1993 than last year! Please let us know if we are unreasonable to expect any of the following. We think, you are already doing these items, but in the next twelve months with the type of volume we intend to do, we do not want any misunderstandings.

- 1) CONSISTENTLY remind the Buyer/Seller that they are working with the number one Broker in South Orange County and how fortunate they are.
- 2) NEVER call with problems that you can cure. Only call if all alternatives have been exhausted.
- 3) ALWAYS treat our clients like royalty. They can do no wrong and if possible all of their desires are not only met, but anticipated. Only unreasonable requests are explained away and we are notified.
- 4) Close in the morning--check delivered by 1:00 p.m.
- 5) Orchestrate ALL ASPECTS of closing and constantly review the file to anticipate needs.
- 6) NEVER present us with problems that could have been handled earlier.
- 7) IMMEDIATELY notify us of any LOSS OF MOTIVATION on either the part of the Buyer or Seller.
- 8) Be available once a week to review all files with us.

Weird, possibly, but it helps to always know what is expected. Please let us know what you expect of us.

Sincerely,

DATE
Dear ,
May I extend my sincere appreciation to you for allowing our office to play a part in finding your home. Escrow has been opened with a reliable escrow company and the other necessary paperwork is being processed. At this point, all is proceeding smoothly. I will keep you up to date periodically as the escrow progresses.
If you have any questions, or desire further clarification, please feel free to call me at my office.
Respectfully,
Vice President of Operations The Real Estate Offices of

DATE

Dear,

Now that we have gone through the "trauma" of negotiating the sale, we have the details of completing the sale.

Enclosed is a set of documents for you to read, and in some places sign or

initial. Signature or initial requirements are plainly checked in yellow highlight. Frequently, both spouses and/or owners must sign.

If you have any questions, do not hesitate to call me. And, please verify the

accuracy of all details by reading everything carefully. Read and reread.

To stay on schedule, it's important to return everything to me as soon as

possible. Please return the documents to my office or call and arrange to

have our Field Associate, David, pick them up.

Sincerely,

Vice President of Operations
The Real Estate Offices of

P.S. Just so you will know, the buyer also has a lot of paperwork to accomplish. We are expediting completion of their documents in addition to yours.

DATE
Dear,
Please note that an appraisal will take place at the property
Saturday, February 12 at 10:30am
This will take no more than 20 minutes and there is no need for you to be
Present if it is not convenient for you. I will have a representative from
Our office there with the appraiser at all times.
Should you have any questions or need any further information, please do not hesitate to contact my office.
Respectfully,
Operations Vice President The Real Estate Offices of
The Real Estate Chiese of

Date
Name Company Address City, State, Zip RE:
Dear:
The obtaining of insurance is getting harder. The Fire and Liability Insurance Companies are giving us some stiff restrictions. Please remember to order insurance early so we do not have a last minute dash!
I have enclosed [the insurance agent]'s card and credentials of [
that I have worked closely with the last years. If you would like, please call him for a quote.
Sincerely,

DATE
Dear,
Please be advised that the Termite Company will be inspecting your new property at:
Saturday, February 12 at 10:30 am
This will take no more than 20 minutes and there is no need for you to be present if it is not convenient for you. I will have a representative from our office there with the inspector at all times.
Should you have any questions or need any further information, please do not hesitate to contact my office.
Respectfully,
Operations Vice President The Real Estate Offices of

The complexities of the world of real estate financing Requires a planner who you can trust, is well versed, Listens to your concerns and provides you with Accurate solutions that meets all your needs.

OUR MISSION

As mortgage planners, our job is to educate you on how to use your mortgage as a financial instrument that would benefit your over all, long and short term financial goals and eventually in the creation of wealth.

We offer mortgage planning recommendations that address your goals based on the information you provide. We will review recommendations with you to make sure you understand them, listen to your concerns and revise the recommendations as appropriate so you will make informed decisions.

We may serve as your coach, coordinating the whole mortgage process along with other professionals such as CPA's, CFP's, REALTORS®, attorneys, builders, insurance professionals and other qualified advisors. Our clients are not viewed as transactions, but rather as relationships. This defined system of accountability was implemented in order to work effectively and provide results.

In short, we strive to earn the privilege of becoming a Trusted Mortgage Planner, by providing you with extraordinary mortgage value, placing us as an integral part of your financial life.

SOLUTIONS PROVIDED

Through use of updated software, product knowledge, and the monitoring of continuous changes in the market; our mortgage planners are able to provide you with information such as, but not limited to:

- · How to safely manage your home equity
- Your over all blended rate (mortgage and other payments).
- Estimated mortgage interest write off, depending on your tax bracket.
- · Ways to improve cash flow
- · Necessary changes in your debt.
- · Estate tax issues and use of Trusts as solutions
- · Ways to assist in retirement planning &. College funds
- On investment properties, how are they performing from both "cash flow" and "internal rate of return" perspective.

Our Founder



When it comes to navigating the often complex world of real estate financing, trust and experience are key considerations. We realize that the stakes can be high, and each case has different exposures. The complexities require a planner who you can trust, is well versed, listens to your concerns and provides you with accurate solutions that meets all your needs.

Robert Darvish has been involved in mortgage industry since 1995. He is a licensed Broker as well as a Certified Mortgage Planning Specialist from CMPS institute, a Business Finance Consultant graduate, and has studied commercial mortgage and residential mortgage underwriting courses.

He believes in continuing education and is committed to gaining the knowledge to inform and educate his clients on the continuously changing environment of the real estate and mortgage industry. He is also a member of such industry organizations as CAMB and NAMB.

Throughout the years, he has successfully represented many clients in residential and commercial mortgage transactions, acquisitions, exchanges, and areas of conventional and non-conventional real estate finance. With years of experience, he has earned the reputation of expert in our field.

"As your mortgage planner, I am someone you can trust, who will listen, take action al1d has the tenacity and skills to achieve your desired outcome. My firm is an aggressive advocate to my clients. The level of care and attention directed towards each case is of a caliber rarely found in this field. I have designed a system which allows direct involvement and supervision of all my clients files rather than total delegation. I believe in clear communication, and I keep my clients informed every step of the way.

The savings and growth I have created for my clients throughout the years has made a difference in their lives. This makes me feel fortunate, being in a career that allows me to help so many people, as they make plans for one of the most important investments in their lives.

Mastering the art of developing the best solutions out of many factors is quite rewarding. Our source of business is referrals, which is a testament to my skills, integrity, and ability to get results."

Respectfully,

Robert Darvish C.E.O CMPS, Broker



"A TransUnion Underwritten Title Company"

2001 E. Gladstone Street, Suite F
Glendora, CA 91740
Toll Free 888-881-8850

"You're Working Partner In Closing Your Transactions"

Nations Title Company is your partner in handling, from beginning to end, all of the complex communications and negotiations, between the Lender and You.

Nations Title Company of California covers 12 counties throughout Southern California with seven closing offices throughout the counties. *See attached list with zip codes.

We have a history of working with Brokers –

- We have 27 years of working with the Real Estate Broker and 22 years of Title Management/Ownership.
- We know the key issues to address in order to close the transaction.
- Serving as a Consultant for a major Lending Institution and multiple Government entities, we aided as a field reviewer and negotiator on behalf of two Major Lending Institutions. Our goal is your goal. We understand the importance of expediting your transactions.

Closing Services

- Title and Escrow services
- Separate Division dedicated to REO's, Foreclosure, and Loss Mitigation.
- Loss Mitigation consulting/negotiating in the best interest of the Bank.
- Assigning and receiving BPO's correctly and expeditiously.
- Access to the Multiple Listing Services within Southern California to validate realtor's information.

Other Services

- Lists of Notice of Default, Notice of Trustee's Sale and REO properties provided weekly.
- Training available for the following topics:
 - Become an investment specialist and work with more investment properties
 - How to double end more of your listings
 - Have greater success in working with REO Departments to acquire their listings
 - Get the lenders and PMI Companies to accept your short pay offers



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