



SHORT SALE ADDENDUM TO PURCHASE CONTRACT
Hawaii Association of REALTORS® Standard Form
Revised For Release



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Short Sale Addendum is made a part of Purchase Contract:

Purchase Contract Reference Date: _____

Property Reference or Address: _____

Tax Map Key: Div. ____/Zone ____/Sec. ____/Plat ____/Parcel ____/CPR ____ (if applicable).

Definitions:

The term "Short Sale" is used to describe a sale where: (a) the lien(s) against a property combined with the associated costs will exceed the purchase price of the Property and (b) the Seller will be asking the lien holders for a release of the lien(s) on the Property without a complete payoff.

1. Time Frames: Buyer and Seller agree that the time frames in the paragraphs checked below that are measured from the "Acceptance Date" in the Purchase Contract will begin upon Seller's written notification to Buyer that approval(s) by all lien holders have been received and approved by Seller.

- Checkboxes for various clauses: E-3 Delivery of Inventory, F-2 Scheduled Closing Date, G-3 Tenancy and Vesting, H-1(a) Evidence of cash, H-2 (a) Contingent evidence of cash, H-4(a) Loan Application, H-4(b) Pre-qualification, H-4(c) Loan commitment, I-1 Disclosure delivery, J-1 Inspection, L-2 Termite selection, M-1 Document Delivery, N-1 Rental Document Delivery, P-1 HARPTA, P-2 FIRPTA, Q contingency.

2. Initiation of Short Sale With Lien Holders: Seller shall provide notice to Buyer by _____ (date) that the short sale process has been initiated, an executed copy of the Purchase Contract has been delivered to all lienholders required to approve the short sale and all required supporting documentation required to initiate the short sale with the lienholders has been delivered to them.

3. Lien Holder Approval: This sale is contingent on Seller's receipt of written approval of a short sale from all lien holders on the Property and Seller's acceptance of the terms of such approval and any modifications by _____ (date). Should Seller not receive written approval within this time frame, or if Seller shall not accept the terms of such approval and any modifications, the Purchase Contract will be deemed null and void.

4. No Assurances of Approval: Seller and Buyer acknowledge that neither Seller nor Brokerage Firms have made any representations that lien holders will give approval of a short sale or, if approval is given, that lien holders will perform. Seller and Buyer are aware that lien holders are not within the Brokerage Firms' or Seller's control. Seller and Brokerage Firms shall not be held liable for any loss, damage or harm resulting from any action or inaction by the lien holders.

5. Additional Offers: Seller retains the right to continue marketing the Property and to present all written offers to lien holders. Any additional offers sent to lienholders shall not be executed by Seller and Buyer unless the primary executed offer has been terminated.

6. Buyer's Rights: Buyer may search for another property and elect to terminate this Purchase Contract pursuant to Paragraph O-2 at any time prior to Seller's written notification to Buyer of approval of the short sale by all lien holders.

7. Modifications: Buyer and Seller understand that lien holders often propose alternate terms to the Purchase Contract that may require additional modifications. Should Seller's lien holders disallow any contracted services or fees chargeable to Seller under the Purchase Contract, for example, termite report, survey, utility services for inspections and walk through, commissions, etc., Buyer may at Buyer's sole expense, choose to pay for these items. Mutually acceptable terms must be agreed to by all parties in writing prior to the deadline specified in Paragraph 3.

8. Deficiencies and Promissory Notes: Seller understands that existing lien holders may require Seller to execute a Promissory Note or approve the Seller's receipt of an IRC 1099 form or both in the total amount of any new Promissory Note and the amount of forgiven debt now reportable to the IRS.

9. Professional Advice: Seller understands that a short sale can have serious legal, financial, tax, and credit consequences; and it may result in taxable income to Seller. Seller has been advised to obtain advice from a licensed Hawaii attorney, Certified Public Accountant, and other experts prior to entering into a short sale agreement.

10. Mortgage Rescue Fraud Prevention Act: If, at any time during the pendency of the Purchase Contract, (i) Property becomes a Distressed Property, and (ii) Seller uses, directly or indirectly, the services of a Distressed Property Consultant, Seller shall notify Buyer immediately in writing.

BUYER'S INITIALS & DATE

SELLER'S INITIALS & DATE



Seller and Buyer have been advised and understand that Hawaii's Mortgage Rescue Fraud Prevention Act requires that a Distressed Property Conveyance Contract be used in any Distressed Property Conveyance. Buyer and Seller have further been advised and understand that, pursuant to the Act, the Distressed Property Conveyance Contract must provide, among other things, certain specific notices, specific information concerning the Distressed Property Purchaser, and additional cancellation rights for Seller, none of which appear in the Purchase Contract. Therefore Buyer and Seller understand and agree that, upon written notice from Seller that the Property has become a Distressed Property AND that Seller has engaged the services of a Distressed Property Consultant, this Purchase Contract shall either be amended by mutual agreement within seven (7) days to incorporate all of the provisions mandated by the Mortgage Rescue Fraud Prevention Act, or this Purchase Contract shall automatically terminate and Escrow shall return all deposits to Buyer, less the amount of any escrow expenses or fees chargeable to Buyer. Buyer and Seller are advised to obtain advice from a licensed Hawaii attorney.

11. **Commission Obligations:** Buyer and Seller understand and agree that Brokerage Firms are not obligated to negotiate commissions with any party to the short sale, including lien holders, for purposes of accommodating a short sale.

Buyer _____ Date _____

Seller _____ Date _____

Title _____

Title _____

Buyer _____ Date _____

Seller _____ Date _____

Title _____

Title _____

NOTE: THERE IS NO WARRANTY ON PLAIN LANGUAGE. An effort has been made to put this agreement into plain language. But there is no promise that it is in plain language. In legal terms, THERE IS NO WARRANTY, EXPRESSED OR IMPLIED, THAT THIS AGREEMENT COMPLIES WITH CHAPTER 487A OF THE HAWAII REVISED STATUTES, AS AMENDED. This means that the Hawaii Association of REALTORS® is not liable to any Buyer, Seller, or other person who uses this form for any damages or penalty because of any violation of Chapter 487A. People are cautioned to see their own attorneys about Chapter 487A (and other laws that may apply).

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