

# The Law Office of Rick S. Cowle

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## WORKOUT TRANSACTION INSTRUCTIONS

**Definition** – A ‘workout’ is performed when the seller owes more money to his/her bank than the property can be sold for. This must be coupled with a situation that involves a financial hardship. The Law Office of Rick S. Cowle will then negotiate with the banks to accept less than what they are owed as full settlement in order to avoid foreclosure and bankruptcy.

**Disclosure** – Tell your potential purchaser up front what type of transaction this will be. Explain that it is a **pre-foreclosure** property, and that they are getting a great deal. In exchange for this, there is a small amount of risk that the deal **might not** be approved by the bank, in which case the purchaser will lose any fees paid for inspections or applications.

**Listing Agreement** - In the exclusive right to sell agreement make sure you put the following language: All deals are subject to the Seller’s Bank’s approval.

**Procedure** – These deals are handled like normal transactions. If an offer is acceptable based upon the present values of similar properties, the property is taken off the market and contracts are drawn **subject to the seller’s bank’s approval**. The contract is combined with a completed financial package by the Law Office of Rick S. Cowle and submitted to the seller’s bank for review.

**Time Frame** – The approval process typically takes from 4 to 6 months from the time that the full financial package is received by the seller’s bank. Once an approval is granted, the bank usually requires that the transaction close within 10 to 15 days.

**Mortgage Application** – The potential purchaser must have a mortgage commitment at the time of the workout approval. The application should be timed so that the commitment will be current when the approval is granted.

**Closing Costs** – In most cases the closing costs are paid by the seller’s bank out of closing proceeds. Otherwise, they are paid by the purchaser or the seller based upon the situation. The bank may also ask for a higher purchase price due to an excessive appraisal.

**Title** – The workout properties are pre-foreclosure deals. Even though the seller’s bank must approve the short sale, the seller still has title to the property until we close. Unlike foreclosure auction sales, clean title will be given to the potential purchaser without any liens or judgments.

**Success** – Rick S. Cowle, Esq. has been quite successful in obtaining approvals of these deals. Each workout client is carefully pre-screened by The Law office of Rick S. Cowle in order to assure a continued high success rate on these transactions.

**Why Do Short Sales?** – Short sales can be time consuming and risky. They are much more complicated than “normal” transactions and require much more work to complete. However, the realtor will gain an additional skill or “niche” and can increase his/her bottom line during a difficult real estate market. A seller in need of help is saved from foreclosure and bankruptcy, and the purchaser will be able to buy a pre-foreclosure home at a great price without fighting crowds at a foreclosure auction and without worry that the title to the premises is not clear.