



REALTY **ONE** GROUP

THE ARIZONA HOMEOWNER'S GUIDE TO SHORT SALES

Clear guidance for lender approval, Arizona considerations
and the decisions to make before listing your home.

PREPARED FOR ARIZONA HOMEOWNERS BY

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**START HERE**

A short sale is a possible solution - not an automatic approval

A short sale occurs when a home's expected sale proceeds are not enough to pay the mortgage balances, other liens and normal costs of sale, and the affected creditors agree to accept the transaction.

The homeowner still owns the property and remains the seller. The mortgage servicer, investor and other lienholders decide whether they will approve the proposed payoff and under what conditions.

The central question

Will every affected creditor approve the sale, release its lien and clearly state what happens to any unpaid balance? These are related issues, but they are not always the same.

What this guide can help you do

- Understand the basic short-sale process before signing a listing agreement.
- Identify the documents your mortgage servicer is likely to request.
- Recognize Arizona-specific legal and contract considerations.
- Know which questions belong with your lender, attorney, tax professional or housing counselor.
- Prepare for a process that may take longer than a conventional sale.

Important limitation

This guide provides general real-estate information. It is not legal, tax, bankruptcy, lending or credit advice. Every loan, lien, investor and homeowner situation is different. Before accepting a short-sale approval, obtain advice from qualified Arizona legal and tax professionals.



YOUR OPTIONS

Review the full picture before deciding to sell

A short sale may be appropriate when the homeowner needs to sell, the likely net proceeds will not satisfy all secured debts, and paying the shortage personally is not practical. It is only one potential loss-mitigation option.

Options to discuss with the mortgage servicer

- Reinstatement or repayment plan
- Forbearance or temporary payment relief
- Loan modification
- Selling without lender assistance if the shortage can be paid at closing
- Short sale
- Deed in lieu of foreclosure
- Other investor-specific loss-mitigation programs

Do not wait for a foreclosure deadline

Listing the property or submitting a short-sale package does not automatically stop or postpone a scheduled trustee's sale. Contact the servicer immediately and keep written records of all communications.

Professional conversations to have early

- An Arizona real-estate attorney: personal liability, deficiency language, judgments, divorce, probate, bankruptcy or pending foreclosure.
- A CPA or tax attorney: canceled debt, insolvency, capital gain and federal or Arizona reporting.
- A HUD-approved housing counselor: available loss-mitigation options and help communicating with the servicer.
- Your mortgage servicer: package requirements, deadlines, investor rules and the status of any foreclosure action.



ARIZONA CONSIDERATIONS

What is different about an Arizona short sale?

Arizona does not have one statewide rule that forces a lender to approve a short sale. The lender or loan investor establishes eligibility and approval terms. Arizona law and Arizona REALTORS® forms provide important transaction safeguards.

Arizona short-sale forms

Arizona REALTORS® provides a Short Sale Addendum to the Listing Contract, a Short Sale Addendum to the Residential Resale Real Estate Purchase Contract and an Agreement Notice. Your agent should use the current brokerage-approved versions.

Anti-deficiency protection

Arizona has anti-deficiency statutes that may protect certain residential borrowers after particular foreclosure proceedings. Those statutes contain requirements involving the property, the loan and the method used to enforce the debt.

Do not assume the remaining balance disappears

A voluntary short sale is a negotiated settlement. The approval letter should be reviewed for an express waiver or forgiveness of the unpaid balance. A release of the lien that permits closing is not necessarily a release of the borrower's personal obligation.

Seller disclosures still apply

A short sale does not eliminate the seller's obligation to disclose known material facts about the property. The lender is approving a reduced payoff; it does not become the owner or replace the seller in the purchase contract.

All liens must be addressed

Title review may identify a first mortgage, second mortgage or HELOC, HOA lien, judgment, solar lien, tax lien or another recorded claim. A closing cannot proceed unless the necessary lien releases and payoff approvals are obtained.

THE PROCESS

A typical short-sale timeline

1

Initial consultation and preliminary net sheet

Review the estimated market value, loan balances, liens, likely selling costs, foreclosure status and the homeowner's goals.

2

Contact the mortgage servicer

Request the current loss-mitigation or short-sale package and identify any deadlines, required authorizations and investor-specific rules.

3

Prepare and list the property

Price the home based on market evidence, disclose the short-sale requirement and market it to qualified buyers.

4

Accept an offer subject to creditor approval

The seller selects an offer, but the transaction remains contingent on acceptable agreements with the affected creditors.

5

Submit a complete package

Provide the executed contract, estimated settlement statement, financial information, hardship documentation and other items required by the servicer.

6

Valuation and review

The lender may order a BPO or appraisal, verify the seller's financial information, review the buyer and negotiate proceeds to junior lienholders.

7

Approval letter review

Confirm the approved price, closing deadline, permitted costs, commissions, seller contribution, relocation assistance, resale restrictions and deficiency language.

8

Closing and record retention

Close exactly within the approval terms. Keep the settlement statement, approval letters, correspondence and later tax forms.

Timing varies

A short sale can take weeks or months. Multiple liens, mortgage insurance, incomplete documents, bankruptcy, probate or a scheduled trustee's sale can add complexity.

DOCUMENT CHECKLIST

What homeowners should begin gathering

Requirements vary by servicer. Do not send sensitive financial information through unsecured email unless the recipient and delivery method have been verified.

- Most recent mortgage statements for every loan
- Government-issued identification for all borrowers and owners
- Signed authorization allowing the agent or negotiator to communicate with the servicer
- Recent bank statements for all accounts
- Recent pay stubs or proof of income
- Recent federal tax returns and requested schedules
- Monthly income-and-expense worksheet
- Hardship explanation and supporting documentation, if required
- HOA statements and notices of delinquency
- Solar agreement, lease or financing documents
- Divorce decree, probate documents, bankruptcy information or powers of attorney, when applicable
- Any notice of trustee's sale, collection letter, judgment or tax-lien correspondence

Keep the package current

Servicers may request updated bank statements, pay stubs or forms while the file is under review. Missing pages, unsigned forms and expired documents are common causes of delay.

Protect yourself from fraud

Verify anyone requesting money or sensitive records. Be cautious of guaranteed approvals, requests to transfer title, instructions to stop communicating with the lender, undisclosed fees or pressure to sign immediately.

FORMS AT THE LISTING APPOINTMENT

What you may be asked to review and sign

The exact forms depend on the property, loan and brokerage. Current Arizona REALTORS® and brokerage-approved forms should be used. Ask questions before signing and keep a complete copy.

Real-estate representation and listing forms

- Real Estate Agency Disclosure and Election: identifies the agency relationship.
- Residential Listing Contract: authorizes the broker to market the property and states the listing terms.
- Short Sale Addendum to Listing Contract: addresses creditor approval, seller cooperation, possible deficiency, tax concerns and the fact that foreclosure may continue.
- Authorization to Release Information: allows the servicer to communicate with the agent or approved negotiator. Each servicer may require its own form and every borrower may need to sign.
- Brokerage short-sale or distressed-property disclosures: explains services, compensation, third-party negotiation and limitations.

Property disclosure forms

- Residential Seller's Property Disclosure Statement (SPDS).
- Federal lead-based paint disclosure for a home built before 1978.
- HOA, condominium, solar, septic, well or other property-specific disclosures when applicable.
- Any notice or disclosure needed for a known material fact affecting the property.

Signing authority must be confirmed

Everyone needed to convey title and everyone required by the servicer should be identified early. Trusts, estates, divorce, bankruptcy, powers of attorney and deceased owners may require additional documents and professional review.



THE BORROWER PACKAGE

Financial forms and supporting proof

The servicer decides what makes an application complete. A package may be called a loss-mitigation application, Borrower Response Package, Mortgage Assistance Application or short-sale package.

Core borrower forms

- Servicer's Mortgage Assistance Application, sometimes Form 710 or a servicer-specific equivalent.
- Signed authorization to release information.
- One-page hardship letter that is factual, concise, dated, signed and supported by documents.
- Monthly income-and-expense statement or financial worksheet.
- IRS transcript authorization if required by the servicer, using the current IRS form requested.
- Program-specific affidavit, request or certification for the loan type.

Financial proof commonly requested

- Two most recent pay stubs for each wage earner, or a current profit-and-loss statement for a self-employed borrower.
- Two most recent months of statements for every bank or asset account, including every page and explanations for unusual deposits when requested.
- The previous two years of complete, signed tax returns when requested.
- W-2s, 1099s, benefit letters, pension statements, rental agreements or other income proof that applies.
- Current mortgage, property-tax, HOA, insurance, credit-card and major monthly-expense statements.

Hardship proof examples

Termination or reduced-hours notice; unemployment or disability statement; medical bills; divorce decree; death certificate or estate documents; military PCS orders; relocation documentation; repair estimates for uninsured damage; or other records that verify the stated hardship.

Send complete pages

A missing bank-statement page, unsigned form or expired pay stub can cause the servicer to treat the package as incomplete. Redact information only when the servicer or your attorney confirms it is permitted.

**PRINTABLE DOCUMENT TRACKER**

Use this page to keep the package current

Write the date each item was first delivered and the date an updated copy was provided. The servicer may require different or additional documents.

Current mortgage statement(s)		
Notice of Trustee's Sale or legal notices		
Property-tax bill		
HOA statement and lien notices		
Solar agreement or payoff		
Mortgage Assistance Application / Form 710		
Signed borrower authorization		
Signed one-page hardship letter		
Two most recent pay stubs - all borrowers		
Profit-and-loss statement - if self-employed		
Two months bank statements - all pages		
Two years tax returns - if requested		
W-2 / 1099 / benefit or pension proof		
Monthly income-and-expense worksheet		
Hardship supporting documents		
Divorce, probate, trust or bankruptcy documents		
Government-issued identification		

Servicer deadline for missing items

Date: _____ Method submitted: _____ Confirmation or
reference number: _____

WHEN AN OFFER IS ACCEPTED

Transaction forms added to the lender submission

After the seller accepts an offer, the contract remains contingent on acceptable agreements with the affected creditors. A typical submission may include:

- Fully executed Arizona Residential Resale Real Estate Purchase Contract.
- Short Sale Addendum to the Residential Resale Real Estate Purchase Contract.
- Seller net sheet, preliminary settlement statement or draft Closing Disclosure showing the proposed lender proceeds.
- MLS history, listing sheet and marketing evidence.
- Buyer's prequalification or proof of funds.
- Preliminary title report and payoff information for every lien.
- Purchase offer, counters, addenda and disclosure of every agreement between the parties.
- CMA, BPO, appraisal, inspection photographs or repair estimates when requested.
- Arm's-length or short-sale affidavit required by the investor, insurer or servicer.

After creditor approval

- The seller and appropriate advisors review every approval letter, including the closing deadline and deficiency language.
- The Agreement Notice under the Arizona short-sale addendum is delivered as required when acceptable creditor agreements are reached.
- The title or escrow company prepares the final settlement statement for required creditor approval.
- All payments, contributions, relocation assistance and lien settlements must be disclosed and approved.
- The transaction must close by the approval deadline unless a written extension is obtained.

Approval can be buyer-specific

A change in buyer, price, credits, closing costs, commission, closing date or net proceeds may require renewed written approval. Never assume a verbal change is sufficient.

DEADLINES AND TIMING

The dates a borrower must track

There is no universal short-sale completion time. The safest approach is to work backward from any scheduled trustee's sale and submit a complete package as early as possible.

Arizona and federal timing guardrails

- Arizona trustee's sale: for a nonjudicial deed-of-trust foreclosure, the sale cannot occur before the 91st day after the Notice of Trustee's Sale is recorded. This is a foreclosure timetable, not extra time guaranteed for a short sale.
- More than 37 days before a scheduled foreclosure sale: when federal servicing rules apply, a complete loss-mitigation application generally receives important evaluation and sale protections.
- Within 30 days of a qualifying complete application: the servicer generally must provide its written evaluation under the federal loss-mitigation rule.
- 37 days or less before the sale: the same federal review protections may not be available. Program-specific or other protections may still exist, so obtain immediate legal and servicing guidance.

Recommended homeowner response schedule

- Before or at listing: provide the mortgage statement, foreclosure notices, lien information and core financial documents.
- Within 48 hours of a document request: return complete, signed items whenever reasonably possible.
- Every week: report new servicer letters, calls, legal notices or changes in finances to the agent.
- Whenever documents age: provide updated pay stubs, bank statements or forms by the servicer's stated deadline.
- Immediately after an offer is accepted: update financial documents and sign program-specific forms needed for submission.
- After approval: arrange inspections, moving and closing around the lender's written expiration date, which may be short.

Recommended schedule, not a legal deadline

The 48-hour and weekly targets are transaction-management recommendations. The servicer's written requests, the purchase contract, court orders and foreclosure notices control the actual deadlines.



LOAN-TYPE DIFFERENCES

The forms can change with the investor or insurer

The SFR® course manual emphasizes that the servicer's current protocol controls. Program names, forms and eligibility rules change, so the servicer must confirm the current package.

Conventional - Fannie Mae or Freddie Mac

The borrower may be asked for a Mortgage Assistance Application such as Form 710, income proof, hardship proof and a tax-transcript authorization. The offer package commonly includes the executed contract, net sheet, borrower authorization and listing information.

FHA-insured loan

The servicer may use HUD's Pre-Foreclosure Sale process and require a request or affidavit, financial documents and an Approval to Participate before final sale approval. Current HUD and servicer rules must be verified.

VA-guaranteed loan

A VA compromise sale generally requires fair-market-value support, reasonable customary costs, evidence of hardship and a title review. The servicer supplies the current application and confirms how junior liens will be handled.

USDA, portfolio, private investor or mortgage insurance

These files may have separate net-proceeds rules, valuation standards, affidavits, contributions or approval levels. Private mortgage insurance may require an additional review even when the primary servicer supports the sale.

Second mortgages and HELOCs

Each junior creditor generally needs its own authorization, package and written payoff approval. Approval from the first mortgage does not release a junior lien.

Always ask two questions

Who owns or guarantees the loan, and what is the servicer's current short-sale or liquidation package for that program? Do not rely on an old form saved from a prior transaction.



APPROVAL REVIEW

Questions to answer before accepting the lender's terms

- Does the letter approve this buyer, purchase price and closing date?
- Which closing costs, commissions and concessions are allowed?
- Must the seller bring money to closing or sign a new promissory note?
- Does the creditor expressly waive or forgive the unpaid balance?
- Does the creditor reserve collection rights or the right to pursue a deficiency?
- Are all junior lienholders and other recorded interests resolved?
- Is relocation assistance available, and what conditions apply?
- Are there arm's-length, occupancy, resale or relationship restrictions?
- How will the account be reported to the credit bureaus?
- What tax documents may be issued after closing?

The exact words matter

Do not rely on a verbal statement that the debt is 'handled.' The written approval and settlement documents control. Have an Arizona attorney review any unclear deficiency, release or contribution language.

Tax treatment in 2026

Canceled mortgage debt can be taxable unless an exclusion applies. The federal qualified-principal-residence exclusion generally does not apply to a discharge after December 31, 2025, unless it occurs under a qualifying written arrangement entered into before January 1, 2026. Bankruptcy or insolvency exclusions may still apply. Consult a qualified tax professional before closing.

Credit and future financing

Credit reporting and eligibility for a future mortgage depend on the loan program, payment history, the lender's reporting and the borrower's overall credit profile. Ask a qualified lender to evaluate the specific circumstances; do not rely on a universal waiting-period promise.



YOUR NEXT STEP

A calm, organized plan starts with the facts

My role is to help you evaluate the likely market value, prepare a realistic net sheet, market the property, coordinate the real-estate transaction and keep the parties informed throughout the lender-approval process.

As an SFR® designee and a Greater Phoenix real-estate professional since 2013, I understand that a distressed-property conversation requires privacy, patience and personal service. You will work directly with me while we coordinate with your servicer, title company and the independent professionals you choose.

Confidential short-sale consultation

Bring your mortgage statement, any foreclosure notice, HOA or solar information and a list of all people shown on title or the loans. We will begin by reviewing the property and identifying the questions that must be answered.

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Consumer resources

Arizona REALTORS® Short Sale Seller Advisory: aaronline.com • HUD-approved housing counselors: hud.gov/housingcounseling • Consumer Financial Protection Bureau: consumerfinance.gov/housing • IRS canceled-debt information: irs.gov (Publication 4681)

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