



OLD REPUBLIC
National Title Insurance Company

100 S. Ashley Drive, Suite 700
Tampa, FL 33602-5358
(813)228-0555 / (800)342-5957
(813)228-0301 (Fax)
www.oldrepublictitle.com
Home Office: Minneapolis, Minnesota 55401-2499

BULLETIN

FLORIDA BULLETIN 08-06

To: All Old Republic National Title Agents and Offices

From: Underwriting Department

Re: Short Sales

Date: June 17, 2008

We have been speaking with agents around the state since the publication of our Bulletin 08-02 on short sales, and have found some clarifications are necessary in an effort to better refine our insuring requirements.

The key to handling any short sale situation is the lender's written direction, both the short sale lender and the end lender. As you know, the terms of short sale estoppel letters and lender closing instructions vary and we only require that you strictly comply with them. We are not requiring *more* disclosure than is dictated by the respective lenders in their short sale estoppel letters or closing instructions.

When you receive an estoppel letter with no restriction prohibiting subsequent sale or flip transactions, even if you are aware of a subsequent sale, disclosure to the short sale lender would not be necessary. Old Republic Title merely requires strict compliance with the terms of the short sale estoppel letter and will not impose any additional disclosure requirements.

However, many lenders' estoppel letters specifically state that the payoff amount is only valid if there is no subsequent flip transaction. In such case, you would need to obtain the disclosure attached as Exhibit A, or a variation thereof. The disclosure may be modified to fit your particular situation. For example, the sales price of the subsequent sale would not need to be included in the disclosure unless the short sale lender requires it.

Additionally, the end lender's closing instructions may also contain safeguards to protect against inflated values and must, therefore, be carefully read and followed. This is particularly important because many short sale transactions involve investors who intend to "flip" the property at a profit.

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Common scenarios include the use of option contracts and trusts. In these transactions, if the lender's instructions contain any reference to purchase prices or potential fraud and the lender is unwilling to sign the Acknowledgment attached to Bulletin 08-02 as Exhibit B, Old Republic will accept the lender's receipt of the attached Disclosure, which need not be signed by the lender.

Note, however, many closing instructions prohibit you from closing a transaction where the seller has not been in title for a certain time period (usually at least 6 months). Then you would need the closing instructions amended, in writing, by an officer of the lender before you can close.

We realize that short sales can be challenging and we encourage you to contact our Underwriting Department at 800-342-5957 with your questions.

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DISCLOSURE

LOAN NUMBER: _____
BORROWER: _____
LENDER: _____
PROPERTY ADDRESS: _____

You are advised of the following in connection with the above-referenced loan:

- (1) The property was recently conveyed, or is about to be conveyed from _____ to _____ for \$_____.
- (2) _____ is then going to convey the subject property to Borrower for \$_____, and you are giving the above-referenced loan and getting a mortgage on the subject property for \$_____.