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UNDERWRITING BULLETIN

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Short sale flips and restrictions

When you are dealing with a short sale, it is important that ALL of the provisions of the short sale demand be complied with.

Recently, the Federal Housing Finance Agency (who regulates Fannie Mae and Freddie Mac) has set out a new condition that you may have already noticed in your short sale instructions.

That condition reads:

Grantee herein is prohibited from conveying captioned property for any sales price for a period of 30 days from the date of this deed. After this 30-day period, grantee is further prohibited from conveying the property for a sales price greater than \$_____ until 90 days from the date of this deed. These restrictions shall run with the land and are not personal to the Grantee.

The “greater than” price is 120% of the short sale price.

For our purposes the ‘date’ of the deed is the recording date, not the date it was executed.

“Conveying”, besides the obvious, includes a recorded lease/option or agreement of sale.

If the short sale instructions contain this requirement, and the deed does not, return the deed to escrow for amendment and approval of the buyer.

Some of the individual banks – not Freddie or Fannie – are including similar requirements in their demands.

In previous bulletin 11-004, the issue of reconveyance of the short sale deed of trust was addressed. Nothing has changed on that point.

Intentional disregard of the matters contained in this Bulletin may cause any loss sustained under the terms of a policy to be allocated entirely to the Agent.