

**Date:** [Insert Date]

**Lender Name:** [Insert Lender Name]

**Loan Number:** [Insert Loan Number]

**Property Address:** [Insert Property Address]

**RE: Short Sale Approval and Full Release of Liability**

Dear [Borrower Name],

This letter serves as formal notification that [Lender Name] has approved the short sale request for the property located at [Property Address] based on the terms of the Purchase Contract dated [Insert Date].

The approval is subject to the following conditions:

- **Net Proceeds:** The lender must receive a minimum net payout of \$[Insert Amount].
- **Closing Date:** The transaction must close on or before [Insert Date].
- **Arm's Length Transaction:** The sale must be an arm's length transaction between unrelated parties.

**Deficiency Discharge and Release:**

Upon successful closing and receipt of the specified funds, [Lender Name] agrees to the following:

1. The lender will accept the net proceeds as full and final satisfaction of the mortgage debt.
2. The lender waives any and all rights to pursue a deficiency judgment against the borrower(s) for the difference between the loan balance and the sale proceeds.
3. The borrower(s) shall be fully released from all further financial liability regarding the above-referenced loan.
4. The lender will report the account to the credit bureaus as "Settled for less than full balance" or "Paid in full for less than the full balance."

Please note that this discharge may have tax consequences. The lender will issue a Form 1099-C as required by IRS regulations. We recommend consulting with a tax professional.

Sincerely,

[Authorized Signature]

[Printed Name]

[Title]

[Lender Name]