

**[Lender Name]**  
[Lender Address]  
[City, State, Zip Code]

**Date:** [Current Date]

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

**Borrower(s):** [Borrower Names]  
**Property Address:** [Full Property Address]  
**Loan Number:** [Loan Number]

Dear [Borrower Name],

This letter serves as formal notification that [Lender Name] has approved the short sale of the property located at the address referenced above. This approval is subject to the following terms and conditions:

**1. Payoff Amount:** [Lender Name] agrees to accept a net payoff amount of \$[Amount] to be received no later than [Closing Date].

**2. Release of Lien:** Upon receipt of the specified funds, [Lender Name] will release its mortgage/lien against the property to allow for the transfer of title to the purchaser.

**3. Full Release of Deficiency:** [Lender Name] hereby agrees to waive any and all rights to pursue a deficiency judgment against the Borrower(s) for the difference between the loan balance and the short sale proceeds. This payment shall constitute full and final satisfaction of the debt.

**4. Credit Reporting:** The lender will report the account to the credit bureaus as "settled for less than the full balance" or "paid in short sale," as required by federal law.

**5. Tax Consequences:** The Borrower(s) may receive a 1099-C form for the forgiven debt. Please consult a tax professional regarding potential tax liabilities.

This agreement is void if the closing does not occur by [Expiration Date] or if the terms of the final settlement statement (HUD-1/Closing Disclosure) differ from the approved terms without prior written consent.

Sincerely,

[Authorized Representative Name]  
[Title]  
[Lender Name]