

HAFA Short Sales Fact Sheet

find the article "<http://www.car.org/legal/foreclosure-short-sale-folder/hafa-short-sales/>" at:

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<p>What is HAFA?</p>	<p>HAFA is a government-subsidized "Home Affordable Foreclosure Alternatives" program for distressed homeowners to sell their homes to avoid foreclosure, even if the sales price is not enough to pay off their existing mortgage loans. Under HAFA, a participating lender will pre-approve the terms of a short sale prior to listing using standard forms and specific timeframes.</p>
<p>Eligibility</p>	<p>The eligibility requirements for a HAFA short sale include the following:</p> <ul style="list-style-type: none"> • Borrower does not qualify for a mortgage modification under the Making Home Affordable Program. (HAFA brochure at http://www.makinghomeaffordable.gov/programs/Documents/HAFA%20Brochure%207-2010.pdf) • Borrower does not successfully complete the trial period for the modification. (HAFA brochure at http://www.makinghomeaffordable.gov/programs/Documents/HAFA%20Brochure%207-2010.pdf) • Property must be or recently have been borrower's principal residence. If the property has been vacant or rented to a non-borrower that cannot have been for more than 12 months prior to date of the Short Sale Agreement (SSA) or Alternative Request for Approval of Short Sale (Alternative RASS). Borrower may still be eligible if the borrower is temporarily displaced (e.g., military service). • Borrower has not purchased a one-to-four-unit property within the 12 month period prior to the date of the SSA or Alternative RASS. • Loan must be a first trust deed originated before Jan. 1, 2009. • Borrower's hardship must be verified by the lender. Borrower must sign a Hardship Affidavit or Request for Modification and Affidavit (RMA). • Borrower must not have been convicted of a felony larceny, theft, fraud, forgery, money laundering, or tax evasion in connection with a mortgage or real estate transaction within the last 10 years (in fact, borrower must sign Dodd-Frank Certification to that effect). • Current unpaid principal balance must be less than the following: 1 Unit \$729,750, 2 Units \$934,200, 3 Units \$1,129,250, 4 Units \$1,403,400 (MHA Handbook v 3.0, Dec. 2, 2010, at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_30.pdf) <p>(Source: Home Affordable Foreclosure Alternative Program Supplemental Directive 10-18,</p>

	<p>Dec. 28, 2010; Supplemental Directive 11-01, Feb. 17, 2011; http://www.makinghomeaffordable.gov/programs/exit-gracefully/Pages/hafa.aspx)</p>
Release of Subordinate Liens	<p>Subordinate lien holders will continue to be paid in order of priority. There is no longer a 6% cap with respect of payments to each subordinate lien holder. However the \$6,000 aggregate cap remains. (Home Affordable Foreclosure Alternative Program Supplemental Directive 10-18, Dec. 28, 2010) Subordinate lien holder(s) may not require contributions from either the real estate agent or borrower as a condition for releasing its lien and releasing the borrower from personal liability. Any payments to subordinate lien holders must be included on the HUD-1 Settlement Statement.</p>
Financial Incentives	<p>The government incentives under HAFA may be as follows:</p> <ul style="list-style-type: none"> • \$3,000 to borrower for relocation expenses • \$1,500 to lender/servicer to cover administrative and processing costs • \$1 reimbursement to investor for every \$3 paid to extinguish junior liens, up to \$2,000 maximum. <p>(MHA Handbook v 3.0, Dec. 2, 2010, at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_30.pdf at 117.)</p>
Effective Dates	<p>April 5, 2010 to Dec. 31, 2012.</p>
HAFA Procedures	<p>The general standardized procedures for HAFA short sales are as follows:</p> <p>Step 1: Lender evaluates borrower for a loan modification under HAMP.</p> <p>Step 2: Lender evaluates borrower unable to complete HAMP modification for short sale.</p> <p>Step 3: Lender issues Short Sale Agreement (HAFA SSA).</p> <p>Step 4: Borrower lists the property for sale using a licensed real estate agent.</p> <p>Step 5: Borrower and agent market and sell the property.</p> <p>Step 6: Borrower submits to lender a Request for Approval of Short Sale (RASS).</p> <p>Step 7: Lender approves RASS within 10 business days.</p> <p>Step 8: Sale closes escrow.</p> <p><u>Note:</u> If the borrower has an executed sales contract and requests the lender/servicer to approve a short sale under HAFA before an SSA as been signed, then the borrower must submit the Alternative RASS form. (MHA Handbook v 3.0, Dec. 2, 2010, at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_30.pdf at 114.)</p> <p>*See HAFA Short Sale Time Periods.</p>
Lender's Evaluation	<p>If a borrower's financial and hardship information has been verified as part of the HAMP evaluation, no additional assessment is required under HAFA. However, in accordance with investor guidelines, the lender/servicer may request updated financial information. (MHA Handbook v 3.0, Dec. 2, 2010, at</p>

	https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_30.pdf at 109.)
Mortgage Insurance	A mortgage loan does not qualify for HAFA unless the mortgage insurer waives any right to collect additional sums (cash or note) from the borrower. (MHA Handbook v 3.0, Dec. 2, 2010, at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_30.pdf at 110.)
Short Sale Agreement (HAFA SSA)	<p>The Short Sale Agreement (HAFA SSA) will include, among other things, the following:</p> <ul style="list-style-type: none"> • A fixed termination date to be a minimum of 120 calendar days from the effective date of the SSA. • A requirement that the property be listed with a licensed real estate professional who is regularly doing business in the community where the property is located. • Either a list price or net proceeds acceptable to the lender. • The amount of closing costs or other expenses the lender will permit to be deducted from the gross sale proceeds. • An agreement to fully release borrower from all liability for repayment of the loan; • An agreement not to complete a foreclosure sale if borrower complies with SSA; • Amount of acceptable closing costs and up to 6% real estate commission. • Notice that the sale must be an arm's length transaction; and • Notice that the buyer must agree not to resell the property within 90 days of closing. <p>(MHA Handbook v 3.0, Dec. 2, 2010, at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_30.pdf at 112-113.)</p>
Tax, Credit, and Other Consequences	A HAFA short sale may have serious tax, credit, financial, legal, and other consequences. A homeowner is strongly encouraged to seek the advice of a qualified professional regarding these consequences.
Participating Lenders	HAFA is available for mortgages that are owned or guaranteed by Fannie Mae and Freddie Mac or serviced by over 100 HAMP participating servicers. However different rules apply to loans owned or guaranteed by Fannie Mae, Freddie Mac, or insured by FHA, VA, or the Dept. of Agriculture's Rural Housing Service. A list of HAMP participating servicers can be found here.
Real Estate Commissions	The real estate commission that may be paid is the amount indicated in the listing agreement between the borrower and the listing broker, provided that the commission may not exceed 6% of the sales contract price. The lender/servicer may not require, as a condition of approving a short sale, a reduction in the real estate commission below the commission stated in the SSA. (MHA Handbook v 3.0, Dec. 2, 2010, at https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_30.pdf at 112.)
	Go to http://www.makinghomeaffordable.gov/programs/exit-gracefully/Pages/hafa.aspx or

**More
Information**

call 1 (888) 995-4673 to speak with a HUD-approved housing counselor for free. For additional guidance and MHA Handbook, go to <https://www.hmpadmin.com/portal/programs/guidance.jsp>.

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