

Summary of The Home Affordable Foreclosure Alternatives Program or HAFA is part of the current Home Affordable Modification Program (HAMP).

HAFA provides financial incentives to loan servicers and borrowers who utilize a short sale or a deed-in-lieu of foreclosure to avoid foreclosure on loans eligible for modification under the HAMP program. HAFA complements HAMP by providing a viable alternative for borrowers (the current homeowners) who are HAMP eligible but nevertheless unable to keep their homes.

HAFA applies to loans not owned or guaranteed by Fannie Mae or Freddie Mac. The homeowner must meet the HAMP guidelines to qualify for HAFA, which are as follows: (1) the property is the borrower's principal residence; (2) the mortgage loan is a first deed of trust originated prior to January 1, 2009; (3) the mortgage is delinquent, or a default is reasonably foreseeable; (4) the current loan balance is less than \$729,750, and (5) the borrower's total monthly mortgage payments exceed 31% of the borrower's gross income.

Under the new HAFA guidelines, lenders are required to evaluate a borrower for a HAMP loan modification prior to any consideration being given to HAFA options. Further, every potentially eligible borrower must be considered for HAFA before the borrower's loan is referred to foreclosure.

As outlined the program has several benefits. The Minimum Net Price provision allows borrowers to receive pre-approved short sales terms before listing the property and it cannot be increased for 120 days. Further, lenders or their loan servicers are prohibited from requiring a reduction in the real estate commission agreed upon in the listing agreement.

A very important provision requires borrowers to be fully released from future liability for the first mortgage debt. The program requires lenders to use standard processes, documents, and timeframes.

Plus there are financial incentives.

\$1,500 for borrower relocation assistance;

\$1,000 for servicers to cover administrative and processing costs; and

\$1,000 for investors for allowing a total of up to \$3,000 in short sale proceeds to be distributed to subordinate lien holders (on a one-for-three matching basis).

A borrower may request short sale approval by providing the lender with a Request for Approval of Short Sale form (RASS), a Short Sale Agreement (SSA) and a Hardship Affidavit. The lender then has 30 days to do the following: (1) evaluate the borrower's eligibility; (2) determine the current value of the Property; (3) establish the minimum net proceeds; and (4) review the title to evaluate subordinate liens.

Details for the New Federal Program Effective April 10, 2010 to Streamline and Create Incentives for Short Sale Transactions for Lenders and Borrowers through 12/31/12.

Applicable Lenders. HAFA applies to loans not owned or guaranteed by Fannie Mae or Freddie Mac. The lender must have executed a HAMP servicer participation agreement. **Eligible Homeowners.** The homeowner must meet the HAMP guidelines to qualify for HAFA, which are as follows: (1) the property is the borrower's principal residence; (2) the mortgage loan is a first deed of trust originated prior to January 1, 2009; (3) the mortgage is delinquent, or a default is reasonably foreseeable; (4) the current loan balance is less than \$729,750, and (5) the borrower's total monthly mortgage payments exceed 31% of the borrower's gross income.

Lenders are required to evaluate a borrower for a HAMP modification prior to any consideration being given to HAFA options. Further, every potentially eligible borrower must be considered for HAFA before the borrower's loan is referred to foreclosure.

Program Benefits. The HAFA program does the following:

Minimum Net Price. Allows borrowers to receive pre-approved short sales terms before listing the property (including the minimum acceptable net proceeds). The minimum net proceeds may be either a fixed dollar amount or percentage of the current fair market value of the property. It cannot be increased for 120 days.

No Commission Reduction. Prohibits lenders or their loan servicers from requiring a reduction in the real estate commission agreed upon in the listing agreement (up to 6 percent).

Release of Remaining Loan Balance. Requires borrowers to be fully released from future liability for the first mortgage debt (no cash contribution, promissory note, or deficiency judgment is allowed).

Standardized Documents. Uses standard processes, documents, and timeframes/deadlines.

Financial Incentives. Provides the following financial incentives:

\$1,500 for borrower relocation assistance;

\$1,000 for servicers to cover administrative and processing costs; and

\$1,000 for investors for allowing a total of up to \$3,000 in short sale proceeds to be distributed to subordinate lien holders (on a one-for-three matching basis).

Procedure. A borrower may request short sale approval by providing the lender with a Request for Approval of Short Sale form (RASS), a Short Sale Agreement (SSA) and a Hardship Affidavit. The lender then has 30 days to do the following: (1) evaluate the borrower's eligibility; (2) determine the current value of the Property; (3) establish the minimum net proceeds; and (4) review the title to evaluate subordinate liens

Short Sale Agreement. The lender provides the borrower with a standard form Short Sale Agreement (SSA). The SSA creates the following obligations and benefits: (1) the borrower

must list the home for sale with a licensed real estate agent; (2) the borrower has 120 days to sell the home, but the lender may extend the term; (3) the lender must postpone any pending foreclosure sale during the 120 day term; (4) the borrower must maintain the property in good condition; (5) a new, lower monthly mortgage payment is set, which cannot exceed 31% of the borrower's monthly income; (6) the borrower must move out at close of escrow, leaving the property in good condition; (7) the borrower cannot sell the property to a family member, friend or business associate; (8) the buyer of the property must agree not to resell it for 90 days after the close of escrow; and (10) the lender has 10 business days to approve a short sale that meets or exceeds the minimum net price.

Deed-in-Lieu. The lender and borrower may also agree that, if the property does not sell within 120 days, the borrower will execute a deed-in-lieu of foreclosure. The borrower still receives a waiver of the loan deficiency and a \$1,500 relocation assistance. All subordinate lenders must also agree to a release of liability for their loan.

End Date. Hafa sunsets on December 31, 2012.