



Home Affordable Foreclosure Alternatives (HAFA) Guidelines and Overview Packet



A Quick Overview

- Does not take effect until April 5, 2010
- Pertains to 1st Lien Non-GSE Mortgages
- Utilizes borrower's financial information through HAMP
- Financial incentives provided to borrowers, servicers and investors
- Sets limits on lender response time
- Lender forfeits ability to pursue deficiency judgment
- Caps claims of subordinate lenders



Requirements

Loan is eligible if all of the following conditions are met:

- Property is borrower's principal residence
- Loan is a 1st lien mortgage
- Originated before Jan 1, 2009
- Mortgage is delinquent or default is reasonably foreseeable
- Current unpaid balance is equal to or less than \$729,750
- Borrower's total monthly mortgage payment exceeds 31% of borrower's gross income



Process & Timelines

- Servicers must consider HAMP eligible borrower for HAFA within 30 days of the date the borrower:
 - Does not qualify for trial period plan
 - Does not successfully complete trial period plan
 - Is delinquent on HAMP modification by missing at least two consecutive payments
 - Requests a short sale or Deed-in-Lieu
- Servicer must proactively notify the borrower in writing of the availability of a short sale and deed-in-lieu
 - Servicer allows borrower 14 days to contact them with interest in these options
 - After this timeline servicer has no further obligation to extend the HAFA offer
- Servicer issues Short Sale Agreement (SSA) along with Request for Approval of Short Sale (RASS) Document
 - The servicer will send documents either proactively or at the request of the borrower
- Once SSA is issued the borrower must sign and return SSA within 14 days of its effective date, along with real estate broker listing agreement and information regarding subordinate liens
- Within three days following the receipt of an executed purchase offer, the borrower (or listing broker) must submit a completed RASS to the servicer
- Servicers have 10 days to accept or deny a short sale request (RASS)

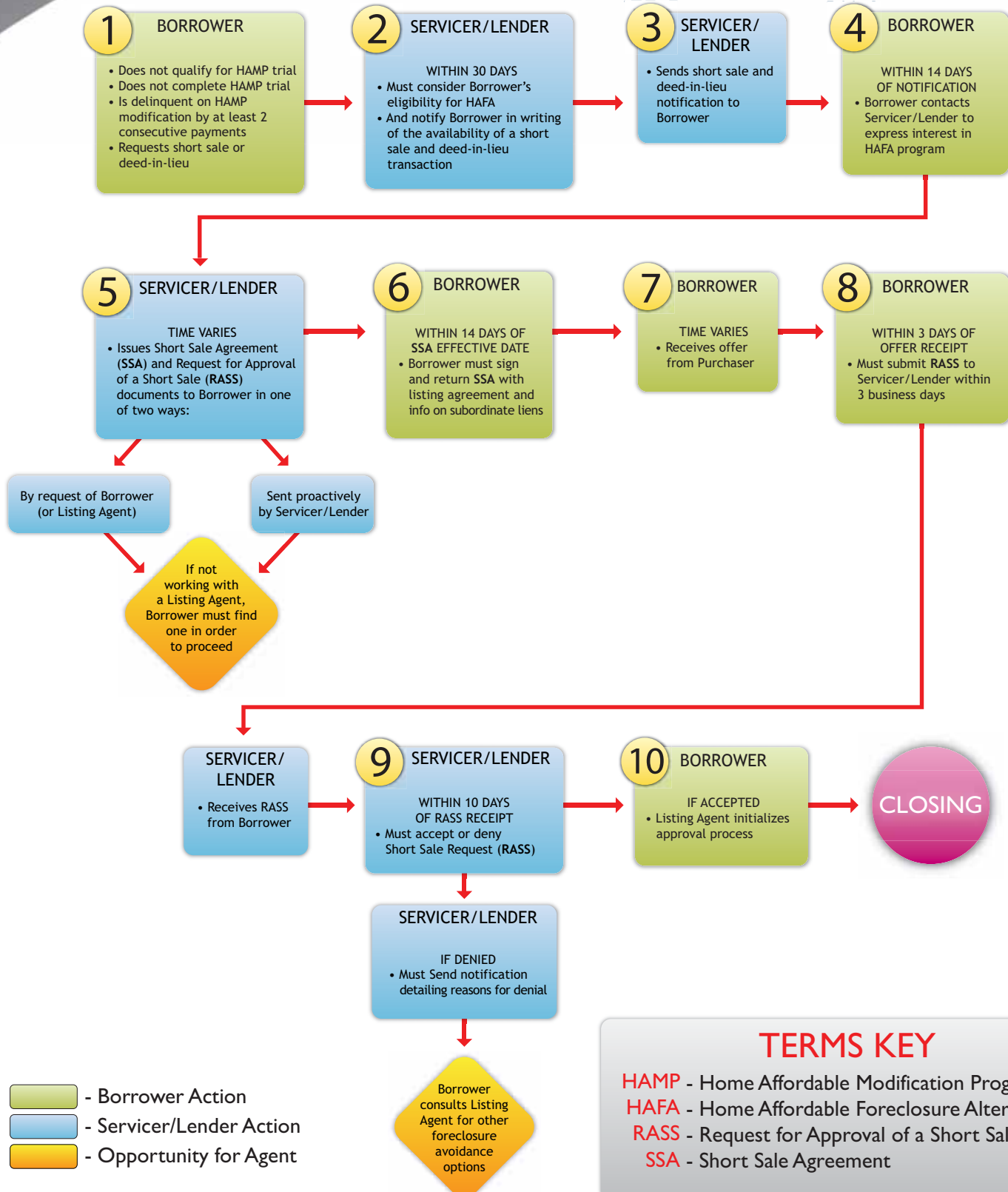


HAFA

Step-by-Step Process*

Does not take effect until April 5, 2010

TO BEGIN HAFA PROCESS:



*Does not reflect the total time to complete a short sale under HAFA guidelines

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Incentives

- \$1,500 to Borrowers for relocation costs
 - Will be deducted from gross sale proceeds at closing
- \$1,000 to Servicers for administration and processing fees
 - Servicer may not charge borrower any processing fees and MUST pay all out-of-pocket expenses
- \$1,000 to Investors for subordinate lien holder payoff
 - For every three dollars spent to release liens, buyer or investor is reimbursed one dollar - capped at \$3,000



Highlights

- Lender waives rights to deficiency judgment
- Servicer must assess the property value and cannot charge the borrower in advance
 - May be added to outstanding debt if transaction is not completed
- Servicer must review title and cannot charge the borrower in advance
 - May be added to outstanding debt if transaction is not completed
- Servicer must notify borrower of Short Sale and Deed-in-Lieu as foreclosure avoidance alternatives
- **It is a requirement that the property be listed with a licensed real estate professional**
- Prohibits servicer from requiring, as a condition of short sale approval, a reduction in the real estate commission previously agreed upon in the listing agreement (not to exceed 6% of contract sales price)



Causes for Termination

- Borrower's financial situation improves
- Borrower or listing broker fails to act in good faith in listing, marketing and closing the sale
- Significant change occurs in property condition or value
- Misrepresentation or fraud
- Borrower files for bankruptcy
- Litigation is initiated or threatened that would affect the title (i.e. divorce)