



**US Treasury Department
Home Affordable Foreclosure Alternatives Program
HAFA**

HISTORY

2009: Home Affordable Modification Program (HAMP) was created to provide uniform rules for modifications. Through aggressive action and government pressure, over 100 of the largest mortgage services signed up to participate in HAMP covering more than 89% of mortgage debt in the US. To date, HAMP has been unable to achieve or even come close to meeting its goals.

If a borrower does not qualify for HAMP, few options exist;

- Short Sale
- Foreclosure
- Deed-in-Lieu of Foreclosure (DIL)

11/30/2009: Home Affordable Foreclosure Alternatives Program (HAFA) is established to streamline short sale and DIL policies, procedures, and forms to provide alternatives other than foreclosure of borrowers. HAFA is available for those;

- Whom did not qualify for HAMP
- Unable to complete a HAMP loan modification, or
- Do not accept a HAMP loan modification

HAFA is directed to first lien mortgage loans that are not owned or guaranteed by Fannie Mae or Freddie Mac (Non-Government Sponsored Enterprise (GSE) Mortgages). Fannie Mae and Freddie Mac will have their own HAFA guidelines, and although they have not disclosed these guidelines – they are imminent.

LOAN ELIGIBILITY CRITERIA

A loan meets the basic eligibility criteria for HAMP / HAFA if all of the following conditions are met:

1. Property is the borrower's principal residence
 - a. Except property can be vacant up to 90 days prior to the date of the Short Sale Agreement (SSA) or Alternative Request for Approval of Short Sale (Alternative RASS) if the move was due to job relocation and greater than 100 miles.
2. The mortgage loan is a first lien mortgage originated on or before January 1, 2009.
3. The mortgage is delinquent or default is reasonably foreseeable
4. The current unpaid principal balance is equal to or less than \$729,750
5. The borrower is not in Bankruptcy proceedings
6. The borrower's total monthly mortgage payment exceeds 31% of the borrower's gross income.



HAFA ELIGIBILITY EVALUATION PROCESS

1. Borrower contacts Servicer requesting HAMP consideration.
 - Borrower completed necessary Loan Eligibility Criteria
2. Servicers reviews Loan Eligibility Criteria and determines borrower's eligibility for HAMP.
3. If HAMP doesn't work
 - Borrower does not qualify for HAMP
 - Fails trial period
 - Misses two payments, or
 - **Requests Short Sale** (eg. HAMP won't help because home is so upside-down)
4. Borrower is contacted about the HAFA program by the servicer
5. Borrower asks for HAFA consideration
6. Servicers schedules and completes a BPO (Broker Price Opinion) or appraisal on the home.
7. Servicer calculates the Net Present Value (NPV) to determine the homes value for a short sale vs. foreclosure.
8. Servicers review borrowers financial information
9. Servicers review title (2nd Lien Holder must agree to terms)
10. Servicers send's Offer or Denies HAFA short sale within 30 days.
11. **If approved, a Short Sale Agreement (SSA) must be returned within 14 calendar days.**
12. Upon receipt of a Purchase and Sales Agreement (PSA), borrower must complete a Request for Approval of Short Sale (RASS) within 3 days. The Servicer must reply within 10 days of receipt of RASS and accept or deny the PSA.

Alternative RASS

If the borrower has an executed sales contract and requests the servicer to approve a short sale under HAFA before a Short Sale Agreement (SSA) has been executed, then the borrower must;

1. Submit a request in writing, and complete necessary paperwork
2. Servicer must notify the borrower about a HAMP modification within 14 calendar days.
3. Servicer verifies the borrowers financial information
4. Borrower may not participate in a HAMP modification and agree to a HAFA SSA.

Once accepted, servicer cannot increase Approved List Price



Benefits of HAFA Short Sale to Borrower

1. Relocation Assistance – borrower may be eligible for a direct payment of \$3,000.
2. Foreclosure Suspension
3. Release of Liens - 1st Lien waives all rights to seek a deficiency judgment and may not require the borrower to sign a promissory note for the deficiency.
 - If a 2nd Lien exists, in exchange for a lien release and full release of borrower liability the servicer, on behalf of the 1st Lien Investor will authorize a settlement of 6% (or \$6,000) to the 2nd Lien.

But nothing is free!

The servicer will compute an amount of the monthly mortgage payment, if any, that the borrower is required to make during the term of the applicable agreement and pending transfer of property ownership.

Also, the servicer will set the sale price of the home which may / may not be beneficial to the borrower.



Sample request for Alternative RASS

[date]

[borrowers name]

[borrowers property address]

[loan number(s)]

To whom it may concern;

Effective today, we wish to be considered for HAFA Alternative RASS.

We feel we are eligible because we meet the following criteria;

[review criteria and state your reasons here, for example]

- Property is our principal residence
- We purchased this home on or before January 1, 2009
- We do not wish to modify our home under HAMP. A HAMP modification will not correct how far upside down our home is and default on this home is reasonably foreseeable.
- The current unpaid principal balance is equal to or less than \$729,750
- We are not in Bankruptcy proceedings
- Our monthly mortgage payment exceeds 31% of our gross income.

We are currently in contract to sale this house as a short sale. Enclosed please find;

- Listing Agreement
- Executed copy of the Purchase and Sale Agreement, all counter offers and addendums.
- Buyer's pre-approval Letter
- RMA

We authorize you to discuss all matters regarding this with Paul Wallin of Group One Real Estate (our Listing Agent).

Thank you for your review and quick response!

Sincerely,

[Signature]

[print name]