

At-A-Glance: Home Affordable Foreclosure Alternatives (HAFA)

Overview	<p>HAFA is designed to provide homeowners with opportunities to transition to more affordable housing when they can no longer afford their home, but want to avoid foreclosure. Through HAFA, homeowners avoid foreclosure by selling the home as a "short sale" (where the value of the home is less than the remaining amount of the mortgage) or by transferring title to the lender through a process called "deed-in-lieu of foreclosure" (DIL).</p> <p>HAFA offers a more efficient process with shortened timelines, better-defined standards, and improved homeowner outcomes.</p>
Features	<ul style="list-style-type: none"> • In a HAFA short sale, the servicer and homeowner establish the terms of the short sale before the property is put on the market. • A homeowner may also seek evaluation for HAFA after placing the property on the market. • HAFA includes key provisions of Making Home Affordable, like providing a homeowner with a single point of contact within the servicer shop. • The servicer suspends the foreclosure sale when a homeowner is being considered for HAFA or marketing the property for sale. • HAFA encourages the sale of a property for fair market value to mitigate the negative consequences of abandoned and foreclosed properties on communities. • In cases where a short sale is not possible, a DIL may be an alternative.
Advantages	<ul style="list-style-type: none"> • HAFA releases the homeowner from future liability of mortgage debt. • The homeowner receives \$3,000 in relocation assistance. • Because of HAFA's waiver of deficiency, HAFA has a less negative effect on a homeowner's credit score than a typical short sale. • The homeowner incurs no out-of-pocket expenses for engaging a real estate agent or for closing.
Eligibility	<p>Homeowner must meet basic eligibility criteria, as follows:</p> <ul style="list-style-type: none"> • 1 – 4 unit owner-occupied property • Primary residence at some point in the last 12 months (can currently be vacant or rented to non-homeowner) • Has not purchased a new property within the last 12 months • Amount owed on first mortgage is equal to or less than \$729,750 (for one-unit) • Mortgage is first lien originated on or before January 1, 2009 • Has documented financial hardship • Is delinquent or default is reasonably foreseeable <p><i>Servicers are not required to collect financial information or determine if the homeowner's total monthly mortgage payment exceeds 31% of their monthly gross income, unless required by investor guidelines.</i></p>
HAFA Process	<p>Screening phase Servicer conducts initial screening of the homeowner to ensure they meet basic program eligibility requirements and servicer-specific criteria.</p> <p>Evaluation phase Servicer collects any necessary remaining documents from the homeowner (if not already received), assesses the property, prepares the Short Sale Agreement (SSA), and finally, sends SSA to the homeowner.</p>

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HAFA Process (continued)	<p>Marketing phase Real estate professional lists the property and receives the short sale offer by a prospective buyer. Servicer approves or denies the written purchase offer and, if the short sale is approved, a final closing takes place.</p> <p>Alternative HAFA process for properties already listed Homeowners with properties already listed without an SSA can also participate in HAFA and receive the same HAFA benefits through the Alternative Request for Approval of Short Sale process (Alternative RASS), which begins once an offer on the listed property is received.</p>
HAFA Documents	<p>To create a process consistent across servicers, HAFA utilizes several standard documents:</p> <p>Short Sale Agreement (SSA)</p> <ul style="list-style-type: none"> • Outlines roles and responsibilities of all parties • Provides key terms and conditions <p>Request for Approval of Short Sale (RASS)</p> <ul style="list-style-type: none"> • Two-way communications document passed between servicer and homeowner when an SSA is in place <ul style="list-style-type: none"> ○ Servicer → Homeowner to define property details ○ Homeowner → Servicer to inform of written sales offer ○ Servicer → Homeowner to communicate approval or denial of the sales offer <p>Alternative Request for Approval of Short Sale (Alternative RASS)</p> <ul style="list-style-type: none"> • Two-way communications document when sales contract is received for properties listed without an SSA <ul style="list-style-type: none"> ○ Homeowner → Servicer when homeowner has a (previously) executed sales contract and is requesting servicer to approve a short sale ○ Servicer → Homeowner to review offer/provide approval <p>Deed-in-Lieu Agreement (DIL Agreement)</p> <ul style="list-style-type: none"> • Outlines roles and responsibilities of all parties • Provides key terms and conditions • May be included as part of the SSA <p><i>Documents available on HMPAdmin.com</i></p>
Incentives	<p>HAFA provides incentives for stakeholders in the transaction, including the following:</p> <ul style="list-style-type: none"> • For servicers: \$1,500 to cover administrative costs • For investors: up to \$2,000 to cover proceeds distributed to subordinate lien holders • For homeowners: \$3,000 for relocation assistance
Resources	<p>Sources of Information</p> <ul style="list-style-type: none"> • Making Home Affordable Program Handbook for Servicers of Non-GSE Mortgages (Handbook): www.HMPAdmin.com • Making Home Affordable website: www.MakingHomeAffordable.gov • Case Escalations: escalations@hmpadmin.com