



NMN Foundation: A Nonprofit Organization

The HAFA program took effect on April 5, 2010

The U.S. Treasury Department introduced the new (*HAFA*) *Home Affordable Foreclosure Alternative Program* to provide a viable option for homeowners who are unable to keep their homes. In the wake of the failure of Mortgage Servicers to modify loans, the *HAFA* program may be the answer that the American consumer has been waiting for. Before this new program, there was the *Home Affordable Modification Program (HAMP)* where lenders, servicers, and investors were using more of a “case by case” or “make sense” approach to try and just modify mortgage loans. In the past, long term modifications were being granted due to this sensible approach. Unfortunately it did not keep going this direction for the American home owner.

Then came the *TRIAL Modification* program, which is a part of the *HAMP* program and since this started, the number of long term modifications granted so far are appalling numbers. As of November 2009 there were **1,032,337** Trial period offers. The lender or servicer provides you with a reduced payment for 3 months totaling 31% of your estimated income. Then, a permanent Modification was to be offered after you satisfied this payment period and if your lender was convinced that you qualified after they completed a thorough review of your file. So far, only **31,832** permanent modifications have been granted (**3%**). Why so few? It has come to our attention that this trial program may have been drafted or agreed upon by the servicers in order to just collect delinquent mortgage interest that they had very little chance of collecting if borrowers were on the fence of whether or not they would let the Lender foreclose. Selling the false hope of receiving a modification would entice hopeful borrowers into paying something.

Long story short is that you have a 3% chance of getting a permanent Loan Modification. Several articles we have recently reviewed have stated that it has now decreased even further down to a .5% chance of getting a permanent modification. We suggest that Homeowners be very careful of whom they get their figures from and considering that many companies scam clients into paying for guaranteed modifications that never surface. A Trial modification is not worth paying anyone to help you achieve (since you can get this from your lender yourself!) and it insures no guarantees for the future.

We are very hopeful that the *HAFA* program below can help make a difference in this housing crisis that seems to keep looming onward. Owning a home has always been “pitched” to borrowers as a great investment. Take away the emotion and you may find

that short sales may be the only way out. Use logic before you make a decision you may actually regret. Owing a property that you are buried in may not make any sense whatsoever!

Editor: NMN Foundation

Home Affordable Foreclosure Alternative (HAFA): Current updates and Details

On November 30, 2009, the Treasury Department released guidelines and forms for its new Home Affordable Foreclosure Alternatives Program (HAFA). HAFA is part of the Home Affordable Modification Program (HAMP). HAFA provides incentives in connection with a short sale or a deed-in-lieu of foreclosure (DIL) used to avoid foreclosure on a loan eligible for modification under the HAMP program. Servicers participating in HAMP are also required to comply with HAFA. A list of servicers participating in HAMP is available at MakingHomeAffordable.gov.

HAFA applies to loans not owned or guaranteed by Fannie Mae or Freddie Mac, which will issue their own versions of HAFA in coming weeks.

NMN will make available these guidelines as soon as they are released!

HAFA is a complex program, with 43 pages of guidelines and forms, designed to simplify and streamline use of short sales and deeds-in-lieu of foreclosure. HAFA:

- Complements HAMP by providing a viable alternative for borrowers (the current homeowners) who are HAMP eligible but nevertheless unable to keep their home.
- Uses borrower financial and hardship information already collected in connection with consideration of a loan modification.
- Allows borrowers to receive pre-approved short sales terms before listing the property (including the minimum acceptable net proceeds).
- Prohibits the servicers from requiring a reduction in the real estate commission agreed upon in the listing agreement (up to 6 percent).
- Requires borrowers to be fully released from future liability for the first mortgage debt (no cash contribution, promissory note, or deficiency judgment is allowed).
- Uses standard processes, documents, and timeframes/deadlines.
- Provides financial incentives: \$1,500 for borrower relocation assistance; \$1,000 for servicers to cover administrative and processing costs; and up to \$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).
- Requires all servicers participating in HAMP to implement HAFA in accordance with their own written policy, consistent with investor guidelines. The policy may include factors such

as the severity of the potential loss, local markets, and timing of pending foreclosure actions, and borrower motivation and cooperation.

The program does not take effect until April 5, 2010, but servicers may implement it before then if they meet certain requirements. The program sunsets on December 31, 2012.

We have attached this current **List of Servicers** that have signed up or have been currently participating in **HAMP** that will soon be required to participate in the **Hafa** program. It also includes their contact information for any inquiry.

Another update as of April 5th 2010

The Obama Administration today launches its first program to offer a short sale, or a deed-in-lieu, to rescue homeowners from foreclosure, while forgiving the difference between the sale price and the amount owed on mortgages.

Home Affordable Foreclosure Alternatives, or Hafa, is intended to reduce the need for potentially lengthy and expensive foreclosure proceedings.

Administrators see it as a substantially better outcome than a foreclosure sale for borrowers, investors and communities. The program's goals include minimizing the time a property may sit vacant and subject to deterioration, a problem that has plagued the worst hit neighborhoods in some states.

But its greatest benefit is to the desperate homeowner who could not be helped by the more common foreclosure prevention method: a reduction in mortgage payments. Those eligible for Hafa have either failed to qualify or were not able to finish a trial with the government's primary \$75 billion Home Affordable Modification Program, or HAMP.

The main mortgage relief program continues to be revised as criticism mounts that too few homeowners have received permanent relief, and even fewer have been granted mortgage write-downs.

In a short sale, the servicer allows the borrower to list and sell the mortgaged property with the understanding that the net proceeds may be less than the total amount due on the primary mortgage and any subordinate lien. But with Hafa, the difference is forgiven, and the seller can even qualify for up to \$3,000 in relocation assistance.

In a deed-in-lieu of foreclosure (DIL), the borrower voluntarily transfers ownership of the mortgaged property to the servicer in full satisfaction of the total amount due.

The servicer will be paid \$1,500 to cover administrative and processing costs for a short sale or DIL. The investor will be paid a maximum of \$2,000 for allowing a portion of the short-sale proceeds to pay subordinate lien holders.

Under HAFA, a list price will be determined for the home and the seller is provided an “acceptable sale proceeds” figure – the minimum amount that the lender must receive after sales costs – from the sale of the home.

When an offer is made on the home, the seller will submit the required documentation for approval.

Once the sale closes, the seller will be released from all responsibilities for repaying the mortgage. In addition, the seller will receive up to \$3,000 to help pay some expenses. The check will be paid by the settlement agent as part of the closing.

If there is money left over from the sale after paying the amount owed on the mortgage, plus the approved sale costs, the seller will not be eligible to receive the \$3,000.

The short sale must be “at arm’s length.” The property cannot be listed with or sold to a relative, friend or business colleague.

The seller must also agree to share information about outstanding mortgages, liens, credit history and relocation plans with brokers and other third parties that could be involved in the transaction, including U.S. Treasury employees and its financial agents, Fannie Mae and Freddie Mac.

The HAFA Servicer will follow “standard industry practice” and report to the major credit reporting agencies that the mortgage was settled for less than the full payment. “We have no control over, or responsibility for the impact of this report on your credit score,” HAFA program literature states.

For more information: <http://makinghomeaffordable.gov/hafa.html>

Good links for review:

http://makinghomeaffordable.gov/contact_servicer.html

<http://activerain.com/blog/view/1433868/more-hamp-statistics-as-of-nov-2009>

<http://loanmodificationhomeownerresources.org/2009/10/31/government-loan-modification-program-hamp-is-only-helping-very-few-homeowners/>

<http://loanmodificationhomeownerresources.org/2009/10/28/government-hamp-loan-modification-numbers-are-a-total-sham-according-to-expert/>

<http://demottrealestate.com/blog/home-affordable-modification-program-hamp-outline/>