

## FAQ - For Homeowners

You may have heard about HAFA on the news or from friends and probably have some questions about what it is, how it works, and how it can save you from the financial ruin brought on by a foreclosure. Here are some answers you may find helpful:

### What does HAFA stand for?

Also known as the "April Program," HAFA stands for Home Affordable Foreclosure Alternatives. It's a brand-new government program that began on April 5, 2010, aimed at streamlining and incentivizing alternatives to foreclosure. Under HAFA, participating banks must work with you to help you avoid foreclosure.<sup>1</sup>

### What are the "Alternatives" in HAFA?

HAFA provides two alternatives that will allow you to avoid foreclosure:

- Short Sale - If you owe more on your home than it is now worth, a short sale will help you sell your home and save yourself from financial ruin. According to HAFA, a real estate agent must be involved in this process. Agents with the DPCA designation are specially trained to help you with a short sale.
- Deed-In-Lieu - This is where the bank accepts the deed of your home instead of ("in-lieu of") foreclosure. You do not get to keep your home, but your mortgage debt is forgiven.

HAFA also provides up to \$3,000 in Borrower Relocation Assistance to help you transition beyond a short sale or deed-in-lieu of foreclosure.<sup>2</sup>

### Why should I consider a HAFA short sale?

HAFA sets distinct guidelines and incentives for banks and lending companies so that you will know whether or not you can complete a short sale. One of the common myths about short sales is that they take forever to complete. HAFA makes sure that short sales happen more quickly by streamlining the short sale process.

### How is HAFA different from a short sale?

The main issue with traditional short sales was that they took too long, and it was difficult to keep buyers interested in the process. HAFA is a program designed to speed up the short sale process and even gives banks incentives for each short sale they do.<sup>3,4</sup> Also, after completing a HAFA short sale, you may be given up to \$3,000 in Borrower Relocation Assistance to help you transition. During a non-HAFA short sale, there is no government incentive for banks to help you.

### Do I have to hire a real estate professional for a HAFA short sale?

Yes, but it doesn't cost you anything.<sup>5</sup> Under HAFA, the real estate professional's fees may be deducted from the sale proceeds.<sup>6</sup> It is a requirement of a HAFA short sale that you work with a real estate professional to help you through the process.<sup>7</sup> DPCA-designated agents understand this process, and are located throughout the country. Contact Joseph Capote at (650) 269-3000 today to get started.

### How do I get started?

Your first step should be to contact an educated real estate professional in your area. An agent can walk you through the HAFA process, determine your eligibility, and provide you with the best solutions available for your particular circumstances.

### How do I qualify?

Most homeowners facing financial hardship can qualify for HAFA. If you applied for a HAMP Trial Period Plan but did not qualify, or were unable to complete the Trial Period Plan, you are definitely eligible for HAFA.<sup>8</sup> If you are unsure about your situation, contact Joseph Capote at (650) 269-3000.

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### **What's in it for me?**

HAFAs are the only program that gives you cash for avoiding foreclosure through a short sale or deed-in-lieu of foreclosure. If you complete a short sale or deed-in-lieu, then up to \$3,000 in Borrower Relocation Assistance may be available to aid in your transition.<sup>9</sup> This program seeks to ensure that no one will be left high-and-dry if they cannot afford their home. The biggest gain of HAFAs, however, is that it helps you get your life back if you feel like there are no other solutions when faced with foreclosure.

### **How long does the process take?**

HAFAs speed up the short sale process by putting in place distinct timelines that the banks – and you – must follow. Each step of the process has a defined amount of days in which it must happen. This keeps everyone on track. The longest minimal time expected in the HAFAs short sale process is five months.<sup>10</sup> However, the term of the SSA may be extended at the discretion of the servicer up to a total term of 12 months if agreed to by the borrower, in accordance with the requirements of the investor.<sup>11</sup> Servicers can extend HAFAs timeframes as necessary to accommodate delays in obtaining court approvals or receiving any periodic payment when they are made to a trustee.<sup>12</sup>

### **What is the April Program?**

HAFAs are commonly referred to as the April Program.

### **HAFAs Scams**

There are many people out there trying to scam homeowners by requesting up-front fees for HAFAs short sales. This is fraud. A DPCA-designated agent will never ask you for money.

[MakingHomeAffordable.gov](http://MakingHomeAffordable.gov) (MHA) provides the following guidelines:

- Beware of anyone who asks you to pay a fee in exchange for counseling service or modification of a delinquent loan.
- Scam artists often target homeowners who are struggling to meet their mortgage commitment or anxious to sell their homes.
- Beware of people who pressure you to sign papers immediately, or who try to convince you that they can "save" your home if you sign paperwork or transfer over the deed to your house.
- Never make a mortgage payment to anyone other than your mortgage company without their approval.
- Do not sign over the deed to your property to any organization or individual unless you are working directly with your mortgage company to forgive your debt.

### **What is an Alain Pinel Distressed Property Certified Agent?**

An Alain Pinel Distressed Property Certified Agent is a real estate professional who has undergone specialized training in foreclosure avoidance options, specifically short sales. The education that the AP DPCA receives is based 100% on helping homeowners avoid foreclosure and assisting them through this difficult and oftentimes confusing process. If you are facing a financial hardship and may not be able to make payments on your home, and would like to know more about alternatives to foreclosure such as HAFAs, contact Joseph Capote today at (650) 269-3000.

### **What is foreclosure?**

If you are in a financial hardship or cannot make payments on your home, the bank can take your home away from you through a foreclosure, which leaves your credit horribly damaged, your security clearance compromised (if applicable), challenges your present and future employment, and you may still owe money to the bank. It's a nightmare situation that has been happening to millions of Americans. HAFAs have been created to provide alternatives to foreclosure, and DPCA-designated agents

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are here to help.

#### What are the tax considerations of a HAFA short sale or deed-in-lieu?

The difference between the *remaining amount of principal owed* and the *amount that the servicer receives* from the sale must be reported to the Internal Revenue Service (IRS) on Form 1099C, as debt forgiveness. In some cases, debt forgiveness could be taxed as income. The \$3,000 Borrower Relocation Assistance may also be reported as income.<sup>13</sup> A short sale may have income tax consequences and/or may have a derogatory impact on your credit score.<sup>14</sup> You should [contact the IRS](#) or your tax preparer to determine if you may have any tax liability.

In the case of a deed-in-lieu, the difference between the *remaining amount of principal you owe* and the *current market value* of the property must be reported to the Internal Revenue Service (IRS) on Form 1099-C as debt forgiveness. In some cases, debt forgiveness could be taxed as income. The \$3,000 Borrower Relocation Assistance may also be reported as income.<sup>15</sup> You should [contact the IRS](#) or your tax preparer to determine if you may have any tax liability.

#### Why would banks want to participate in HAFA?

Foreclosures are costly and expensive for banks. When a bank forecloses on a home, they become responsible for selling it. It's difficult for banks to sell foreclosed homes (banks are not in the business of buying or selling homes). HAFA provides a streamlined set of guidelines for banks and homeowners to do short sales—the best alternative to a foreclosure. Additionally, HAFA provides financial incentives to banks to participate in HAFA.<sup>15</sup>

*Last updated: 21 April 2010*

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#### Sources:

1. Making Home Affordable. "Home Affordable Foreclosure Alternatives Program: Overview" (2010): [https://www.hmpadmin.com/portal/programs/foreclosure\\_alternatives.html](https://www.hmpadmin.com/portal/programs/foreclosure_alternatives.html)
  - o Updated March 26, 2010
2. Making Home Affordable. *Supplemental Directive 09-09 Revised "Incentive Compensation"* p. 12 (2010): <https://www.hmpadmin.com/portal/docs/hafa/sd0909r.pdf>
  - o Updated March 26, 2010
3. *Ibid.* p. 13
4. *Ibid.* "General Terms and Conditions" p. 11
5. *Ibid.* "Borrower Fees" p. 12
6. Making Home Affordable. *Short Sale Agreement (Exhibit A)* p. 1 (2010): [http://www.hmpadmin.co/portal/docs/hafa/hafaletters\\_ssagreement.doc](http://www.hmpadmin.co/portal/docs/hafa/hafaletters_ssagreement.doc)
  - o Updated March 26, 2010
7. Making Home Affordable. *Supplemental Directive 09-09 Revised "Short Sale Agreement"* p. 7 (2010): <https://www.hmpadmin.com/portal/docs/hafa/sd0909r.pdf>
8. *Ibid.* "HAFA Consideration" p. 3
9. *Ibid.* "Incentive Compensation" p. 12
10. Five months was calculated by adding: 30 days servicer contact time, plus 120 days from the time of signing the Short Sale Agreement to equal 150 days – or five months
  - o See: Making Home Affordable. *Supplemental Directive 09-09 Revised* (2010): <https://www.hmpadmin.com/portal/docs/hafa/sd0909r.pdf> for detailed information
11. *Ibid.* "Short Sale" p. 7
12. *Ibid.* p. 6

13. *Short Sale Agreement (Exhibit A) "Additional Information"* p. 3 (2010):  
[http://www.hmpadmin.co/portal/docs/hafa/hafaletters\\_ssagreement.doc](http://www.hmpadmin.co/portal/docs/hafa/hafaletters_ssagreement.doc)
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14. *Making Home Affordable. Supplemental Directive 09-09 Revised "Short Sale Agreement"* p. 8 (2010): <https://www.hmpadmin.com/portal/docs/hafa/sd0909r.pdf>
15. *Deed-in-Lieu Agreement (Exhibit C) "Terms and Conditions"* p. 2 (2010):  
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