

WHAT IS HAFA?

The Home Affordable Foreclosure Alternatives (HAFA) Program is a government-sponsored initiative overseen by the US Treasury Department and administered by Fannie Mae assisting all Home Affordable Modification Program (HAMP)-eligible homeowners in avoiding foreclosure, specifically through short sales or deeds-in-lieu of foreclosure. HAFA was announced on November 30, 2009 in a HAMP Update titled Introducing the Home Affordable Foreclosure Alternatives Program.

HAFA directs lenders to assist eligible homeowners in quickly and effectively implementing short sales or deeds-in-lieu by providing financial incentives to lenders that carry out foreclosure alternatives through the program's guidelines set forth in Supplemental Directive 09-09 Revised (revised March 26, 2010). The program was introduced in part with the intent to remove the stigma from short sales and help keep communities from being destroyed through massive foreclosures. HAFA in its current state is only applicable to conventional-type, non-Governmental Serviced Enterprises (non-GSE) mortgages and therefore does not apply to loans owned or guaranteed by Fannie Mae or Freddie Mac. These organizations may have plans to release their own versions of HAFA.

DETAILS OF HAFA

HAFA was introduced to simplify and streamline the short sale process. HAFA accomplishes this in the following ways:

- Compliments HAMP by providing viable alternatives for borrowers who are HAMP eligible
- Uses standard processes, documents and timeframes
- Provides financial incentives to borrowers, servicers and investors
- Requires that borrowers be fully released from future liability for the debt
- Utilizes borrower financial and hardship information collected in conjunction with HAMP, eliminating the need for additional eligibility analysis
- Allows the borrower to receive pre-approved short sale terms prior to the property listing
- Prohibits the servicer from requiring, as a condition of approving the short sale, a reduction in the real estate commission agreed upon in the listing agreement

HAFA provides financial incentives as follows:

- Homeowners qualify for \$3,000 (updated March 26, 2010; was previously \$1,500) in Borrower Relocation Assistance after a short sale or deed-in-lieu has been completed (may classify as taxable income in some cases)
- Financial incentives for servicers participating in the program include up to \$1,500 (updated March 26, 2010; was previously \$1,000) servicing bonus upon completion of a short sale or deed-in-lieu
- Financial incentives for investors include up to \$2,000 (updated March 26, 2010; was previously \$1,000) for those who allow a total of up to \$6,000 in short sale proceeds to be distributed to subordinate lien holders. This reimbursement will be earned on a one-for-three matching basis
- Lenders pay all servicing fees — homeowners have no out-of-pocket expenses

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