

## Frequently Asked Questions

### Home Affordable Foreclosure Alternative (HAFA) Program

#### What is the Federal Treasury Department's Home Affordable Foreclosure Alternative (HAFA) Program?

The HAFA program offers financial incentives to both the homeowner/borrower and the mortgage lender in exchange for avoiding a foreclosure.

#### *What Are the HAFA Provisions?*

- HAFA complements Home Affordable Modification Program (HAMP) - where eligible mortgagees apply to lower their monthly payments to 31% of their pre-tax income, or lower, through a loan modification - 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).
- 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 time-frames/deadlines.
- Provides the following financial incentives:
  - \$3,000 for borrower relocation assistance;
  - \$1,500 for servicers to cover administrative and processing costs;
  - Up to \$2,000 for investors who allow a total of up to \$6,000 in short sale proceeds to be distributed to subordinate lien holders, on a one-for-three matching basis.
- Requires all loan 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, timing of pending foreclosure actions, and borrower motivation and cooperation.

## **What are the Eligibility Requirements for the New HAFA Short Sale Option?**

- The property must be the borrower's primary residence
- The loan must have originated before 2009, and
- The unpaid principle balance for a single unit has to be no more than \$729,750
- The monthly mortgage payment must be more than 31% of the borrower's gross monthly income, and it needs to be proven that the borrower can't afford to keep the home due to financial hardship.

## **If Accepted Under the HAFA Short Sale Program, What Happens Next?**

Qualifying applicants will be notified by mail within 30 days, and will have 14 days to respond.

Once you sign a HAFA short sale agreement, the lender will request a pre-sale assessment in which the lender determines the home's list price, or the minimum amount it will accept after sales costs. Working with your short sale real estate agent, you need to list and sell the home at the approved price. To speed up the process, you'll need to maintain its condition and be cooperative about showing it.