



## Home Affordable Foreclosure Alternatives

### **A streamlined approach for short sales and deeds-in-lieu to help more borrowers avoid foreclosure**

As a component of the Making Home Affordable Program (MHA), the Home Affordable Foreclosure Alternatives (HAFA) initiative offers eligible borrowers who did not qualify for or complete a permanent modification under the Home Affordable Modification program (HAMP) or another home retention option to avoid foreclosure. HAFA solutions help stabilize communities by limiting foreclosures in surrounding neighborhoods and allow affected borrowers to transition into more affordable housing.

#### **Program Eligibility**

- The initiative is mandatory August 1, 2010, for first-lien mortgages owned, guaranteed, or securitized by Freddie Mac that were originated on or before January 1, 2009, and it will expire December 31, 2012.
- Eligible properties are single-family 1-4 unit primary residences, including condos, *Single-Family Seller/Service Guide* (Guide)-eligible manufactured homes, and negotiated conforming jumbos.
- Servicers must verify that the borrower is occupying the property as a primary residence, and it is not abandoned, condemned, or vacant (without an applicable exception).
- Borrowers must meet the basic eligibility criteria for HAMP, but not qualify for or complete a HAMP modification or other Freddie Mac home retention solutions.
- Borrowers must be more than 60 days delinquent and have cash reserves less than the greater of \$5,000 or three times their current monthly mortgage payment.
- Borrowers who may be in foreclosure, in pending litigation involving the mortgage, or who are in active bankruptcy may be eligible for this initiative.
- Borrowers must be able to convey a clear, marketable title to the mortgaged property.

#### **Key Features**

- The initiative strives to help borrowers who do not qualify for or complete a HAMP permanent modification, or other Freddie Mac foreclosure alternatives, transition into more affordable housing and avoid foreclosure.
- Servicers must proactively offer a HAFA Short Sale to eligible borrowers and use standard documents and tools.
- All potentially eligible borrowers must be considered for HAFA before the mortgage is referred to foreclosure or a pending foreclosure sale is conducted.
- Borrowers cannot make cash contributions or promissory note obligations to satisfy either the first lien or subordinate liens, and upon completion of the HAFA Short Sale or HAFA Deed-in-Lieu all mortgage debts are extinguished.
- Borrowers and Servicers may receive incentives for successfully closing a HAFA Short Sale or HAFA Deed-in-Lieu, subject to certain requirements.

HOME AFFORDABLE FORECLOSURE ALTERNATIVES	
<b>General Solicitation</b>	<ul style="list-style-type: none"> <li>• Servicers must consider HAMP-eligible borrowers for HAFA within 30 calendar days after the borrower: <ul style="list-style-type: none"> <li>▪ Is determined by the Servicer they do not qualify for a HAMP Trial Period Plan.</li> <li>▪ Does not successfully complete a HAMP Trial Period Plan.</li> <li>▪ Is delinquent on his or her modified mortgage by missing at least two consecutive payments.</li> <li>▪ Is offered, but refuses, a HAMP Trial Period Plan and any other Freddie Mac home retention solution, and requests a short sale or deed-in-lieu of foreclosure.</li> </ul> </li> </ul>
<b>Short Sale Solicitation</b>	<ul style="list-style-type: none"> <li>• Servicers must proactively notify eligible borrowers about the availability of a HAFA Short Sale in writing and allow the borrower 14 calendar days from the date of the notice to respond to the offer.</li> <li>• Borrowers cannot be offered a <i>HAFA Short Sale Agreement</i> if they are in an active HAMP Trial Period Plan, performing on a HAMP modification, or being evaluated for a Freddie Mac Short Payoff.</li> </ul>
<b>Deed-in-Lieu Solicitation</b>	<ul style="list-style-type: none"> <li>• A HAFA Deed-in-Lieu may be offered if the home does not sell within the HAFA Short Sale marketing period, and Freddie Mac authorizes the HAFA Deed-in-Lieu.</li> </ul>
SERVICING TECHNOLOGY	
<b>Workout Prospector<sup>®</sup></b>	<ul style="list-style-type: none"> <li>• Servicers must use Workout Prospector for all borrowers being considered for a HAFA Short Sale or HAFA Deed-in-Lieu.</li> </ul>
FEES AND INCENTIVES	
<b>Amounts Paid by Borrower</b>	<ul style="list-style-type: none"> <li>• No borrower processing fees may be charged to the borrower. The borrower cannot be required to make a cash contribution or execute a promissory note to release the first lien or any subordinate lien(s).</li> </ul>
<b>Fees Paid by Servicer</b>	<ul style="list-style-type: none"> <li>• Notary fees, release fees, property valuation fees, credit report fees, and other required fees.</li> <li>• May request reimbursement for certain costs that would otherwise be paid by the borrower.</li> </ul>
<b>Subordinate Lien Holder Incentives</b>	<ul style="list-style-type: none"> <li>• Six percent of the outstanding unpaid principal balance of each subordinate lien in order of lien priority, with an aggregate total of \$6,000 to all lien holders, will be offered in exchange for releasing their liens and satisfying the underlying debts.</li> </ul>
<b>Servicer Incentives and Reimbursements</b>	<ul style="list-style-type: none"> <li>• \$2,200 will be paid upon successful completion of the borrower's HAFA Short Sale and \$1,500 for a HAFA Deed-in-Lieu.</li> </ul>
<b>Borrower Incentives</b>	<ul style="list-style-type: none"> <li>• \$3,000 will be paid to the borrower to help with relocation expenses after a completed HAFA Short Sale or HAFA Deed-in-Lieu.</li> </ul>

**For More Information:**

- Call 800-FREDDIE.
- Contact your Freddie Mac representative.
- Visit Freddie Mac's Home Affordable Foreclosure Alternatives Web page at [FreddieMac.com/singlefamily/service/hafa.html](http://FreddieMac.com/singlefamily/service/hafa.html)
- Additional information about the federal Making Home Affordable program can be found at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).

*Servicer understands that this document may not incorporate every requirement under, and is not to be relied on as a replacement or substitute for, the information contained in the Single-Family Seller/Servicer Guide (Guide) or Guide Bulletin. Servicer is responsible for complying with the requirements of the Guide and relevant Guide Bulletins(s), notwithstanding the extent to which they may be inconsistent with this document. Refer to Chapter D65 of the Guide.*