

## Home Affordable Foreclosure Alternatives

### Introduction of Home Affordable Foreclosure Alternatives Program

On June 1, 2010, Fannie Mae released Servicing Guide Announcement SVC-2010-07: Introduction of Fannie Mae's Home Affordable Foreclosure Alternatives Program to provide servicer guidance and direction for using the short sale or deed-in-lieu (DIL) process for borrowers who qualified for, but did not complete, a loan modification under the Home Affordable Modification Program (HAMP).

#### Announcement SVC-2010-07

Servicing Guide Announcement SVC-2010-07 provides an overview of the Fannie Mae Home Affordable Foreclosure Alternatives (HAFA), which, like Treasury's Supplemental Directive 09-09 Revised, is designed to mitigate the impact of foreclosures on borrowers who are eligible for a loan modification under the Home Affordable Modification Program (HAMP), but ultimately were unsuccessful in obtaining one.

- [View Announcement](#)
- [Supplemental Directive 09-09 Revised](#)

Fannie Mae's HAFA provides financial incentives to servicers and borrowers who utilize a short sale or a deed-in-lieu (DIL) of foreclosure to avoid a foreclosure on eligible loans, which helps preserve the condition and value of the property by minimizing the time a property is vacant and subject to vandalism and deterioration.

The effective implementation date is August 1, 2010; however, servicers are encouraged to implement the Fannie Mae HAFA earlier than that date.

## HAFA Program Summary

The Fannie Mae HAFA program simplifies and streamlines the use of short or "preforeclosure" sale and deed-in-lieu of foreclosure (DIL) options by incorporating the following unique features:

- Complements HAMP by providing alternatives for borrowers who are HAMP eligible (including borrowers facing imminent default);
- Utilizes verified 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;
- Releases the successful HAFA borrower from future liability for the debt;
- Uses standard processes, documents, and timeframes;
- Provides financial incentives to borrowers, servicers and subordinate lienholders.

## Incentive Compensation

### Servicer Incentives

- Short sale - \$2,200 incentive fee
  - DIL - \$1,500 incentive fee
- No servicer or borrower incentive will be paid for short sales on Fannie Mae second lien mortgage loans.

### Borrower Incentives

- Short sale or DIL - \$3,000 to assist with relocation expenses
- In most circumstances, the borrower will receive funds at closing of a short sale or within 5 days after the servicer's

acceptance of a DIL, provided the borrower has vacated the property and left it in acceptable condition.

## Documentation

### Servicer Materials

Servicer-specific materials are available to assist servicers with implementing and better understanding the Fannie Mae HAFA:

- [BPO Vender Contact List \(.xls\)](#)  
Required network of vendors approved to provide a broker price opinion (BPO) when determining the market value of a property.
- [Retrieving Fannie Mae's Response for HAFA Short Sale and Deed-in-Lieu BPOs \(.pdf\)](#)  
Refer to this document for step-by-step instructions on how to use a new tool called Loss Mitigation Valuations that allows servicers to retrieve Fannie Mae's response for HAFA short sale and deed-in-lieu broker price opinions (BPOs). If the response is favorable, servicers will also retrieve the minimum acceptable net proceeds (MANP) that Fannie Mae has set for the property.
- [Home Affordable Foreclosure Alternatives \(HAFA\) Program Overview \(.pdf\)](#)  
Refer to this document for an overview regarding the Home Affordable Foreclosure Alternatives (HAFA) Program.
- [The HAFA Implementation Process Steps \(.pdf\)](#)  
Refer to this document for step-by-step instructions on how to implement HAFA for eligible borrowers.
- Introducing the Home Affordable Foreclosure Alternatives Program - Coming Soon!  
Recorded Tutorial

### Borrower Documentation

Servicers must use the following borrower documentation when qualifying a borrower for a HAFA short sale or DIL:

- [HAFA Initial Solicitation Letter \(Form 183\)](#)  
Notifies a borrower of the availability of the short sale and DIL options.
- [HAFA Short Sale Agreement \(Form 184\)](#)  
Defines the terms and conditions of a short sale, including the following:
  1. listing agreement, maximum real estate commissions and marketing terms;
  2. servicer and borrower obligations and duties;
  3. acknowledgement of risks, conditions, and contingencies; and
  4. conditions for early termination.
- [HAFA Request for Approval of Short Sale \("RASS"\) \(Form 184A\)](#)  
Defines the terms and conditions of a short sale transaction acceptable to the servicer and, together with the sales contract, provides settlement instructions to the borrower's settlement agent. The servicer will attach Form 184A as an exhibit to the HAFA Short Sale Agreement pre-populated with the servicer contact information, property address and the servicer's loan number.
- [HAFA Request for Approval of Short Sale without Short Sale Agreement \(Form 185\)](#)  
Must be used when a borrower submits an executed sales contract before the servicer and borrower have entered into a HAFA Short Sale Agreement.
- [HAFA DIL Agreement \(Form 186\)](#)  
Defines the terms and conditions for a DIL

Servicers must revise the documents as necessary to comply with applicable laws, may revise the documents based on local real estate practice and may customize the forms with servicer specific logos.

## Reporting Requirements

### Reporting to Fannie Mae via HSSN

- Short Sale  
Within 24 hours after the servicer receives the final signed HUD-1 Settlement Statement and the net sales proceeds (but in no event after the date the Action Code 71 is reported to Fannie Mae's investor reporting system), it must report the completion of the short sale by submitting a closed case in HSSN.
- DIL  
Within 24 hours after a borrower executes the warranty deed, the servicer must submit a closed case in HSSN and an REOgram® to notify Fannie Mae of the property acquisition.

Access to the HomeSaver Solutions® Network (HSSN) is via the Asset Management Network (AMN) on eFannieMae.com.

[AMN page](#)

#### **Reporting to Treasury**

- Servicers are required to report short sales or DILs executed under the Fannie Mae HAFA program to Treasury.
- Servicer must report periodic HAFA activity to Treasury through the servicer web portal accessible on HMPadmin.com.  
[HMPadmin.com](#)

#### **Credit Bureau Reporting**

- Servicers must continue to report a "full-file" status report to the four major credit repositories in accordance with the Fair Credit Reporting Act and credit bureau requirements as provided by the Consumer Data Industry Association (CDIA).