

# Behind on Payments?

## *Understanding HAFA*

### Solving the Foreclosure Crisis One Home Owner at a Time

#### **New Alternatives are Available**

The government's Home Affordable Foreclosure Alternatives Program is here... and you need an advocate.

You may have heard it before, but now it's taking effect: our federal government is actively trying to combat the millions of foreclosures happening across the country.




To address this need for new options, an initiative is in effect called the Home Affordable Foreclosure Alternative Program, or HAFA. While the details of what this means to the government, lenders, servicers and agents are complicated, you – the homeowner – need to clearly understand the new solutions available to you.

This Report provides a straightforward explanation of HAFA and, more importantly, what it means to you.

#### **First: What is HAMP?**

The Home Affordable Modification Program (HAMP) was introduced in March of 2009 to assist homeowners whose mortgage payments were too high and their income levels (more specifically, those exceeding 31 percent of income).

For homeowners whose mortgage payments are only slightly out of reach, HAMP can lower the payments, allowing them to stay in their homes. Unfortunately for most homeowners facing



financial hardship, HAMP can't offer a large enough mortgage reductions, so most who enter the program don't qualify to end up defaulting on the modified mortgages.

Whether through government programs or your lender, this can be a difficult process to understand. Please contact me if you would like additional information to find out if you qualify for a mortgage modification.

### **Okay, So What is HAFA?**

HAFA, or Home Affordable Foreclosure Alternatives, is the government's newest program put in place to benefit homeowners who do not qualify for HAMP assistance. Released in April of 2010, this program is designed to expedite foreclosure avoidance options for homeowners in need. By promoting the swift execution of a shortsale or deed-in-lieu, HAFA can potentially save millions of homeowners from the financially devastating event of foreclosure.

In a shortsale, the property is sold for less than the mortgage amount in order to avoid the foreclosure process.

In a deed-in-lieu of foreclosure, the property is given fully to the lender because the homeowner can no longer make payments, and the property is then sold to retrieve part of the loan balance owed.

### **How Can HAFA Help Me?**

HAFA can potentially save you a lot of grief and heartache by creating standardized processes and setting limits on how long a lender can wait to respond to the shortsale requests. Currently, shortsales can be lengthy transactions, making it difficult for potential buyers of the property to remain in the process.

The program requires participating lenders to determine what they are willing to accept before dealing with a shortsale request – similar to other pre-approval processes. This is so the lender can't abruptly change how much money it wants to receive from the shortsale. The fewer curveballs a lender can throw, the better.

HAFA also benefits homeowners by stopping a lender's ability to pursue a deficiency judgment after a shortsale or deed-in-lieu has been completed.

Prohibition of a deficiency judgment means your lender can't come knocking on your door to collect the portion of the mortgage not covered by the sale of the property. Such protection allows you to more quickly regain financial stability and move on with your life.

Homeowners may also receive a \$3,000 incentive upon completion of a shortsale for relocation costs.

### **HAFSA SPECIFICS**

In order to qualify for the HAFSA program, you first have to meet the initial HAMP criteria.

You must have ALL of the following criteria:

1. Be delinquent on your mortgage or face imminent risk of default
2. Occupy the property as your primary residence
3. Have a mortgage originated on or before January 1, 2009
4. Have an unpaid principle balance no greater than \$729,750 for a one-unit property
5. Have total monthly mortgage payments exceeding 31% of your gross income

If you meet the above criteria, but a mortgage modification still leaves you with an unaffordable mortgage, HAFSA becomes your primary solution to avoid foreclosure, salvage your credit score, and move on with dignity through a shortsale or deed-in-lieu.

HAFSA only applies to loans that are not owned or guaranteed by Fannie Mae or Freddie Mac. A HAFSA shortsale or deed-in-lieu only applies to first lien mortgage loans, but the program does offer lender incentives to assist homeowners who have multiple mortgages on their property.

A deficiency judgment is an action taken against a debtor or borrower whose foreclosure sale or shortsale did not cover the entire mortgage debt owed to the lender. A lender's ability to pursue this course depends on the conditions of the original loan.

### **Why Are Lenders Participating?**

HAFSA offers lenders an incentive of up to \$6,000 for a successfully processed shortsale or deed-in-lieu. The lenders are not permitted to charge you – the homeowner – any processing fees or out-of-pocket expenses, and this incentive is given to them in exchange for that limitation.

The truth is, a select few lenders and mortgage servicers may not participate in the HAFSA program. But despite this, a lender almost always loses more money in a foreclosure than in a shortsale or deed-in-lieu. If a lender is convinced that a homeowner has no way of paying the current mortgage, they will be concerned with salvaging as much of their investment as possible, so shortsalses are generally the best option for them as well.

### **What if My Agent Can't Find a Buyer for My Property?**

If you attempt a shortsale under HAFA and a transaction does not close by the program deadline, the lender will receive your deed-in-lieu of foreclosure. This will provide effectively the same result for you, since either way you will have a more positive solution to foreclosure, your mortgage debt will be forgiven, your credit score will be salvaged, and you will receive the \$3,000 incentive to help with moving costs.

### **Which Lenders Are Currently Participating?**

Generally speaking, lenders who participate in HAFA are also participating in HAMP. As a , I can always prove the most up to date list of lenders participating in HAFA. The following is the U.S. Treasury Department's report of HAMP involvement as of January 2010.

“These (HAFA) options eliminate the need for potentially lengthy and expensive foreclosure proceedings, preserve the physical condition and value of the property by reducing the time and property is vacant, and allow the homeowners to transition with dignity to more affordable housing.”

**David Stevens**, *Commissioner of the Federal Housing Administration*

<http://www.housingwire.com/2009/09/10/federal-incentives-coming-for-short-sales-deeds-in-lieu/>

## Participating Lenders

### Making Home Affordable Program: Servicer Performance Report Through January 2010

Allstate Mortgage Loans & Investments, Inc.	Great Lakes Credit Union	Purdue Employees Federal Credit Union
American Eagle Federal Credit Union	Greater Nevada Mortgage Services	Q lending, Inc.
American Home Mortgage Servicing, Inc.	Green Tree Servicing LLC	Quantum Servicing Corporation
AMS Servicing, LLC	Hartford Savings Bank	RG Mortgage Corporation
Aurora Loan Services LLC	Hillsdale County National Bank	Residential Credit Solutions
Bank of America, N.A.	HomEq Servicing	Roebling Bank
Bank United	HomeStar Bank and Financial Services	RoundPoint Mortgage Servicing Corporation
Bay Federal Credit Union	Home Loan Services, Inc.	Saxon Mortgage Services
Bay Gulf Credit Union	Horicon Bank	Schools Financial Credit Union
Bayview Loan Servicing, LLC	Horizon Bank, NA	SEFCU
CCO Mortgage	Iberiabank	Select Portfolio Servicing
Carrington Mortgage Services, LLC	IBM Southeast Employees Federal Credit Union	Servis One Inc., dba BSI Financial Services, Inc
Central Florida Educators Federal Credit Union	IC Federal Credit Union	ShoreBank
Central Jersey Federal Credit Union	Idaho Housing and Finance Association	Silver State Schools Credit Union
Chase Home Finance LLC	iServe Residential Lending, LLC	Sound Community Bank
Community Bank & Trust Company	iServe Servicing Inc.	Specialized Loan Servicing, LLC
CitiMortgage, Inc.	J.P. Morgan Chase Bank, NA	Spirit of Alaska Federal Credit Union
Citizens 1st National Bank	Lake City Bank	Stanford Federal Credit Union
Citizens First Wholesale Mortgage Co.	Lake National Bank	Sterling Savings Bank
Countrywide Home Loans Servicing LP	Litton Loan Servicing	Tempe Schools Credit Union
CUC Mortgage Corporation	Los Alamos National Bank	Technology Credit Union
Digital Federal Credit Union	Marix Servicing, LLC	The Golden 1 Credit Union
DuPage Credit Union	Midwest Bank and Trust Co.	United Bank
EMC Mortgage Corporation	Mission Federal Credit Union	United Bank Mortgage Corporation
Eaton National Bank & Trust Co	Metropolitan National Bank	Urban Trust Bank
Farmers State Bank	MorEquity, Inc.	U.S. Bank National Association
Fidelity Homestead Savings Bank	Mortgage Center, LLC	Vantium Capital, Inc.
First Bank	Mortgage Clearing Corporation	Verity Credit Union
First Federal Savings and Loan of Port Angeles	National City Bank	Visit Financial Corp.
First National Bank of Grant Park	Nationstar Mortgage LLC	Wachovia Mortgage, FSB
First Keystone Bank	Navy Federal Credit Union	Wachovia Bank, NA
Franklin Credit Management Corporation	Oakland Municipal Credit Union	Wealthbridge Mortgage Corp.
Fresno County Federal Credit Union	Ocwen Financial Corporation, Inc.	Wells Fargo Bank, NA
Glass City Federal Credit Union	OneWest Bank	Wescom Central Credit Union
Glenview State Bank	ORNL Federal Credit Union	Wilshire Credit Corporation
GMAC Mortgage LLC	Park View Federal Savings Bank	Yadkin Valley Bank
Golden Plains Credit Union	PennyMac Loan Services, LLC	
Grafton Suburban Credit Union	PNC Bank, National Association	

Current list of participating lenders at: [http://www.MakingHomeAffordable.gov/contact\\_Servicer.html](http://www.MakingHomeAffordable.gov/contact_Servicer.html)

There is a lot to understand about this program and many aspects of it are likely to change. As a CSP® (Certified Shortsale Professional®) and SFR® (Shortsale and Foreclosure Resource®) designated agent, I keep close attention to the changes as they happen, so that you can get the most relevant, current information, and the best possible service. If you would like to find out more about the HAMP and HAFA programs, or if someone you know needs assistance in avoiding foreclosure, please don't hesitate to contact me. **I'm here to help.**