



Behind on Payments?

Understanding HAFA

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 Alternatives 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 for 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 reduction, so most who enter the program don't qualify or 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 to find out if you qualify for a mortgage modification.

OK, 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 2010, this program is designed to expedite foreclosure avoidance options for homeowners in need. By promoting the swift execution of a short sale or deed-in-lieu, HAFA can potentially save millions of homeowners from the financially devastating event of foreclosure.

In a short sale, 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.

SPECIFICS

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

You must:

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; AND
5. Have total monthly mortgage payments exceeding 31 percent of your gross income.

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





SPECIFICS

HAFAs only apply to loans that are not owned or guaranteed by Fannie Mae or Freddie Mac. A HAFAs short sale 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.

How Can HAFAs Help Me?

HAFAs 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 short sale requests. Currently, short sales can be lengthy transactions, making it difficult for potential buyers of your home to remain in the process.

The program requires participating lenders to determine what they are willing to accept before dealing with a short sale 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 short sale. The fewer curveballs a lender can throw, the better.

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

SPECIFICS

A deficiency judgment is an action taken against a debtor or borrower whose foreclosure sale or short sale 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.

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 transaction. 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 short sale.

Why Are Lenders Participating?

HAFAs offers lenders an incentive of up to \$6,000 for a successfully processed short sale 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 HAFAs program. But despite this, a lender almost always loses more money in a foreclosure than in a short sale 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 short sales are generally the best option for them as well.

What If My Agent Can't Find a Buyer for My Home?

If you attempt a short sale under HAFAs 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 HAFAs are also participating in HAMP. As a CDPE, I can always provide the most up-to-date list of lenders participating in HAFAs. Following is the U.S. Treasury Department's report of HAMP involvement as of January 2010.

"These (HAFAs) options eliminate the need for potentially lengthy and expensive foreclosure proceedings, preserve the physical condition and value of the property by reducing the time a 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.	Grafton Suburban Credit Union	Park View Federal Savings Bank
American Eagle Federal Credit Union	Great Lakes Credit Union	PennyMacLoan Services, LLC
American Home Mortgage Servicing, Inc	Greater Nevada Mortgage Services	PNC Bank, National Association
AMS Servicing, LLC	Green Tree Servicing LLC	Purdue Employees Federal Credit Union
Aurora Loan Services, LLC	Harleysville National Bank & Trust Company	QLending, Inc.
Bank of America, N.A. ¹	Hartford Savings Bank	Quantum Servicing Corporation
Bank United	Hillsdale County National Bank	Residential Credit Solutions
Bay Federal Credit Union	Home Financing Center, Inc	RG Mortgage Corporation
Bay Gulf Credit Union	HomEqServicing	Roebling Bank
BayviewLoan Servicing, LLC	HomeStarBank & Financial Services	RoundPointMortgage Servicing Corporation
Carrington Mortgage Services, LLC	Horicon Bank	Saxon Mortgage Services, Inc.
CCO Mortgage	Horizon Bank, NA	Schools Financial Credit Union
Central Florida Educators Federal Credit Union	Iberiabank	SEFCU
Central Jersey Federal Credit Union	IBM Southeast Employees' Federal Credit Union	Select Portfolio Servicing
Chase Home Finance, LLC	IC Federal Credit Union	ServisOne Inc., dbaBSI Financial Services, Inc.
CitiMortgage, Inc.	Idaho Housing and Finance Association	ShoreBank
Citizens 1st National Bank	iServeResidential Lending LLC	Silver State Schools Credit Union
Citizens First Wholesale Mortgage Company	J.P.MorganChase Bank, NA ²	Sound Community Bank
Community Bank & Trust Company	Lake City Bank	Specialized Loan Servicing, LLC
CUC Mortgage Corporation	Lake National Bank	Spirit of Alaska Federal Credit Union
Digital Federal Credit Union	Litton Loan Servicing	Stanford Federal Credit Union
DuPageCredit Union	Los Alamos National Bank	Sterling Savings Bank
Eaton National Bank & Trust Co	MarixServicing, LLC	Technology Credit Union
Farmers State Bank	Members Mortgage Company, Inc	Tempe Schools Credit Union
Fidelity Homestead Savings Bank	Metropolitan National Bank	The Bryn MawrTrust Co.
First Bank	Mission Federal Credit Union	The Golden 1 Credit Union
First Federal Savings and Loan	MorEquity, Inc.	U.S. Bank National Association
First Federal Savings and Loan Assn. of Lakewood	Mortgage Center, LLC	United Bank of Georgia
First Keystone Bank	Mortgage Clearing Corporation	United Bank Mortgage Corporation
First National Bank of Grant Park	National City Bank	VantiumCapital, Inc.
Franklin Credit Management Corporation	NationstarMortgage LLC	Verity Credit Union
Fresno County Federal Credit Union	Oakland Municipal Credit Union	Wachovia Mortgage, FSB ³
Glass City Federal Credit Union	OcwenFinancial Corporation, Inc.	Wells Fargo Bank, NA
Glenview State Bank	OneWestBank	WescomCentral Credit Union
GMAC Mortgage, Inc.	ORNL Federal Credit Union	Yadkin Valley Bank
Golden Plains Credit Union		

¹Bank of America, NA includes Bank of America, NA, BAC Home Loans Servicing LP, Home Loan Services and Wilshire Credit Corporation.

²J.P. Morgan Chase Bank, NA includes EMC Mortgage Corporation.

³Wachovia Mortgage FSB includes Wachovia Bank NA.

Current list of participating lenders at: 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 CDPE, 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 or HAFA programs, or if someone you know needs assistance in avoiding foreclosure, please don't hesitate to contact me.

I'm here to help.

