



# Escrow Tip

Brought to you by your Mohave Escrow Team

WEEK 54 : June 1, 2010

## SUBJECT: HAFA – Home Affordable Foreclosure Alternatives

**HAFA**, which will help homeowners who are unable to retain their home under the Home Affordable Modification Program (**HAMP**), provides incentives in connection with short sales and deeds-in-lieu of foreclosure.

The program:

- Complements **HAMP** 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 under **HAMP**.
- Allows borrowers to receive pre-approved short sales terms before listing the property (including the minimum acceptable net proceeds).
- Prohibits the servicers from requiring a reduction in the real estate commission agreed upon in the listing agreement (up to 6%).
  - Requires borrowers to be fully released from future liability for the first mortgage debt and, if the subordinate lien holder receives an incentive under **HAFA**, that debt as well (no cash contribution, promissory note, or deficiency judgment is allowed).
  - Uses a standard process, uniform documents, and timeframes/deadlines.
  - Provides financial incentives: \$1,500 for borrower relocation assistance; \$1,000 for servicers to cover administrative and processing costs; and up to a \$1,000 match for investors for allowing a total of up to \$3,000 in short sale proceeds to be distributed to subordinate lien holders.
  - Requires all 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.
  - Does not take effect until **April 5, 2010**, but servicers may implement it before then if they meet certain requirements. The program sunsets on **December 31, 2012**.

### Who is eligible for HAFA?

The borrower must meet the basic eligibility criteria for **HAMP**:

- Principal residence
- First lien originated before 2009
- Mortgage delinquent or default is reasonably foreseeable
- Unpaid principal balance no more than \$729,750 (higher limits for two- to four-unit dwellings)
- Borrower's total monthly payment exceeds 31% of gross income

**HAFA** is a complex program with 43 pages of guidelines and forms. To help you better understand the process, NAR has prepared some frequently asked questions that address the basics. For more information on **HAFA** and more detailed FAQs, please visit [www.realtor.org/shortsales](http://www.realtor.org/shortsales)

Source: National Association of REALTORS Government Affairs Division  
500 New Jersey Avenue, NW, Washington DC 20001

**Your First American Title  
Mohave Team**

**Bullhead City Branch**  
2340 Hwy 95  
Bullhead City, AZ 86442  
928.763.3111



**Denise Goodmiller**  
Escrow Officer



**Jennifer Tatham**  
Escrow Officer

---

**Carol Darrow**, Account Manager  
928.715.3694 | [cdarrow@firstam.com](mailto:cdarrow@firstam.com)