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[Home](#) > [Legal](#) > [Foreclosure & Short Sale Folder](#) > [HAFA Short Sales Fact Sheet](#)

## HAFA Short Sales Fact Sheet

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### Member Legal Services

Tel (213) 739-8282

Fax (213) 480-7724

Feb. 8, 2013 (revised)

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| <b>What is HAFA?</b>  | HAFA is a government-subsidized "Home Affordable Foreclosure Alternatives" program for distressed homeowners to sell their homes to avoid foreclosure, even if the sales price is not enough to pay off their existing mortgage loans. Under HAFA, a participating lender may pre-approve the terms of a short sale prior to listing, using standard forms and specific timeframes. Or an executed offer may be submitted without a pre-approval.  |
| <b>These Rules Apply Only to Participating Lenders</b>                        | HAFA is available for mortgages where the lender has entered into a Home Affordable Modification Program ("HAMP") participation agreement. There are over 100 such participating lenders. The rules in this Fact Sheet apply only to non-GSE participating lenders and are NOT applicable for mortgages owned or guaranteed by Fannie Mae or Freddie Mac, or insured by FHA, VA or the Dept. of Agriculture's Rural Housing Service (known as "Government Sponsored Enterprises" or "GSEs"). Different rules apply to loans by those entities. <a href="#">A list of HAMP participating servicers can be found here.</a> |
| <b>HAFA rules for non-GSEs are more closely aligned with Fannie Mae rules</b> | <p>As of February 1, 2013 the standard HAFA rules as stated in this fact sheet governing non-GSE lenders have been significantly modified for the purpose of better aligning those rules with the ones that govern Fannie Mae and Freddie Mac short sales.</p> <p>Many of the previous forms have been eliminated including the Short Sale Agreement (SSA), the Request for Approval of Short Sale (RASS) and Alternative Request for Approval of Short Sale (Alt RASS). The SSA form has been changed to the Short Sale Notice (SSN). Previously, the SSA was an offer from the lender that the</p>                     |

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|                                     | borrower accepted or rejected. Now, the SSN is simply a unilateral notice that gives the borrower the right to proceed with a short sale under specified terms.  |
| <b>Eligibility</b>                  | <p>The eligibility requirements for a HAFA short sale include the following:</p> <ul style="list-style-type: none"> <li>• The borrower may apply for HAFA directly. Not qualifying for HAMP (loan modification) or failing to successfully complete a trial period is no longer a condition of HAFA eligibility.</li> <li>• The loan is delinquent or default is reasonably foreseeable. Loans currently in foreclosure or bankruptcy are eligible.</li> <li>• The loan is secured by a 1 to 4 unit property. There is no longer a requirement that the property be owner occupied. Nor is there a limit on the number of properties owned by a borrower that may be approved under HAFA. Tenant occupied or vacant properties may be eligible.</li> <li>• The loan must be a first trust deed originated before Jan. 1, 2009.</li> <li>• The borrower's hardship must be verified by the lender. Borrower must sign a Hardship Affidavit or Request for Modification Assistance (RMA) wherein the borrower has represented that he or she does not have sufficient liquid assets to make the monthly mortgage payments.</li> <li>• The borrower must not have been convicted of a felony larceny, theft, fraud, forgery, money laundering, or tax evasion in connection with a mortgage or real estate transaction within the last 10 years (the borrower must sign Dodd-Frank Certification to that effect).</li> <li>• Current unpaid principal balance must be less than the following: 1 Unit \$729,750, 2 Units \$934,200, 3 Units \$1,129,250, 4 Units \$1,403,400.</li> <li>• The borrower is a real person, not an LLC or corporation.</li> <li>• The property securing the loan is not condemned.</li> </ul> |
| <b>Release of Subordinate Liens</b> | <p>Subordinate lien holders will continue to be paid in order of priority. There is no longer a 6% cap with respect of payments to each subordinate lien holder. However the aggregate cap has been raised to \$8,500. This cap does not include payment for non-mortgage liens such as mechanics' liens or HOA assessment liens. Subordinate lien holder(s) may not require contributions from either the real estate agent or borrower as a condition for releasing its lien and releasing the borrower from personal liability. Any payments to subordinate lien holders must be included on the HUD-1 Settlement Statement.</p>  |
| <b>Financial Incentives</b>         | <p>The government incentives under HAFA are as follows:</p> <ul style="list-style-type: none"> <li>• \$3,000 for relocation expenses to borrower, tenant or non-borrower occupant who occupies property as</li> </ul>  |

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|                             | <p>principal residence and is required to vacate as a condition of the HAFA short sale. \$3000 is the total incentive no matter how many occupants.</p> <ul style="list-style-type: none"> <li>• \$1,500 to lender/servicer to cover administrative and processing costs</li> <li>• \$2 reimbursement to investor for every \$3 paid to extinguish junior liens, up to \$5,000 maximum.</li> </ul>   |
| <b>Program Cut-Off Date</b> | <p>The borrower must have submitted a written request (mail, fax or e-mail) for consideration of a short sale, or before pre-approval of a HAFA short sale, written request for approval of an executed sales contract on or before December 31, 2013, and the transaction closing date must be on or before September 30, 2014.</p>   |
| <b>HAFA Procedures</b>      | <p><b>The general procedures for HAFA where borrower seeks pre-approval for short sale:</b></p> <p>Step 1: If a borrower who was not previously evaluated for HAMP requests a short sale, the lender must acknowledge request within 10 days and provide borrower with copy of Hardship Affidavit and description of HAFA evaluation process. Lender must consider borrower for HAFA Short Sale even if borrower did not specifically request it.</p> <p><b>Or</b></p> <p>Step 1: Lender must consider possible HAMP-eligible borrower for HAFA within 30 days of not qualifying for a Trial Period Plan (TPP), not successfully completing a TPP, or losing good standing on HAMP modification. Lender must then proactively notify borrower of eligibility.</p> <p>Step 2: Borrower has 14 days after notification to request short sale. Or a borrower may initiate short sale request on his or her own. (But a borrower cannot participate in a HAFA pre-approved short sale and TPP at the same time).</p> <p>Step 3: Lender has 10 days to acknowledge borrower's request.</p> <p>Step 4: Borrower delivers back Hardship Affidavit or other documents, if so required.</p> <p>Step 5: Lender issues Short Sale Notice (SSN) or other pre-approval notice within 30 days of request for short sale.</p> <p>Step 6: Borrower lists property for sale using a licensed real estate agent.</p> |

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|                            | <p>Step 7: Borrower does not sign or “accept” the SSN. The SSN is a unilateral pre-approval that gives the borrower the right to proceed with a short sale.</p> <p>Step 8: The lender’s SSN must fix a termination date of at least 120 days from the effective date of the SSN.</p> <p>Step 9: Borrower and agent market and sell the property.</p> <p>Step 10: Within three business days following receipt of an executed purchase offer, borrower submits it to the lender along with other requested documents.</p> <p>Step 11: Lender approves sale within 10 business days.</p> <p>Step 12: Sale closes escrow.</p> <p><b>Alternative Procedure where borrower has executed purchase offer prior to receiving HAFA pre-approval</b></p> <p>Step 1: A borrower submits to lender executed sales contract to request short sale</p> <p>Step 2: Lender Acknowledges receipt within 10 days using the Acknowledgement of Request for Short Sale form (ARSS) or similar form</p> <p>Step 3: Borrower provides any additional documentation requested within 14 days including the Hardship Affidavit if necessary</p> <p>Step 4: Lender verifies eligibility and approves or disapproves sale or makes a counter within 30 days of receipt of all offer documents.</p> <p>*See <a href="#">HAFA Short Sale Time Periods</a>.</p> |
| <b>Lender's Evaluation</b> | <p>If a borrower’s financial and hardship information has been verified as part of the HAMP evaluation and the servicer is in possession of a signed Hardship Affidavit or RMA, no additional financial or hardship assessment is required under HAFA. However, in accordance with investor guidelines, the lender/servicer may request updated financial information.</p> <p>When a borrower who was not previously evaluated for HAMP requests a short sale the lender must determine the basic eligibility of the borrower and obtain a completed Hardship Affidavit (or RMA).</p>  |
| <b>Mortgage Insurance</b>  | <p>A mortgage loan does not qualify for HAFA unless the mortgage insurer waives any right to collect additional sums (cash or note) from the borrower.</p>   |

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| <b>The Terms of the Pre-Approval using either Sale Notice (SSN) or the Lender's Own Form</b> | <p>The Pre-Approval must include, among other things, the following:</p> <ul style="list-style-type: none"> <li>• A fixed termination date to be a minimum of 120 calendar days from the Effective Date of the SSN.</li> <li>• A requirement that the property be listed with a licensed real estate professional who is regularly doing business in the community where the property is located.</li> <li>• Either a list price or net proceeds acceptable to the lender.</li> <li>• Notice that the borrower is responsible for property maintenance and repair from Effective Date</li> <li>• The amount of closing costs or other expenses the lender will permit to be deducted from the gross sale proceeds.</li> <li>• An agreement to fully release borrower from all liability for repayment of the loan.</li> <li>• An agreement not to complete a foreclosure sale if borrower complies with SSN.</li> <li>• Amount of acceptable closing costs and up to 6% real estate commission.</li> <li>• Notice that the sale must be an arm's length transaction.</li> <li>• Notice that the buyer must agree not to resell the property within 30 days of closing and for sales between 31 and 90 days after closing, the buyer cannot sell property for more than 120% or the HAFA short sale price.</li> <li>• The borrower, tenant or other non-borrower occupant will be entitled to assistance of \$3,000, as applicable</li> </ul> |
| <b>Tax, Credit, and Other Consequences</b>   | <p>A HAFA short sale may have serious tax, credit, financial, legal, and other consequences. Credit reporting for HAFA short sales must be either 13 "paid or closed/zero balance" or 65 "account paid in full/a foreclosure was started" as applicable. A homeowner is strongly encouraged to seek the advice of a qualified professional regarding these consequences.</p>   |
| <b>Real Estate Commissions</b>   | <p>The real estate commission that may be paid is the amount indicated in the listing agreement between the borrower and the listing broker, provided that the commission may not exceed 6% of the sales contract price. The lender/servicer may not require, as a condition of approving a short sale, a reduction in the real estate commission below the commission stated in the SSN. A fee for any contractor retained by lender to assist the listing broker cannot be charged to the borrower or deducted from the real estate commission if paid from sale proceeds.</p>   |
| <b>Lender's Website Matrix Required</b>  | <p>Each lender/servicer must complete and post to its website a matrix that identifies the lenders/servicer's unique HAFA eligibility criteria and program rules (HAFA Matrix). The Matrix must be consistent with HAFA Policy and any specific investor requirements or prohibitions.</p>   |
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| <b>Fact Sheet Reference Information</b> | All of the information in this Fact Sheet is based upon the MHA Handbook (v4.1 from 12/13/2012) and the Supplemental Directives 12-07 and 12-10. These references replace and supersede all previous Supplemental Directives, FAQs, reference guides, handbooks and waivers with regard to the Making Home Affordable Program for non-GSE mortgages. Links to the MHA Handbook and subsequent Supplemental Directives can be found here:<br><a href="https://www.hmpadmin.com/portal/programs/hamp.jsp#1">https://www.hmpadmin.com/portal/programs/hamp.jsp#1</a> . |
| <b>More Information</b>                 | Go to <a href="http://www.makinghomeaffordable.gov/programs/exit-gracefully/Pages/hafa.aspx">http://www.makinghomeaffordable.gov/programs/exit-gracefully/Pages/hafa.aspx</a> or call 1 (888) 995-4673 to speak with a HUD-approved housing counselor for free. For additional guidance and MHA Handbook, go to <a href="https://www.hmpadmin.com/portal/programs/guidance.jsp">https://www.hmpadmin.com/portal/programs/guidance.jsp</a> .   |

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CALIFORNIA ASSOCIATION OF REALTORS®  
Member Legal Services  
525 South Virgil Avenue  
Los Angeles, CA 90020

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