

# Home Affordable Foreclosure Alternatives Program (HAFA)

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On November 30, 2009, the Treasury Department released guidelines and forms for its new Home Affordable Foreclosure Alternatives Program (HAFA). HAFA is part of the Home Affordable Modification Program (HAMP). HAFA provides incentives in connection with a short sale or a deed-in-lieu of foreclosure (DIL) used to avoid foreclosure on a loan eligible for modification under the HAMP program. Servicers participating in HAMP are also required to comply with HAFA. A list of servicers participating in HAMP is available at [MakingHomeAffordable.gov \(http://MakingHomeAffordable.gov\)](http://MakingHomeAffordable.gov).

HAFA applies to loans not owned or guaranteed by Fannie Mae or Freddie Mac, which will issue their own versions of HAFA in coming weeks.

HAFA is a complex program, with 43 pages of guidelines and forms, designed to simplify and streamline use of short sales and deeds-in-lieu of foreclosure. HAFA:

- • 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 in connection with consideration of a loan modification.
- • 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 percent).
- • Requires borrowers to be fully released from future liability for the first mortgage debt (no cash contribution, promissory note, or deficiency judgment is allowed).
- • Uses standard processes, 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 \$1,000 for investors for allowing a total of up to \$3,000 in short sale proceeds to be distributed to subordinate lien holders (on a one-for-three matching basis).
- 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.

The program 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.

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