

Bulletin

NUMBER: 2010-12

TO: Freddie Mac Servicers

June 1, 2010

SUBJECT: HOME AFFORDABLE FORECLOSURE ALTERNATIVES

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are announcing Freddie Mac’s requirements for the United States Department of the Treasury (“Treasury”) Home Affordable Foreclosure Alternatives (HAFA) initiative.

BACKGROUND

In [Guide Bulletin 2009-6](#), Freddie Mac announced its eligibility, underwriting and servicing requirements for the Home Affordable Modification Program (HAMP). These requirements are incorporated into [Guide Chapter C65, Home Affordable Modification Program](#) (as amended by Bulletins [2009-26](#), [2009-28](#), [2010-1](#) and [2010-3](#)). Under HAMP, Servicers apply a uniform loan modification process to provide eligible Borrowers with sustainable monthly payments for their First Lien Mortgages. While HAMP is intended to reach a broad range of at-risk Borrowers, it is expected that Servicers will encounter situations where HAMP is not a viable option.

On November 30, 2009, Treasury released [Supplemental Directive 09-09, Introduction of Home Affordable Foreclosure Alternatives – Short Sale and Deed-in-Lieu of Foreclosure](#), which was subsequently revised on March 26, 2010 by Supplemental Directive 09-09R. HAFA is part of HAMP and provides financial incentives to Servicers and Borrowers who utilize a short sale or a deed-in-lieu to avoid a foreclosure on a loan that meets the eligibility requirements for HAMP. Both of these foreclosure alternatives reduce the need for potentially lengthy and expensive foreclosure proceedings. These options help preserve the condition and value of the property by minimizing the time the property is vacant and subject to vandalism and deterioration. In addition, these options generally provide a substantially better outcome for borrowers and communities than a foreclosure sale and Borrowers may benefit from an alternative that transitions the Borrower to more affordable housing.

Freddie Mac’s HAFA requirements are contained in the new Guide Chapter D65, *Home Affordable Foreclosure Alternatives*. Servicers must comply with the requirements set forth in Chapter D65, which provide the eligibility, evaluation, processing and servicing requirements for the application of HAFA to Freddie Mac Mortgages.

Effective **August 1, 2010**, Freddie Mac Servicers must have incorporated HAFA into their operations and begin offering HAFA solutions to eligible Freddie Mac Borrowers. However, Servicers may begin implementing HAFA immediately.

Borrowers may be accepted into HAFA if a Form 1135, *Short Sale Agreement*, or a Form 1139, *Deed-in-Lieu Agreement*, as described in Chapter D65, is fully executed by the Borrower and received by the Servicer on or before **December 31, 2012**.

HAFa FEATURES

Key requirements

Under Freddie Mac's implementation of HAFa, Servicers must first consider a Borrower for HAMP and then for other home retention workout options before considering the Borrower for HAFa. Once all other home retention workout options have been exhausted, eligible Borrowers must be considered for a HAFa Short Sale in accordance with Chapter D65. If the Borrower is eligible for and agrees to a HAFa Short Sale, but the Mortgaged Premises do not sell within the HAFa marketing period, the Servicer may offer an eligible Borrower a HAFa Deed-in-Lieu if authorized by Freddie Mac.

Eligibility requirements

Among other eligibility and evaluation criteria, Chapter D65 requires that the following eligibility requirements be met:

- Borrower must be more than 60 days delinquent
- Borrower's Cash Reserves must be less than the greater of \$5,000 or three times the current monthly payment

Financial parameters

The following financial parameters are unique to a HAFa and differentiate HAFa from a Freddie Mac short payoff or deed-in-lieu under [Chapter B65](#):

- Each subordinate lien holder, in order of priority, may be paid no more than 6% of the unpaid principal balance of their loan, until the \$6,000 aggregate cap is reached, in exchange for release of the subordinate liens and satisfaction of the underlying debts
- Freddie Mac will accept the short sale minimum acceptable net proceeds in satisfaction of the amount owed under the Note and release of its lien
- No cash contributions or promissory notes will be requested or accepted from the Borrower by Freddie Mac. Subordinate lien holders must also agree to release all liens without promissory notes or contributions from the Borrower in order for the Borrower to be eligible for HAFa.

Incentive compensation

Freddie Mac will pay Servicers \$2,200 for every HAFa Short Sale and \$1,500 for every HAFa Deed-in-Lieu completed in accordance with Chapter D65.

Following the successful closing of a HAFa Short Sale or HAFa Deed-in-Lieu, the Borrower will be entitled to an incentive payment of \$3,000 to assist with relocation expenses.

Forms

HAFa provides for the use of standard forms that will reduce complexity and improve response times. The forms that must be used for HAFa solutions offered to Freddie Mac's Borrowers are identified in Section D65.1(b) and are available on our web site at

<http://www.freddie.com/singlefamily/service/hafa.html> under the Borrower Solicitation and Documentation tab.

Reporting to Fannie Mae as program administrator

Servicers will be required to provide periodic HAFa loan-level data to Fannie Mae in its capacity as program administrator for Treasury ("Program Administrator"). HAFa Servicer incentives and reimbursements for Servicer advances will be paid through the Program Administrator's payment process.

Servicers must refer to and comply with the reporting requirements published by the Program Administrator on <http://www.HMPadmin.com>.

Reporting to Freddie Mac

In addition to reporting HAFA data to the Program Administrator, Servicers must report certain loan-level data to Freddie Mac. Servicers must use the following existing electronic default reporting (EDR) codes, as applicable, beginning with the first EDR reporting cycle after the Servicer's implementation:

- Event code **HB** – To report that a Mortgage is being reviewed for a short sale at the Borrower's request or response to the Servicer's solicitation
- Event code **HC** – To report that a Mortgage is ineligible for a short sale
- Default action code **09** ("Forbearance Plan") and reason code **015** ("Other") – During the time the Mortgaged Premises are being marketed for a HAFA Short Sale

In addition, Freddie Mac will be implementing the following new EDR codes and will communicate to Servicers at a later date the mandatory effective date for reporting these new codes:

- Default action code **HF** to notify Freddie Mac that the Borrower has executed the Form 1135, *Short Sale Agreement*
- Reason code **HAF**, together with the default action code **09** ("Forbearance Plan"), during the marketing period

[Exhibit 82, *Electronic Default Reporting Transmission Code List*](#), will be updated at a later date to reflect these new reporting codes.

Finally, until otherwise directed by Freddie Mac, Servicers must track certain key loan-level HAFA activity and data in a Microsoft Excel spreadsheet and submit the spreadsheet to Freddie Mac on a monthly basis. The spreadsheet must be submitted electronically to Freddie Mac at **HAFA@freddiemac.com** within the first three Business Days of each month. Servicers must begin reporting loan-level HAFA activity utilizing the spreadsheet beginning in the first month after the Servicer's implementation.

The template and instructions for completing the spreadsheet are available on the Reporting and Incentives tab of our HAFA web page at <http://www.freddiemac.com/singlefamily/service/hafa.html>.

CONCLUSION

Freddie Mac remains focused on assisting troubled Borrowers with Freddie Mac Mortgages avoid foreclosure whenever possible. The changes announced in this Bulletin are part of our ongoing efforts to promote sustainable homeownership and stabilize communities and neighborhoods across the nation.

If after reviewing this Bulletin you have any questions about HAFA or Freddie Mac's role in HAFA, please contact your Freddie Mac representative or call (800) FREDDIE.

Servicers can also enroll in the [Home Affordable Foreclosure Alternatives \(HAFA\) webinar](#), a comprehensive HAFA training session available through Freddie Mac's Learning Center. Additional training opportunities are also available through the Learning Center, including tools and resources that focus on HAMP.

Sincerely,



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