



Freddie Mac Standard Short Sale

Overview for Real Estate Professionals

Standardizes and expedites the short sale process for struggling homeowners

When a home retention option is not a viable solution for some of your clients who are at risk of losing their home, the Standard Short Sale, available through Freddie Mac Servicers, offers eligible homeowners another opportunity to avoid foreclosure. The requirements are intended to facilitate quicker, more flexible short sale transactions in order to help expedite struggling homeowners' transition to more affordable housing. Freddie Mac Servicers will begin implementing these requirements for new borrower evaluations on or after November 1, 2012.

Key Features

- Offers Servicers delegated authority to decision most short sale transactions for your clients who are current or delinquent on their mortgage payments.
- Provides service members who received Permanent Change of Station orders with exemptions from certain requirements such as borrower contribution, provided the borrower meets certain requirements.
- Financial assistance for homeowner relocation is available as part of this program.

Benefits

- Streamlines and simplifies short sale transactions for homeowners.
- Accelerates the decisioning process and allows a greater number of your at-risk homeowners to avoid foreclosure.
- Strengthens Servicers' ability to identify potential mortgage fraud.

STANDARD SHORT SALE REQUIREMENTS	
Eligible Property Types	<ul style="list-style-type: none"> • In most situations, primary residences, investment properties, or second homes are eligible. For borrowers who are current or less than 31 days delinquent, the subject property must be their primary residence.
Eligible Mortgages	<ul style="list-style-type: none"> • First-lien mortgages owned, guaranteed, or securitized by Freddie Mac. • FHA, VA, and RHS guaranteed mortgages are eligible, subject to the relevant agency's guidelines.
Borrower Eligibility	<ul style="list-style-type: none"> • Every borrower is eligible to be considered for a short sale, provided: <ul style="list-style-type: none"> ○ The borrower has one of the eligible hardships in Guide Section 65.17(a) (e.g., death, divorce, disability, reduction in income, Permanent Change of Station orders for a service member). ○ The sale is an arm's length transaction as defined in Guide Section B65.40. ○ The borrower did not enter into a program or arrangement where a third party takes the title to the mortgaged premises and arranges a short sale in exchange for a fee. • Borrowers who are current or less than 31 days delinquent must: <ul style="list-style-type: none"> ○ Occupy the mortgage premises as a primary residence. ○ Have a monthly debt-to-income ratio greater than 55 percent (service members with Permanent Change of Station orders are exempt from this requirement). • Borrowers who do not have an eligible hardship may be considered for eligibility if: <ul style="list-style-type: none"> ○ There is a risk of property ownership to Freddie Mac. ○ Litigation is pending that affects the mortgaged premises and could jeopardize a successful foreclosure sale. ○ Other special circumstances (e.g., mortgaged premises deteriorated resulting in an unexpected decline in value).
SOLICITATION AND DOCUMENTATION	
Borrower Evaluation	<ul style="list-style-type: none"> • Servicers must evaluate borrowers for a Standard Short Sale in accordance with the evaluation hierarchy for alternatives to foreclosure as outlined in Guide Section 64.6, <i>Evaluation Hierarchy, Borrower Solicitation, and Communication</i>.
Solicitation Time Line	<ul style="list-style-type: none"> • Borrowers who are 31 days or more delinquent must be solicited between the 31st and 35th day of delinquency and again between the 61st and 65th day of delinquency if quality right party contact was not achieved or the borrower did not respond to the initial solicitation. <ul style="list-style-type: none"> ○ Servicers using the loss mitigation tool to assist in tailoring their collection and solicitation efforts may elect not to send a Borrower Solicitation Package. This applies between days 31-35 of delinquency if the results of the tool indicate the mortgage is a low-risk for worsening delinquency. • Refer to Guide Section 64.6, <i>Evaluation Hierarchy, Borrower Solicitation, and Communication</i>, for complete borrower solicitation requirements.
Borrower Solicitation Package	<ul style="list-style-type: none"> • Servicers must send the borrower a Borrower Solicitation Package, which includes: <ul style="list-style-type: none"> ○ Form 710, <i>Uniform Borrower Assistance Form</i> <ul style="list-style-type: none"> - Provides borrower's certified financial information and reasons for hardship and includes a request for income and hardship documentation. ○ Guide Exhibit 1131, <i>Solicitation Letter – 31 Days Delinquent</i> or Guide Exhibit 1161, <i>Solicitation Letter – 61 Days Delinquent</i> <ul style="list-style-type: none"> - Represents information that should be sent to borrowers who are 31 or 61 days delinquent, respectively. - Includes a cover letter, borrower checklist, description of all foreclosure alternatives, an FAQ document, and foreclosure scam notice. ○ IRS Form 4506T-EZ, <i>Short Form Request for Individual Tax Return Transcript</i> or IRS Form 4506-T, <i>Request for Transcript of Tax Return</i> <ul style="list-style-type: none"> - If the borrower is self-employed and/or files federal income tax returns on a fiscal calendar year basis, then a completed IRS Form 4506-T must be obtained. • Servicers may use the templates in Guide Exhibits 1131 and 1161, or a customized equivalent that contains the same level of specificity as the templates, to solicit a borrower for an alternative to foreclosure, including a Standard Short Sale. <ul style="list-style-type: none"> ○ Servicers may use a customized equivalent of Form 710, but if they do, they must accept the

	<p>Freddie Mac Form 710 from borrowers who submit it.</p> <ul style="list-style-type: none"> o Refer to Guide Chapter Section 64.6, <i>Evaluation Hierarchy, Borrower Solicitation, and Communication</i>, for complete Borrower Solicitation Package requirements.
Borrower Response Package	<ul style="list-style-type: none"> • Borrower must provide a complete Borrower Response Package, which includes Form 710, IRS Form 4506T-EZ or 4506-T, and required income and hardship documentation. • Borrower Evaluation Notice <ul style="list-style-type: none"> o Must be sent within five days of an evaluation decision, but no later than 30 days, after receiving a complete Borrower Response Package. A template is available in Guide Exhibit 93, <i>Evaluation of Model Clauses</i>. • If the borrower is 90 days or more delinquent and has a credit score less than 620 as of the evaluation date, the Servicer is not required to obtain or review the Borrower Response Package. • The credit score cannot be more than 90 days old as of the date the Servicer evaluates the borrower for a short sale.
Listing Price Guidance	<ul style="list-style-type: none"> • Servicers should provide listing guidance to the borrower or real estate broker based upon the estimated market value obtained by using Freddie Mac's Obtain Valuation functionality. However, the Servicer must indicate that: <ul style="list-style-type: none"> ▪ The value provided is only guidance. ▪ All transactions must meet the minimum net proceeds required by Freddie Mac regardless of the value provided. • Servicers must also communicate to the borrower and real estate broker a list of acceptable closing expense categories, such as: <ul style="list-style-type: none"> ▪ Real estate sales commission ▪ Real estate taxes and other assessments ▪ Title and settlement charges • Seller's attorney fees for settlement services provided by a title or escrow company
Short Sale Offers	<ul style="list-style-type: none"> • Servicers must: <ul style="list-style-type: none"> ▪ Acknowledge receipt of the purchase offer within three business days. ▪ Notify the borrower within five business days of receiving the purchase offer if there is outstanding information needed to evaluate the offer. • Respond with a purchase offer decision within 30 days of the purchase offer receipt, but no later than 60 days. • If Servicers cannot provide the borrower with a decision within 30 days, they must provide the borrower a weekly status update verbally or in writing on why a decision is still pending.
Short Sale Counteroffers	<ul style="list-style-type: none"> • Servicers may only submit a counteroffer if the purchase offer is less than the minimal net proceeds. • The borrower must respond to the Servicer's counteroffer within five business days. • The Servicer must respond to the borrower within 10 business days of receiving the borrower's response to the counteroffer.
ADDITIONAL TERMS	
Servicer Delegation	<ul style="list-style-type: none"> • A Servicer has delegated authority to approve a Standard Short Sale for: <ul style="list-style-type: none"> o Borrowers who are 31 days or more delinquent. o Borrowers who are current or less than 31 days delinquent as long as the borrower is experiencing one of the following eligible hardships: <ul style="list-style-type: none"> - Divorce or separation - Death of a borrower or primary wage earner - Borrower or dependent family member has a long-term or permanent disability - Distant employment transfer or relocation, including Permanent Change of Station orders for service members • If the borrower is current or less than 31 days delinquent and their hardship is other than one of the four listed above, the Servicer may submit a Standard Short Sale recommendation to Freddie Mac for approval. • Borrowers must meet all eligibility requirements in order for a Servicer to approve a short sale.
Mortgage Insurance (MI) Delegations	<ul style="list-style-type: none"> • Servicers can approve Standard Short Sales that are completed in accordance with the Guide without obtaining pre-approval from the participating MI companies.

Borrower Contribution	<ul style="list-style-type: none"> • Borrowers who are current or less than 31 days delinquent must make cash contributions in accordance with Guide Section B65.39. • For borrowers who are 31 days or more delinquent, the Servicer must use guidance provided in Guide Section B65.39 to establish cash and/or promissory note contribution requests. • Borrowers are not required to make a contribution if they: <ul style="list-style-type: none"> ○ Receive a Permanent Change of Station order. ○ Are 90 days or more delinquent with a credit score less than 620 at the time of the evaluation (the credit report cannot be more than 90 days old).
Affidavits	<ul style="list-style-type: none"> • Servicers must obtain a short sale affidavit when requiring parties to the transaction to attest that the sale constitutes an “arm’s length” transaction. • Servicers may use the template in Guide Exhibit 97, <i>Short Sale Affidavit</i>, or a customized equivalent that contains the same level of specificity as the template.
Foreclosure Suspension	<ul style="list-style-type: none"> • Once the mortgage is referred to foreclosure, the Servicer must continue with foreclosure proceedings during the short sale process, except where not permitted under state or local law. • Servicers cannot complete a foreclosure sale if the short sale is approved based on a purchase offer and a complete Borrower Response Package (or other streamlined documentation permitted under Guide Section B65.37).
FEES AND INCENTIVES	
Borrower Incentives/ Relocation Assistance	<ul style="list-style-type: none"> • Borrowers may be paid up to \$3,000 to help with relocation expenses after a completed short sale has been received. • If the Servicer is aware that the borrower has received relocation assistance funds from a third party, Freddie Mac will pay the difference up to \$3,000. • Servicers may, in its discretion, offer the borrower additional financial incentives from the Servicer’s own funds to complete the short sale, but the Servicer cannot deduct this payment from the short sale proceeds.
Subordinate Lien Holder Incentives	<ul style="list-style-type: none"> • Payment of up to an aggregate of \$6,000 to subordinate lien holders in order of lien priority will be offered in exchange for releasing each subordinate lien, extinguishing the underlying debts, and waiving the right to pursue the deficiency.
Real Estate Broker Commissions	<ul style="list-style-type: none"> • Unless a real estate broker’s sales commission exceeds six percent of the homeowner’s mortgage, the Servicer cannot renegotiate a lower sales commission.

For More Information:

- Review the Servicing Alignment Initiative Freddie Mac Requirements Overview for Housing Counselors fact sheet posted on the FreddieMac.com Housing Professionals Resource Center at <http://www.freddiemac.com/corporate/housingpros/> for more information.
- Review *Single-Family Seller/Servicer Guide Bulletin* 2012-16.

Housing Counselors should understand that this document may not incorporate every requirement under and is not to be relied on as a replacement or substitute for the information contained in the Single-Family Seller/Servicer Guide (Guide) or Guide Bulletin.