

Home Affordable Foreclosure Alternatives Initiative Servicer Q & A

On November 30, 2009, the U.S. Department of the Treasury (Treasury) introduced the Home Affordable Foreclosure Alternatives (HAFA) initiative as a component of the Making Home Affordable Program (MHA). In support of Treasury's initiative, we issued new Guide Chapter D65 to provide Freddie Mac Servicers with our requirements for implementing HAFA on our loans. For detailed requirements, please refer to Guide Chapter D65.

Solicitation	
1.	<p>Q: I solicited a HAMP-eligible borrower three times over the course of 90 days, but they have not responded to my HAMP Trial Period Plan offer. Should I begin evaluating them for HAFA next or refer the mortgage to foreclosure?</p>
	<p>A: If a HAMP-eligible borrower did not respond to your HAMP solicitations, you must continue to comply with the collections requirements in Guide Chapter 64 and, if applicable, refer the mortgage to foreclosure. However, if the borrower does respond and one of the following occurs, you must first evaluate the borrower for HAFA to determine eligibility before conducting a foreclosure sale:</p> <ul style="list-style-type: none"> • You determined the borrower does not qualify for a HAMP Trial Period Plan • The borrower does not successfully complete a HAMP Trial Period Plan • The borrower is delinquent on their modified mortgage by missing at least two consecutive payments • The borrower is offered, but refuses, a HAMP Trial Period Plan and other Freddie Mac home retention options and requests a short sale or deed-in-lieu of foreclosure
HAFA Short Sale	
2.	<p>Q: A borrower is in the process of being evaluated for a HAMP modification and they asked to be considered for a HAFA Short Sale. Should I stop the HAMP modification evaluation and consider them for a HAFA Short Sale?</p>
	<p>A: You can evaluate a borrower for a HAFA Short Sale if you previously offered them a HAMP Trial Period Plan or an alternative to foreclosure under Guide Chapter B65, and they declined the offer. You will need to document in the mortgage file that the borrower was offered, but rejected, consideration for HAMP and requested a short sale. Please keep in mind that a borrower cannot participate in a HAMP Trial Period Plan, HAMP modification, or Freddie Mac Short Payoff and agree to a <i>Short Sale Agreement (SSA)</i> simultaneously. In addition, you may not offer a SSA if the borrower is currently in an active HAMP Trial Period Plan, performing on a HAMP or Freddie Mac modification, or is in the process of being reviewed for a Freddie Mac Short Payoff.</p>

3.	Q:	I have a borrower who is eligible for a HAFA SSA. Do I need to submit their mortgage file to Freddie Mac for approval?
	A:	<p>You are not required to obtain Freddie Mac's approval before entering into a SSA with the borrower as long as you comply with the requirements of Guide Chapter D65, which include, but are not limited to, requirements pertaining to minimum acceptable net proceeds, allowable transaction costs, and the SSA.</p> <p>However, if the mortgage has insurance coverage, you must comply with all requirements of the mortgage insurer and the terms of coverage. In addition, you must obtain preliminary mortgage insurer approval for a HAFA Short Sale prior to executing the SSA. And, if required by the mortgage insurer, you must request and obtain final approval from the mortgage insurer prior to executing and returning the <i>Approval of Short Sale</i> form.</p>
4.	Q:	I have received a <i>Request for Approval of Short Sale</i>, but the offer is not enough to provide the minimum acceptable net proceeds from the sale. What should I do with it?
	A:	<p>If the offer is not enough to cover the minimum acceptable net proceeds, you must send the borrower or their agent Form 1138, <i>Disapproval of Short Sale</i>, and counteroffer at a sale price necessary to provide the minimum acceptable net proceeds. You can only accept an offer and send the borrower or their agent Form 1137, <i>Approval of Short Sale</i>, if the sale price is an amount necessary to meet or exceed the minimum acceptable net proceeds.</p>
5.	Q:	I received a HAFA Short Sale request from a borrower because they have an offer on their house. However, I did not evaluate them for a HAFA Short Sale. Should I immediately begin considering them for a HAFA Short Sale?
	A:	<p>If the borrower has an executed sales contract that would result in a short payoff of the mortgage and submits the HAFA Short Sale request before an SSA has been executed, you must inform the borrower that they will be considered for a Freddie Mac Short Payoff instead of a HAFA Short Sale. You must then process the sales contract in accordance with Guide Sections B65.35 through B65.41 before the sales contract expires. If the borrower accepts your short payoff offer, the borrower will not receive a financial incentive because it is not a part of HAFA.</p>
HAFA Deed-in-Lieu		
6.	Q:	When am I authorized to offer a borrower a HAFA Deed-in-Lieu?
	A:	<p>A borrower may be considered for a HAFA Deed-in-Lieu once their mortgaged property has been marketed under the HAFA Short Sale process for the full term. If the SSA expired without completing a sale, the borrower is able to convey clear, marketable title, and all subordinate lien holders, if any, have agreed to release their liens in accordance with Guide Section D65.7(b), you may request permission from Freddie Mac to offer the HAFA Deed-in-Lieu. You must submit your request to Freddie Mac through Workout Prospector[®] as soon as possible, but no later than 10 calendar days after the expiration of the SSA.</p> <p>If the mortgage is covered by mortgage insurance, you must contact and receive approval for the HAFA Deed-in-Lieu prior to submitting the request to Freddie Mac.</p> <p>We will notify you if the borrower is approved or disapproved for the HAFA Deed-in-Lieu request through Workout Prospector within seven business days of receipt of all required</p>

		information.
7.	Q:	I have a borrower who is not eligible for a HAFA Deed-in-Lieu. Should I begin the foreclosure proceedings?
	A:	Before initiating or continuing foreclosure proceedings, you must consider the borrower for a Freddie Mac Deed-in-Lieu if the borrower is not eligible for, or Freddie Mac does not authorize you to offer, a HAFA Deed-in-Lieu. If the borrower is ineligible for a Freddie Mac Deed-in-Lieu, you must continue with delinquency collection efforts in accordance with Guide Chapter 64 or initiate or continue the foreclosure pursuant to Guide Chapter 66, as applicable.
Reporting		
8.	Q:	How do I report a HAFA Short Sale to Freddie Mac?
	A:	<p>You must report certain loan-level data through EDR to report all HAFA Short Sale activity. Depending on the state of the HAFA Short Sale, you will need to use the following codes:</p> <ul style="list-style-type: none"> • HB – “Short Sale in Review”: To report the mortgage is being reviewed for a short sale. • HC – “Ineligible for Short Sale”: To report the borrower is ineligible for a short sale. • HF – “Short Sale Agreement (SSA) – Borrower Execution”: To notify us that the borrower has executed the SSA. • HAF – “Home Affordable Foreclosure Alternative”: To be used with “09 Forbearance Plan” while the mortgaged property is in the marketing period.
9.	Q:	Do I need to do any special reporting for a HAFA Deed-in-Lieu to Freddie Mac?
	A:	<p>To close a HAFA Deed-in-Lieu with us, you must:</p> <ol style="list-style-type: none"> 1. Report the transaction through MIDANET® or the Service Loans application, using the Foreclosure Sale/DIL transmission within one business day of receiving the executed deed. 2. Within five business days, you must fax us proof that the subordinate liens have been paid or released along with a copy of the executed deed showing conveyance between the borrower and Freddie Mac. 3. Report the mortgage as a transfer to REO through MIDANET or the Service Loans application.

Workout Prospector		
10.	Q:	How do I use Workout Prospector to evaluate a borrower for a HAFA Short Sale?
	A:	<p>If a borrower is eligible for a HAFA Short Sale, you will need to identify the mortgage as a HAFA loan. To do so, simply enter the following information in the corresponding screens of Workout Prospector in addition to following the requirements outlined in Guide Sections D65.5(f) and C65.6(a):</p> <ul style="list-style-type: none"> • HUD 1, Line 1306: Enter the HAFA borrower relocation incentive as \$3,000 with a note to indicate "HAFA Relocation Incentive". • HUD 1, Line 505: Enter the junior lien(s) payout amount. You must ensure the payout is no more than six percent of the outstanding unpaid principal balance of each subordinate lien, with an aggregate total of \$6,000 to all lien holders. • Warnings and Comment Screen, Recommendations Tab: Indicate that the loan type is a HAFA Short Sale at the very top of the section. You must input this information, even if the loan is delegated, in the following format: HAFA SHORT SALE. <p>You must then send an e-mail to NPL_file_prep@FreddieMac.com. In the subject line of the e-mail include the Freddie Mac loan number and notation "HAFA Short Sale – Approval."</p>
11.	Q:	How do I use Workout Prospector to evaluate a borrower for a HAFA Deed-in-Lieu?
	A:	<p>If Freddie Mac approves a borrower for a HAFA Deed-in-Lieu, you will need to identify the mortgage as a HAFA loan. To do so, simply enter the following information in the corresponding screens of Workout Prospector in addition to following the requirements outlined in Guide Sections D65.6(a) and C65.6(a):</p> <ul style="list-style-type: none"> • Deed-in-Lieu Override Screen, Miscellaneous Expenses: Enter the HAFA borrower relocation incentive as \$3,000 with a note to indicate "HAFA Relocation Incentive". • Deed-in-Lieu Override Screen, Liens (Junior and Senior): Enter the total amount of payments made to the subordinate lien holders. • Warnings and Comment Screen, Recommendations Tab: Indicate that the loan type is a HAFA Deed-in-Lieu at the very top of the section. You must input this information, even if the loan is delegated, in the following format: HAFA DEED IN LIEU. <p>You must then send an e-mail to NPL_file_prep@FreddieMac.com. In the subject line of the e-mail include the Freddie Mac loan number and notation "HAFA Deed-in-Lieu – Approval."</p>
Incentive Payments		
12.	Q:	A borrower successfully completed a HAFA Short Sale or HAFA Deed-in-Lieu. When will I receive my financial incentive?
	A:	<p>Freddie Mac will pay you \$2,200 to cover administrative and processing costs for each completed HAFA Short Sale. For each HAFA Deed-in-Lieu you complete, we will pay you \$1,500 to cover administrative and processing costs. Your incentive will be paid after you report the completed HAFA transaction to the program administrator as described in Guide Section D65.10.</p>

13.	Q:	How do I handle the borrower's incentive payment?
	A:	<p>If a borrower is completing a HAFA Short Sale, you'll need to instruct the settlement agent to pay the borrower their relocation assistance from the sale proceeds. This should occur at the same time that all other payments, including the payoff to you, are disbursed. Please note that the HUD-1 <i>Settlement Statement</i> must include the amount paid to the borrower as \$3,000 in line 403 (Cash to Seller) with a note to indicate "HAFA Relocation Incentive", and the closing agent must adjust line 504 (Payoff to first mortgage loan) to reflect a reduction for the same amount. Also, you must advance the amount of the borrower's relocation assistance incentive to Freddie Mac by including it with the payoff remittance. You will be reimbursed for the full amount of the relocation assistance payment through the Program Administrator's payment process after you have reported to them that the HAFA Short Sale transaction closed.</p> <p>If a borrower received a HAFA Deed-in-Lieu, you must mail a check to them for their relocation assistance in accordance with the <i>Deed-in-Lieu Agreement</i>. The check must be mailed within five business days of the date the borrower executed the deed conveying the title or when the borrower vacates and delivers the keys to the Servicer or the Servicer's agent, whichever is later. In turn, you will be reimbursed for the full amount of the relocation assistance payment through the program administrator's payment process after you have reported the transfer of property ownership to them.</p>