

Home Affordable Foreclosure Alternatives (HAFA) Program Updates to the Supplemental Directive 10-18 December 28, 2010

Following is an overview of the updates to Making Home Affordable's HAFA Program. It is important to be aware of these changes as they may increase the likelihood of approval for HAFA submissions.

	As of March 29, 2010	As of February 1, 2011
Monthly Gross Income Requirement	Servicer had to verify if Borrower's monthly mortgage exceeded 31% of gross monthly income.	Servicer no longer is required to verify any financial information (but still can). Borrower must still sign Hardship Affidavit.
Vacant Property Requirements	Property could not be vacant or rented more than 90 days prior to short sale application. Relocation was limited to 100 miles or more.	Property can be vacant or rented up to 12 months prior to SSA, as long as Borrower can prove property was primary residence and had not purchased 1-4 family property in the 12 months prior to SSA. Relocation no longer has to be work-related, nor is there a minimum relocation distance requirement.
Release of Subordinate Liens	There was a 6% cap on proceeds servicers directed to junior lien holders up to \$6,000.	The 6% cap has been eliminated. The servicer determines the amount or percentage of the unpaid principal balance going to each junior lien holder up to \$6,000.
Timing for Issuance of Short Sale Agreement	If a servicer offered a HAFA short sale to a borrower, and the borrower responded, the servicer had to issue an SSA within 30 days from the date of the borrower's response.	The same still applies, but now includes borrowers that haven't been directly offered a HAFA short sale by the servicer. If an "unsolicited" borrower requests approval and is eligible, the servicer must respond within 30 days.
Timing for Response to Alternative Request for Approval of Short Sale	No deadline for a servicer to reply to an A-RASS application, Hardship Affidavit, or Request for Modification Adjustment.	There is now a 30-day response requirement for a servicer to reply to an executed contract .
Real Estate Brokerage Commission	6% commission cap.	6% commission cap remains, but servicers must include a statement in the SSA that they will not deduct 3rd party vendor fees from agent commissions.
Alternative Deed-in-Lieu Programs	Alternative Deed-In-Lieu Programs (Deed-for-Lease) or DILs that allow for the repurchase of the property after a brief rental period were not eligible for HAFA incentives.	Alternative Deed-In-Lieu Programs now qualify for HAFA relocation incentives, but only if the DIL is final.
Borrower Notices	Borrowers who request a short sale or DIL who have not been previously evaluated for HAMP must receive a verbal or written notice from the servicer regarding the availability of HAMP and give the borrower 14 days to respond.	This provision remains the same but clarifies that the servicer can still qualify the borrower's eligibility for HAFA while the borrower is considering HAMP.

New policies effective: February 1, 2011

Retroactivity: Servicers not required to, but may reevaluate borrowers formerly ineligible.

Source: Supplemental Directive 10-18: Home Affordable Foreclosure Alternatives Program – Policy Update