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Obama's standardized short-sale plan could help troubled homeowners

The U.S. Dept. of the Treasury recently announced the Home Affordable Foreclosure Alternatives Program (HAFA), which provides instructions for lenders and servicers participating in the Making Home Affordable Program and Home Affordable Modification Program (HAMP). The purpose of HAFA is to create an alternative to foreclosures for homeowners unable to successfully modify their troubled mortgage under HAMP, and to streamline the short-sale process.

MAKING SENSE OF THE STORY FOR CONSUMERS

- A short sale is when the lender agrees to accept less than the amount owed on the mortgage instead of foreclosing. Many homeowners and REALTORS® have expressed their frustrations in the short-sale process, criticizing lenders for the amount of time it takes to process and approve a short sale. The CALIFORNIA ASSOCIATION OF REALTORS® listened to members' concerns, worked with other industry groups, and responded by helping to create provisions to streamline the short-sale process.
- The HAFA program simplifies and encourages short sales and deeds in lieu of foreclosure. It will permit pre-approved short sale terms before a property is listed; release borrowers from future liability for the debt; provide financial incentives to borrowers, servicers, and investors; and prevent servicers from attempting to reduce real estate commissions established in the listing agreement as a condition for short sale approval.
- Under terms of the program, the borrower and/or listing broker have three business days to submit an executed purchase offer and related documents to the servicer on a short sale, and the servicer has 10 business days to respond to an executed purchase offer.
- The servicer also will determine the minimum net proceeds for a short sale. If an offer presented to the servicer by the borrower or listing broker meets the net proceeds requirement, then the servicer must accept it.
- The program currently is available only for non-Fannie Mae- or Freddie Mac-owned loans up to \$729,750 and is scheduled to take effect April 5, 2010. However, C.A.R. expects that many lenders will choose to implement it before the deadline.

To read the full story, please click here:

<http://www.latimes.com/classified/realestate/news/la-fi-harney13-2009dec13,0,4531315.story>