

Home Affordable Foreclosure Alternatives (HAFA) Summary

AssetPlanUSA: 6695 E. Pacific Coast Hwy, Ste 100, Long Beach, CA 90803 www.assetplanusa.com

PROGRAM SUMMARY

After all home retention options have been explored; HAFA provides standard process, documents, timelines and incentives to servicers, borrowers and investors to enable short sales and deeds-in-lieu of foreclosure.

- Effective from April 5, 2010 to December 31, 2012
- Requires all servicers participating in HAMP to implement HAFA in accordance with their own written policy, consistent with investor guidelines. The policy may include factors such as the severity of the potential loss, local markets, timing of pending foreclosure actions, and borrower motivation and cooperation
- Requires that HAMP eligible borrowers unable to complete HAMP to be considered for HAFA options before foreclosure
- Allows borrowers to receive pre-approved short sales terms before listing their property for sale with the help of a licensed real estate professional (including the minimum acceptable net proceeds or listing price)
- Eligibility criteria are similar to those for HAMP:
 - The property is the borrower's principal residence
 - The mortgage loan is a first lien mortgage originated on or before January 1, 2009;
 - The mortgage is delinquent or default is reasonably foreseeable;
 - The current unpaid principal balance is equal to or less than \$729,750 (Note: The \$729,750 limit applies to one unit properties. Higher amounts apply to 2-4 unit dwellings)
 - The borrower's total monthly mortgage payment (as defined in Supplemental Directive 09-01) exceeds 31% of the borrower's gross income.
- Uses borrower financial and hardship information already collected under HAMP
- Requires borrowers to be fully released from future liability for the first mortgage debt and, if the subordinate lien holder receives a payment from the first lien holder to enable the transaction, that debt as well (no cash contribution, promissory note, or deficiency judgment is allowed)
- Prohibits the servicers from requiring a reduction in the real estate commission agreed upon in the listing agreement (maximum of 6%)
- Uses a standard process, documents, and timeframes
- Provides financial incentives: \$3,000 for borrower relocation assistance; \$1,500 for servicers to cover administrative and processing costs; and up to \$2,000 reimbursement for first lien investors for allowing a total of 6% UPB (unpaid principal balance) up to \$6,000 cap in short sale proceeds to be distributed to subordinate lien holders
- Requires that borrowers provide clear and marketable title, and maintain the property in good condition for the duration of the Short Sale Agreement (minimum of 120 days)
- Short sale transaction must be "arms length"
- Debt forgiven under HAFA could have tax and credit rating impact for the borrowers. They are advised to get financial and tax advice
- Buyers may not sell the property within 90 days of purchase.

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HAFA SHORT SALE TIMELINES - STANDARD

RASS STEPS	TIMELINE	TRIGGER / COMMENT
HAFA Consideration	30 days	Fails HAMP Trial Period Plan or HAMP modification, or requests Short Sale or DIL
Borrower Solicitation & Response	14 days	Servicer notice in writing; borrower response verbal or written
Short Sale Agreement ("SSA") Duration	120 - 365 days	Effective Date is date the SSA mailed to borrower
SSA returned with broker listing agreement	14 days	Borrower signs SSA, provides information & documents to verify eligibility
Request for Approval of Short Sale ("RASS") submitted	3 business days	Broker or borrower must deliver terms of executed purchase offer, buyer's pre-approval, summary of negotiations with subordinate lien holders
RASS returned by Servicer	10 business days	Servicer must approve if SSA terms met
Closing	45 days [minimum]	Can be reduced with borrower (seller) consent

HAFA SHORT SALE TIMELINES – ALTERNATIVE RASS

ALTERNATIVE RASS STEPS	TIMELINE	TRIGGER / COMMENT
Borrower submits purchase agreement & ARASS	any time prior to executed SSA	Servicer must determine borrower eligibility per HAFA Consideration policy
HAMP Consideration	14 days	If HAMP eligible, servicer must notify borrower of option to request consideration for HAMP modification
Borrower declines request for consideration of HAMP modification; Servicer may consider Alternative RASS		Servicer must approve proposed sale if net proceeds to the servicer equals or exceeds the minimum net determined by servicer and all other terms have been met
Closing	45 days [minimum]	Can be reduced with borrower (seller) consent

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FANNIE MAE HAFA PROGRAM

PROGRAM SUMMARY

Fannie Mae's HAFA provides financial incentives to servicers and borrowers who utilize a short sale or a deed-in-lieu (DIL) of foreclosure to avoid a foreclosure on eligible loans, which helps preserve the condition and value of the property by minimizing the time a property is vacant and subject to vandalism and deterioration.

The effective implementation date is August 1, 2010; however, servicers are encouraged to implement the Fannie Mae HAFA earlier than that date

HAFA Eligibility Considerations:

Servicers may not consider a borrower for HAFA until the borrower has been evaluated for a HAMP modification (including, but not limited to, providing all required income documentation) in accordance with the eligibility criteria for HAMP. Once a borrower has met all of the eligibility criteria for HAMP, the borrower must be considered for a HAFA short sale or DIL (after all home retention options have been considered) if the borrower:

- Was not offered a trial modification due to inability to meet the HAMP qualifications (for example, did not pass the net present value (NPV) evaluation or meet the target monthly mortgage payment ratio based on verified income);
- Failed to complete the trial period successfully;
- Became two consecutive payments (31 or more days) delinquent on the modified mortgage loan; or
- Requests a short sale or DIL.

Servicer Incentives both Freddie and Fannie

- Short sale - \$2,200 incentive fee
- DIL - \$1,500 incentive fee

* No servicer or borrower incentive will be paid for short sales on Fannie Mae second lien mortgage loans.

Borrower Incentives

- Short sale or DIL - \$3,000 to assist with relocation expenses

In most circumstances, the borrower will receive funds at closing of a short sale or within 5 days after the servicer's acceptance of a DIL, provided the borrower has vacated the property and left it in acceptable condition.

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FREDDIE MAC HAFA PROGRAM

PROGRAM SUMMARY

After all non-GSE home retention options have been explored under HAFA Freddie Mac provides a complimentary GSE HAFA program that further provides for standard process, documents, timelines and incentives to servicers, borrowers and investors to enable short sales and deeds-in-lieu of foreclosure.

The effective implementation date is August 1, 2010; however, servicers are encouraged to implement the Fannie Mae HAFA earlier than that date

The following Freddie Mac Mortgages are eligible:

- First-lien mortgages, owned, guaranteed, or securitized by Freddie Mac that were originated on or before January 1, 2009.
- Eligible properties are single-family 1-4 unit primary residences, including condos, Guide-eligible manufactured homes, and negotiated conforming jumbos.
- Mortgaged property is not abandoned, condemned, or vacant (without an applicable exception).

Borrowers may be eligible for Freddie Mac HAFA initiative if they meet the following requirements:

- Borrowers must be more than 60 days delinquent and have cash reserves less than the greater of \$5,000 or three times their current monthly mortgage payment.
- Borrowers must have first been considered for a HAMP modification and then for other Non-HAFA Freddie Mac home retention options per Freddie Mac guidelines.
- Borrowers may be in foreclosure, in pending litigation involving the mortgage, or in active bankruptcy.
- Borrowers must be able to convey a clear, marketable title to the mortgaged property.
- ARASS process: if a borrower has an executed sales contract that would result in a short payoff and requests that the servicer approve a HAFA short sale before an SSA has been executed, then the servicer must inform the borrower that they will be considered for a non-HAFA Freddie Mac Short Payoff instead of a HAFA short sale.

Servicer Incentives both Freddie and Fannie

- Short sale - \$2,200 incentive fee
- DIL - \$1,500 incentive fee

* No servicer or borrower incentive will be paid for short sales on Fannie Mae second lien mortgage loans.

Borrower Incentives

- Short sale or DIL - \$3,000 to assist with relocation expenses

In most circumstances, the borrower will receive funds at closing of a short sale or within 5 days after the servicer's acceptance of a DIL, provided the borrower has vacated the property and left it in acceptable condition.