

# HAFA Short Sales Fact Sheet

find the article ["http://www.car.org/legal/legal-questions-answers/2010-qa/hafa-short-sales/"](http://www.car.org/legal/legal-questions-answers/2010-qa/hafa-short-sales/) at:

Member Legal Services  
Tel (213) 739-8282  
Fax (213) 480-7724  
April 20, 2010 (revised)

<p><b>What is HAFA?</b></p>	<p>HAFA is a government-subsidized Home Affordable Foreclosure Alternatives program for distressed homeowners to sell their homes to avoid foreclosure, even if the sales price is not enough to pay off their existing mortgage loans. Under HAFA, a participating lender will pre-approve the terms of a short sale and give the borrower at least 4 months to market and sell the property using a licensed real estate professional.</p>
<p><b>Eligibility</b></p>	<p>The eligibility requirements for a HAFA short sale include the following:</p> <ul style="list-style-type: none"> <li>• Property must be borrower's principal residence;</li> <li>• Loan must be a first trust deed originated before 2009;</li> <li>• Loan must be delinquent or default must be reasonably foreseeable;</li> <li>• Current unpaid principal balance must be \$729,750 or less for single-family home (or higher amounts for 2-to-4 units); and</li> <li>• Borrower must be eligible for, but unable to complete, a loan modification under the Home Affordable Modification Program (HAMP).</li> </ul>
<p><b>Financial Incentives</b></p>	<p>The government incentives under HAFA are as follows:</p> <ul style="list-style-type: none"> <li>• \$3,000 to borrower for relocation expenses;</li> <li>• \$1,500 to servicer for each successful short sale; and</li> <li>• \$1 to investor for every \$2 paid to extinguish junior liens, up to \$2,000 maximum, not to exceed 6% of unpaid balance.</li> </ul>

<b>Effective Dates</b>	April 5, 2010 to Dec. 31, 2012.
<b>HAFAs Procedures</b>	<p>The general standardized procedures for HAFAs short sales are as follows:</p> <p>Step 1: Lender evaluates borrower for a loan modification under HAMP.</p> <p>Step 2: Lender evaluates borrower unable to complete HAMP modification for short sale.</p> <p>Step 3: Lender issues Short Sale Agreement (HAFAs SSA).</p> <p>Step 4: Borrower lists the property for sale using a licensed real estate agent.</p> <p>Step 5: Borrower and agent market and sell the property.</p> <p>Step 6: Borrower submits to lender a Request for Approval of Short Sale (RASS).</p> <p>Step 7: Lender approves RASS within 10 business days.</p> <p>Step 8: Sale closes escrow.</p>
<b>Lender's Evaluation</b>	Each participating lender will have its own written policy for approving or rejecting a HAFAs short sale, based on factors such as the severity of the loss, market conditions, the borrower's motivation and cooperation, property valuation, and title review.
<b>Short Sale Agreement (HAFAs SSA)</b>	<p>The Short Sale Agreement (HAFAs SSA) will include, among other things, the following:</p> <ul style="list-style-type: none"> <li>• Either a list price or net proceeds acceptable to the lender;</li> <li>• An agreement to fully release borrower from all liability for repayment of the loan;</li> <li>• An agreement not to complete a foreclosure sale if borrower complies with SSA;</li> <li>• Amount of acceptable closing costs and up to 6% real estate commission.</li> <li>• Notice that the sale must be an arm's length transaction; and</li> <li>• Notice that the buyer must agree not to resell the property within 90 days of closing.</li> </ul>

<b>Tax, Credit, and Other Consequences</b>	A HAFA short sale may have serious tax, credit, financial, legal, and other consequences. A homeowner is strongly encouraged to seek the advice of a qualified professional regarding these consequences.
<b>Participating Lenders</b>	A list of lenders participating in the HAMP program is available at <a href="http://makinghomeaffordable.gov/contact_servicer.html">http://makinghomeaffordable.gov/contact_servicer.html</a> . Fannie Mae and Freddie Mac have their own HAFA guidelines for their loans.
<b>More Information</b>	<a href="http://makinghomeaffordable.gov/hafa.html">http://makinghomeaffordable.gov/hafa.html</a> . See also, Supplemental Directive 09-09 dated March 26, 2010 available at <a href="https://www.hmpadmin.com/portal/docs/hafa/sd0909r.pdf">https://www.hmpadmin.com/portal/docs/hafa/sd0909r.pdf</a> .

This chart is just one of the many legal publications and services offered by C.A.R. to its members. For a complete listing of C.A.R.'s legal products and services, please visit [www.car.org](http://www.car.org).

Readers who require specific advice should consult an attorney. C.A.R. members requiring legal assistance may contact C.A.R.'s Member Legal Hotline at (213) 739 8282, Monday through Friday, 9:00 a.m. to 6:00 p.m. and Saturday, from 10 a.m. to 2 p.m. C.A.R. members who are broker-owners, office managers, or Designated REALTORS® may contact the Member Legal Hotline at (213) 739 8350 to receive expedited service. Members may also submit online requests to speak with an attorney on the Member Legal Hotline by going to <http://www.car.org/legal/legal-hotline-access/>. Written correspondence should be addressed to:

**CALIFORNIA ASSOCIATION OF REALTORS®**  
Member Legal Services  
525 South Virgil Avenue  
Los Angeles, CA 90020

---

Copyright© 2010, CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.). Permission is granted to C.A.R. members only to reprint and use this material for non-commercial purposes provided credit is given to the C.A.R. Legal Department. Other reproduction or use is strictly prohibited without the express written permission of the C.A.R. Legal Department. All rights reserved.

The information contained herein is believed accurate as of April 20, 2010. It is intended to provide general answers to general questions and is not intended as a substitute for individual legal advice. Advice in specific situations may differ depending upon a wide variety of factors. Therefore, readers with specific legal questions should seek the advice of an attorney. Written by Stella H. Ling, Esq.