

## The Home Affordable Foreclosure Alternatives Program An Overview for Servicers of Fannie Mae loans

<b>Description</b>	<p>The Home Affordable Foreclosure Alternatives Program (HAFA) is designed to reach those borrowers – both those who are in default and those who are at imminent risk of default – who are eligible for but unsuccessful under the Home Affordable Modification Program (HAMP). HAFA streamlines and standardizes industry practices for short sales and deeds-in-lieu to provide eligible borrowers with an alternative to foreclosure.</p> <p>With a <b>short sale</b>, the borrower, with the servicer’s permission, lists and sells the property even if the sale may be less than the total amount due on the mortgage loan. The mortgage lienholder determines in advance the minimum acceptable net proceeds it will accept as a short payoff in full satisfaction of the total amount due on the first mortgage loan.</p> <p>With a <b>deed-in-lieu (DIL)</b>, the borrower voluntarily transfers ownership of the property to the lienholder or its designee in full satisfaction of the total amount due on the mortgage loan. <i>Borrowers who are eligible for DIL and who indicate interest in remaining in the property as a tenant must be considered for the Deed-for-Lease™ Program (D4L). For more information, refer to <a href="#">Announcement 09-33</a> and the following Web site: <a href="https://www.efanniemae.com/sf/servicing/d4l/">https://www.efanniemae.com/sf/servicing/d4l/</a>.</i></p> <p>Servicers of Fannie Mae first lien mortgage loans are encouraged to adapt their processes to implement the policies and procedures of HAFA immediately but no later than August 1, 2010 with respect to borrowers who become eligible for HAFA on or after that date. A borrower may be accepted into HAFA if a HAFA Short Sale Agreement or HAFA DIL Agreement is fully executed by the borrower and received by the servicer on or before December 31, 2012.</p>
<b>Eligibility</b>	<p>A borrower is eligible for HAFA if <b>all</b> the following requirements have been met in the listed order:</p> <ol style="list-style-type: none"> <li>1. The borrower has qualified for a HAMP modification*, based on verified income, but: <ul style="list-style-type: none"> <li>• Was not offered a trial modification due to inability to meet HAMP qualifications (for example, did not pass the NPV test or meet the target monthly mortgage payment ratio); or</li> <li>• Failed to complete the trial period successfully; or</li> <li>• Became 2 consecutive payments (31 or more days) delinquent on the modified loan; or</li> <li>• Requests a short sale or DIL</li> </ul> </li> </ol> <p>* One exception to the HAMP eligibility criteria regarding property occupancy allows a borrower to be eligible for HAFA if evidence is provided that he/she (i) had to relocate to a new job or was transferred by an existing employer more than 100 miles from the property AND (ii) has not purchased a one- to four-unit property within 90 days prior to the date of a HAFA Agreement.</p> <ol style="list-style-type: none"> <li>2. The borrower has been considered for all other home retention options as per Fannie Mae’s loan workout hierarchy</li> <li>3. You have completed an evaluation of the borrower’s financial condition and have determined that the borrower does not have an ability to contribute meaningfully to reducing the potential loss on the mortgage loan</li> </ol> <p>Without Fannie Mae’s prior consent you must not consider or solicit a borrower for HAFA if:</p> <ul style="list-style-type: none"> <li>• A foreclosure sale is scheduled or could be initiated and reasonably expected to be held within 60 days of either the borrower’s request for a HAFA or a determination of a borrower being ineligible for HAMP</li> <li>• The mortgage loan is secured by a property in Florida on which foreclosure proceedings are pending, judgment has been obtained, or a hearing on summary judgment or trial is scheduled within 60 days</li> </ul> <p>A borrower in an active Chapter 7 or 13 bankruptcy case may be considered for HAFA if the borrower, borrower’s counsel, or bankruptcy trustee requests HAFA consideration.</p> <p style="text-align: right;"><b>Continued on next page...</b></p>

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<p><b>Terms and conditions</b></p>	<p>While the borrower is being evaluated for HAFA you must follow Fannie Mae requirements related to the initiation and pursuit of foreclosure for defaulted mortgage loans and you must advise the borrower accordingly.</p> <p>MI approval must be obtained on a case-by-case basis until such time that Fannie Mae has obtained delegations of authority from each mortgage insurer. A list of the mortgage insurers from which Fannie Mae receives a delegated authority agreement will be posted on <a href="http://www.eFannieMae.com">www.eFannieMae.com</a>. MI approval under HAFA cannot require a borrower contribution.</p> <p>A borrower may be required to make monthly payments while a short sale or DIL is pending. You must identify the payment amount, if any, based on the borrower's financial circumstances, but the payment may not exceed 31% of the borrower's gross monthly income. Remember that for MBS loans with a pool issue date between June 1, 2007, and December 1, 2008, any period of forbearance on the loan cannot exceed 6 consecutive months.</p> <p>If local or state law does not require release of the first mortgage lien within a specified time frame, you must release the lien within 30 business days after the completion of the Fannie Mae HAFA short sale or DIL.</p> <p>You must retain all documentation in accordance with the Servicing Guide, or for such longer period as may be required pursuant to applicable law.</p>
<p><b>Reporting requirements</b></p>	<p><b>To Fannie Mae:</b></p> <ol style="list-style-type: none"> <li>1. Use HomeSaver Solutions® Network (HSSN) to: <ul style="list-style-type: none"> <li>• Report delinquency status code 09 (forbearance) if the borrower makes monthly payments pending the short sale or DIL, or 17 (short sale) once you agree to a short sale offer or 44 (DIL) after you approve a borrower for a DIL</li> <li>• Within 24 hours of either receiving the final signed HUD-1 Settlement Statement and net sales proceeds (for a short sale) or after accepting the warranty deed or equivalent transfer document (for a DIL), you must report the completion of the short sale or DIL by submitting a closed case</li> </ul> </li> <li>2. Report the required Action Codes to Fannie Mae's investor reporting system (report Action Code 71 for a short sale, Action Code 70 for a DIL for an uninsured conventional mortgage loan or Action Code 72 for a DIL for all other types of mortgage loans).</li> <li>3. Submit a REOgram within 24 hours after the date the DIL is accepted.</li> </ol> <p><b>To Treasury:</b></p> <ol style="list-style-type: none"> <li>1. Report HAFA loan level data at key milestones in the transaction (notification, short sale/DIL loan set-up, termination) no later than the 4th business day of the month following the event.</li> <li>2. Collect the data required under Schedule 1 and Schedule IV of Supplemental Directive 09-06 for all HAFA transactions, including those that occur prior to August 1, 2010.</li> </ol> <p><b>To Mortgage Insurers:</b></p> <p>For any conventional first mortgage loan on which Fannie Mae bears the risk of loss and which is insured under a master primary policy issued by a participating mortgage insurer other than RMIC, file the primary mortgage insurance claim following the completion of the short sale or DIL in accordance with procedures that currently exist or may be agreed to between you and the mortgage insurers. The mortgage insurance claim must be filed so that proceeds are sent to Fannie Mae.</p> <p><b>To Credit Bureaus:</b></p> <p>Continue to report a "full-file" status report to each major credit repository.</p> <p style="text-align: right;"><b>Continued on next page...</b></p>

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<p><b>Incentive fees</b></p>	<p><b>The servicer is</b> entitled to the following HAFA incentive payments:</p> <ul style="list-style-type: none"> <li>• \$2,200 upon verification of a successful Fannie Mae HAFA short sale</li> <li>• \$1,500 following the successful completion of a Fannie Mae HAFA DIL</li> </ul> <p><b>The borrower</b> is entitled to \$3,000 to assist with relocation expenses following successful completion of a HAFA short sale or a DIL. This amount may be deducted from the net sales proceeds at closing of the sale. You may not require the borrower to apply this incentive to obtain the release of junior liens or non-real estate title impediments.</p> <p>The incentives are applicable only to HAFA short sales and DILs and are effective with cases closed in HSSN after the effective date of the Fannie Mae Announcement SVC-2010-07. The incentives are paid or reimbursed via Fannie Mae's payment process, in its capacity as Program Administrator for the Treasury Department, after you have reported the HAFA short sale or DIL transaction using the HAMP Reporting Tool. You <b>must not</b> include a request for the HAFA incentives in a Cash Disbursement Request (Form 571).</p>
<p><b>Costs</b></p>	<p>Fannie Mae will allow payments from sales proceeds to subordinate lienholders, to not exceed \$6,000 in aggregate. Each lienholder in order of priority may be paid 6% of the unpaid principal balance of its loan, until the \$6,000 cap is reached.</p> <p>You may not charge borrowers any fees for participating in HAFA.</p> <p>You may not require that the real estate sales commission be reduced to less than 6% of the sales price of the property.</p> <p>You must advance any actual out-of-pocket expenses such as notary fees, recordation fees, lien release fees, title costs, property valuation fees, credit report fees or other allowable and documented expenses.</p> <p>You must require borrowers to waive reimbursement of any remaining escrow, buydown funds or prepaid items and assign any insurance proceeds and/or refunds, if applicable, to be applied to the total pay-off amount.</p> <p>Fannie Mae will reimburse you for allowable out-of-pocket expenses (including the cost of obtaining a BPO, or appraisal, if required; attorney fees up to \$350 for preparation of DIL documents and costs relating to obtaining a title insurance policy for a DIL; but excluding any credit report fees and fees charged by third parties in connection with negotiation services) upon completion of a Cash Disbursement Request, Form 571 within 30 days following the short sale closing or DIL acceptance.</p>