

Loan Modification Denied—Now What? New Short Sale Guidelines Under HAFA (Home Affordable Foreclosure Alternatives) Program

Because so many million homeowners across the United States are struggling to make their mortgage payments and facing foreclosure, the US Treasury Department under Making Home Affordable implemented the Home Affordable Foreclosure Alternatives Program (HAFA). Effective April 5, 2010, HAFA offers incentives to homeowners, investors, and loan servicers to complete a short sale or deed in lieu of foreclosure. The incentives for homeowners include receiving \$3,000 in relocation costs and avoiding foreclosure.

Not all homeowners qualify. The HAFA program applies to homeowners who:

1. do not qualify for a trial mortgage [modification](#) under the Making Home Affordable Program;
2. do not successfully complete the trial period for their modification;
3. miss at least two consecutive payments during their modification period; or
4. request a [short sale](#) or [deed-in-lieu](#) of foreclosure.

In addition, the property must be the homeowners primary residence, the first mortgage must have been obtained prior to January, 2009, loans balances cannot exceed \$729,750, and the homeowners' monthly principal, interest, taxes and insurance must exceed 31% of their gross monthly income.

Mortgage servicers participating in the Making Home Affordable Program (HAMP) must evaluate homeowners for a Home Affordable Modification before evaluating them for other options as well as implement the Home Affordable Foreclosure Alternatives Program (HAFA).

Some limitations under HAFA include the bank pre-approving short sale terms (the servicer can dictate price before the home can list it), the deficiency will be reported to the IRS, the servicer may still deny the short sale, VA and FHA loans are excluded, and investor properties are excluded.

For more information, visit the Making Home Affordable [website](#) or call a [real estate attorney](#) for more information. At the law office of [PEARSON & BUTLER](#), our [Utah attorneys](#) offer free consultations to Utah homeowners struggling to make their house payments and trying to decide what to do. Don't be a victim: know your rights. [Call a foreclosure attorney](#) today to learn what options may be available to you. We may be able to help you stop foreclosure and help you know what options are available under HAFA, HAMP, Making Home Affordable, and bankruptcy.