

## UNIFORM PROCESS FOR SHORT SALES WILL HELP STRUGGLING HOMEOWNERS

**H**elp is on the way for many homeowners who are facing foreclosure, thanks to new details under the *Making Home Affordable Program* announced by the U.S. Treasury and the U.S. Department of Housing and Urban Development.

The Making Home Affordable Program is designed to help homeowners obtain modifications to their loan so they can afford to stay in their home. Where a modification is not possible, new incentives encourage the "quick private sale or voluntary transfer of property, which will save homeowners money and protect their financial future," according to U.S. Treasury Secretary Timothy Geithner.

The Obama Administration announced incentives and uniform procedures for short sales under its new *Foreclosure Alternatives Program* (FAP). For borrowers who are unable to retain their home under the Making Home Affordable Loan Modification Program, the servicer may consider a short sale or, if that is not successful, a deed-in-lieu of foreclosure. Participating servicers must comply with program requirements so long as they do not conflict with contractual agreements with investors.

For questions & answers go to:

[http://www.financialstability.gov/docs/borrower\\_qa.pdf](http://www.financialstability.gov/docs/borrower_qa.pdf)

### Below is a summary of the incentives and process:

- **Borrowers (Homeowners).** Borrowers/homeowners qualify under the FAP if they meet minimum eligibility requirements for the Home Affordable Modification program but don't qualify for a modification or do not successfully complete the three month trial period. Before proceeding with a foreclosure, servicers must determine if a short sale is appropriate.
- **Incentives.** Incentives include: (1) \$1,000 for servicers for successful completion of a short sale or deed-in-lieu of foreclosure; (2) \$1,500 for borrowers/homeowners to help with relocation expenses; and (3) up to \$1,000 toward the cost of paying junior lien holders to release their liens (one dollar from the government for every \$2 paid by the investors to the second lien holders).
- **Standardized Documents.** The program will include streamlined and standardized documents, including a Short Sale Agreement and an Offer Acceptance Letter. The goal is to minimize complexity and increase use of the short sale option.
- **Property Valuation by Appraisal or BPO.** Servicers will independently establish both property value and minimum acceptable net return, in accordance with investor requirements. The price may be determined based on an appraisal or one or more broker price opinions (BPOs), issued no more than 120 days before the date of the short sale agreement.
- **Timeline.** In the Short Sale Agreement, servicers must give borrowers/homeowners at least 90 days to market and sell the property, or up to one year, depending on market conditions. Property must be listed with a licensed real estate professional with experience in the neighborhood. No foreclosure may take place during the marketing period (at least 90 days) specified in the Short Sale Agreement.
- **Commissions.** The Short Sale Agreement must specify the reasonable and customary real estate commissions and costs that may be deducted from the sales price. The servicer must agree not to negotiate a lower commission after an offer has been received.
- **No Borrower Fees.** Servicers may not charge fees to borrowers/homeowners for participating in the FAP.
- **Program Expiration.** The program is in effect through 2012.
- **Deed-in-Lieu of Foreclosure Option.** Servicers have the option to require the borrower/homeowner to agree to deed the property to the servicer in exchange for a release from the debt if the property does not sell within the time allowed in the Short Sale Agreement (plus any extensions).

The information contained herein was gathered from sources deemed reliable, however Chicago Title Company does not guarantee nor shall be held accountable or liable for its accuracy. Consult with your personal legal advisor or real estate professional with questions pertaining to your specific situation.