

Doron F. Eghbali Real Estate Law Blog on Lawyers.com

[New Help from Government to Accelerate Short Sales](#)

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Short sales, sometimes, are the last resort for struggling homeowners seeking to unload the burden of a property worth less than its mortgage. However, short sales are not easy. Lenders are usually reluctant to go through with a short sale on borrower's terms and often do not answer in a timely fashion to the borrowers whether they agree to the short sale or not. However, a new government program - starting April 5, 2010 - aims to change that and accelerate the process.

BASICS

1. What Is a Short Sale?

In a short sale, the homeowner's lender agrees to accept less than what the borrower owes on the mortgage. Short sales are useful for those who owe more on their home than its current value. For information on serious drawbacks of short sales, read my previous article found at the bottom of this page.

2. What Is the New Program?

- **Home Affordable Foreclosure Alternatives (HAFA):** HAFA is the name of the new government program. The program aims to provide an alternative to foreclosures.
- **Effective April 5, 2010:** The new program goes into effect April 5, 2010.

3. How Does The New Program (HAFA) Work?

- HAFA is an extension of the Home Affordable Modification program.
- Generally, if a borrower is not qualified for a loan modification, then the lenders will gauge the possibility of short sale through HAFA.

SOME SPECIFICS OF THE PROGRAM

1. Borrower's Pre-Approval for Short Sale: Lender will give borrower a pre-approved short sale price or acceptable sale proceeds. This will allow the borrower to know how much the lender would be content with.

2. Deadlines for Both Borrower and Lender: Borrower and lender both have a set time to move ahead with the process.

3. Financial Help to Borrower and Lenders at the End of Short Sale: At the end of short sale, the borrower will receive up to \$1,500 in relocation costs. Lender may receive up to \$1,000 as compensation. Even second mortgage holders might receive up to \$3,000 as an incentive to facilitate and expedite the process.

CAVEATS

- **Short Sales Have Serious Drawbacks:** Previously, I *outlined* the serious problems a short sale might cause for borrower. Please, seriously, understand your rights and obligations before embarking on this project.
- **The New Program Is Not Expected to Improve the Short sale Problem Immediately:** This new program is no panacea for the underlying problem of unemployment and lenders' relative unwillingness to mitigate the pain of plummeting real estate market in the face of destructive imbalance between rising home mortgages and declining home values.

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