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# FEDERAL HOUSING FINANCE AGENCY



## NEWS RELEASE

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### **FHFA Announces New Standard Short Sale Guidelines for Fannie Mae and Freddie Mac; Programs Aligned to Expedite Assistance to Borrowers**

**Washington, DC** – The Federal Housing Finance Agency (FHFA) today announced that Fannie Mae and Freddie Mac are issuing new, clear guidelines to their mortgage servicers that will align and consolidate existing short sales programs into one standard short sale program. The streamlined program rules will enable lenders and servicers to quickly and easily qualify eligible borrowers for a short sale.

The new guidelines, which go into effect Nov. 1, 2012, will permit a homeowner with a Fannie Mae or Freddie Mac mortgage to sell their home in a short sale even if they are *current* on their mortgage if they have an eligible hardship. Servicers will be able to expedite processing a short sale for borrowers with hardships such as death of a borrower or co-borrower, divorce, disability, or relocation for a job without any additional approval from Fannie Mae or Freddie Mac.

“These new guidelines demonstrate FHFA’s and Fannie Mae’s and Freddie Mac’s commitment to enhancing and streamlining processes to avoid foreclosure and stabilize communities,” said FHFA Acting Director Edward J. DeMarco. “The new standard short sale program will also provide relief to those underwater borrowers who need to relocate more than 50 miles for a job.”

The new guidelines:

- **Offer a streamlined short sale approach for borrowers most in need:** To move short sales forward expeditiously for those borrowers who have missed several mortgage payments, have low credit scores, and serious financial hardships the documentation required to demonstrate need has been reduced or eliminated.
- **Enable servicers to quickly and easily qualify certain borrowers who are current on their mortgages for short sales:** Common reasons for borrower hardship are death, divorce, disability, and distant employment transfer or relocation. With the program changes, servicers will be permitted to process short sales for borrowers with these hardships without any additional approval from Fannie Mae or Freddie Mac, even if the borrowers are current on their mortgage payments. Borrowers will now qualify for a short sale if they need to relocate more than 50 miles from their home for a job transfer or new employment opportunity.

- **Fannie Mae and Freddie Mac will waive the right to pursue deficiency judgments in exchange for a financial contribution when a borrower has sufficient income or assets to make cash contributions or sign promissory notes:** Servicers will evaluate borrowers for additional capacity to cover the shortfall between the outstanding loan balance and the property sales price as part of approving the short sale.
- **Offer special treatment for military personnel with Permanent Change of Station (PCS) orders:** Service members who are being relocated will be automatically eligible for short sales, even if they are current on their existing mortgages, and will be under no obligation to contribute funds to cover the shortfall between the outstanding loan balance and the sales price on their homes.
- **Consolidate existing short sales programs into a single uniform program:** Servicers will have more clear and consistent guidelines making it easier to process and execute short sales.
- **Provide servicers and borrowers clarity on processing a short sale when a foreclosure sale is pending:** The new guidance will clarify when a borrower must submit their application and a sales offer to be considered for a short sale, so that last-minute communications and negotiations are handled in a uniform and fair manner.
- **Fannie Mae and Freddie Mac will offer up to \$6,000 to second lien holders to expedite a short sale.** Previously, second lien holders could slow down the short sale process by negotiating for higher amounts.

This alignment comes as part of a broader FHFA effort, the Servicing Alignment Initiative, to streamline Fannie Mae and Freddie Mac programs for short sales and other foreclosure alternatives to assist struggling homeowners. FHFA announced guidelines in June that establish strict timelines for servicers considering short sales. Servicers are required to review and respond to short sales within 30 days of receipt of a short sale offer; they must provide weekly status updates to the borrower if the offer is still under review after 30 days, and they must make and communicate final decisions to the borrower within 60 days of receipt of the offer and complete borrower response package. These borrowers will not be eligible for a new mortgage backed by Fannie Mae or Freddie Mac for at least two years after a short sale.

FHFA encourages homeowners to reach out early to their lender or servicer if they face any hardship affecting their ability to pay their mortgage.

[Link to Fannie Mae guidance available Aug. 22](#)

[Link to Freddie Mac guidance available Aug. 21](#)

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*The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$5.7 trillion in funding for the U.S. mortgage markets and financial institutions.*

# FEDERAL HOUSING FINANCE AGENCY

## FACT SHEET:

## FHFA ANNOUNCES NEW SHORT SALE GUIDELINES:

## PROGRAMS ALIGNED TO EXPEDITE ASSISTANCE TO BORROWERS



### OVERVIEW

The Federal Housing Finance Agency has directed Fannie Mae and Freddie Mac to align existing short sales programs into one standard short sale program and issue clear guidelines to mortgage servicers. With these changes, Fannie Mae and Freddie Mac will allow homeowners with eligible hardships to sell their home in a short sale even if they are current on their loans. FHFA, Fannie Mae and Freddie Mac are making these changes to help more homeowners avoid foreclosure, keep homes occupied and help maintain stable communities. The streamlined program rules will enable lenders and servicers to quickly and easily qualify eligible borrowers for a short sale.

The programs being aligned are: Fannie Mae's Home Affordable Foreclosure Alternative (HAFA) and proprietary short sale programs, and Freddie Mac's HAFA and proprietary short sale programs. The current Fannie Mae and Freddie Mac HAFA programs are modeled on the U.S. Department of Treasury's Home Affordable Foreclosure Alternative program, but with this guidance, there will be one program offered by Fannie Mae and Freddie Mac – the Standard Short Sale/HAFA II.

### HIGHLIGHTS - THE NEW GUIDELINES:

- Offer a streamlined short sale approach for borrowers most in need.
- Enable servicers to quickly and easily qualify certain borrowers who are current on their mortgages for short sales.
- Fannie Mae and Freddie Mac will waive the right to pursue deficiency judgments in exchange for a financial contribution when a borrower has sufficient income or assets to make cash contributions or sign promissory notes.
- Offer special treatment for military personnel with Permanent Change of Station (PCS) orders.
- Consolidate existing short sales programs into a single uniform program.
- Provide servicers and borrowers clarity on processing a short sale when a foreclosure sale is pending.
- Fannie Mae and Freddie Mac will offer up to \$6,000 to second lien holders to expedite a short sale.

### EFFECTIVE DATE

Guidance will be issued by Freddie Mac August 21 and by Fannie Mae August 22 and will be effective by November 1.

### ELIGIBILITY REQUIREMENTS

- The existing mortgage must be owned or guaranteed by Fannie Mae or Freddie Mac.
- The person must have a demonstrated hardship which includes:
  - Death of a borrower or death of the primary or secondary wage earner in the household
  - Unemployment
  - Divorce
  - Long-term disability
  - Distant employment transfer/relocation (more than 50 miles one way)
  - Increased housing expenses
  - Disaster (natural or man-made)
  - Business failure

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## ELIGIBILITY REQUIREMENTS (CONTINUED)

- Borrowers that need to relocate more than 50 miles one way for a job, including service members with Permanent Change of Station Orders, can be current or delinquent on their mortgage to apply for a short sale.
- Borrowers who have the capacity to contribute to shortages will be asked to make a reasonable contribution toward the shortfall. However, service members with Permanent Change of Station Orders will not be asked for a contribution towards the shortage for properties purchased on or before June 30, 2012.
- Borrowers will not be eligible for a new mortgage backed by Fannie Mae or Freddie Mac for at least two years after a short sale.

## RESOURCES FOR MILITARY HOMEOWNERS

Service members can check Fannie Mae or Freddie Mac websites to see if their loans are held by them or they can call hotlines for military homeowners at 1-877-MIL-4566 or 1-800- FREDDIE.

FHFA announcement of 6/21/12: FHFA Announces Short Sale Assistance for Military Homeowners with Fannie Mae or Freddie Mac Loans (<http://www.fhfa.gov/webfiles/24026/CFPBFinalwFS.pdf>)

## IS YOUR MORTGAGE OWNED OR GUARANTEED BY FANNIE MAE OR FREDDIE MAC?

Homeowners can determine if they have a Fannie Mae or Freddie Mac loan by going to:

- <http://www.FannieMae.com/loanlookup> or calling 800-7Fannie (8 am to 8 pm ET)
- <https://www.FreddieMac.com/corporate/> or 800-Freddie (8 am to 8 pm ET)

**FHFA ENCOURAGES HOMEOWNERS TO REACH OUT EARLY TO THEIR LENDER OR SERVICER IF THEY FACE ANY HARDSHIP AFFECTING THEIR ABILITY TO PAY THEIR MORTGAGE.**

## WHAT IS A SHORT SALE?

A Short Sale, also known as a pre-foreclosure sale, is when you sell your home for less than the balance remaining on your mortgage. If your mortgage company agrees to a short sale, you can sell your home and pay off all (or a portion of) your mortgage balance with the proceeds.

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