

April 2010

Today's news is all about HAFA, HAMP, DIL, FANNIE MAE, FREDDIE MAC, ALTERNATIVE SHORT SALES, FORECLOSURE ISSUES and more. Like all of the acronyms?

HAFA stands for Home Affordable Foreclosure Alternatives Program
HAMP stands for Home Affordable Modification Program
DIL stands for Deed in Lieu

HAMP is the first program set out to assist owners in loan modifications and has been a stellar disappointment but with the HAFA program there is a chance that new life may breathe into the HAMP program. HAFA follows HAMP and is part of - not separate from- the HAMP guidelines.

All of these programs are in fact procedures and guidelines but are not enforced by law - meaning that lenders are not required to follow any of the guidelines. That being said, B of A, Citi, GMAC, CHASE, Wells Fargo among others, has signed-on to the new program. It is a real possibility that this time the federal government and the banks may actually work together and in the next eight weeks we will find out.

HAFA rules are for loans not under FANNIE MAE, FREDDIE MAC or FHA control but all three agencies are expected to issue guidelines very similar to the HAFA rules.

What does HAFA do? Assuming that an owner has applied to HAMP and has had no success, they can turn to HAFA for resolution. HAFA allows for the following:

- Receive pre-approval on short sales before listing the home
- Requires borrowers to be fully released from future liability for the first mortgage debt
- Uses standard processes and documents
- Provides financial incentives to the borrowers, servicers and subordinate lien holders
- Requires servicers participating in HAMP to implement HAFA
- Program ends April 5th, 2012

One thing HAFA is not is simple or easy. I have 15 pages, mostly single spaced, to give me the "highlights" of what the program has to offer.



Over the next 15 days we are going to learn more; I will have at least two new short sales in the program and should be able to explain and learn how effective the program is going to be first hand. Both B of A and Wells Fargo have sent out letters addressing the new program. B of A has been very aggressive getting their online Equator program up and running so soon enough we will see.

Can HAMP and HAFA change the course of our foreclosure and short sale market? Yes, but a lot depends on how the lenders handle these issues. Up to now they have been slow to respond, and usually with measures that result in failure.

I still hear people, all financially secure, or ignorant, or both, that feel that the market should be allowed to correct itself and let those that need to be foreclosed on go under. I have to take a stand on this and I need to be very blunt. If such measures had been done in early 2007 and a plan had been in place for what was to follow, yes, that may have been the answer but three years later the situation is much too serious to let the market correct itself. We are seeing deflation here in Reno. Our market has no reason to be dropping - none whatsoever - and without outside help we are in a world of hurt. As of this writing homes under \$200,000 are hot commodities and homes over \$200,000 but under \$250,000 are pretty strong as well. \$250,000 to \$499,999 is a mixed bag. Over \$500,000, well that is a totally different question. If we pull short sales out of the picture, not enough homes are getting showings. Let alone offers. We are very much in danger of seeing the top levels of the market slide another 20% and I for one certainly do not want to see that. Therefore, you can see that I am quite motivated to see offers stabilize in the low end of the market, I am quite motivated to see inventory dry up under \$300,000 and buyers needing to reach up to find homes that they like and desire.

HAMP and HAFA can help get more homes out of the market, can help needed short sales be pre-approved so that when a buyer makes an offer, 45 days later the escrow closes, period! The excuse that it takes six months to approve a short sale, which buyers use as justification to make low offers, will no longer be valid. Sellers will stop dropping prices just to get an offer. If we change how we sell these homes, prices can find a floor. With a floor we can start rebuilding values but we need this to work, otherwise you get to read a year from today more poor performance news and I am getting really tired of saying this after four years.

Kind regards,

A handwritten signature in black ink that reads "David Morris". The signature is written in a cursive, flowing style.

David Morris