

# Fannie Mae Short Sale: Improving the Short Sale Experience

June 2013

# What does Fannie Mae do?

- **Keep funds flowing** to the mortgage market
  - Issue mortgage-backed securities (MBS) and purchase loans
  - Provide mortgage liquidity
- **Help distressed homeowners**
  - Help homeowners refinance and modify mortgages to prevent foreclosure
- **Encourage sustainable lending**
  - Emphasize long-term, fixed-rate mortgages

# What does Fannie Mae know about real estate?

- Fannie Mae has extensive experience valuing and negotiating real estate transactions
- Since 2007, Fannie Mae was the investor on **over 250,000 short sales** transactions and sold **almost 850,000 foreclosed properties<sup>1</sup>**



<sup>1</sup> 2007 through 2012

# We can all agree, short sales...

- Continue to represent a significant portion of the real estate market
- Are frequently viewed by real estate professionals as the least desirable type of transaction
- Can be frustrating because process is complex, inconsistent, slow and cumbersome



# We hear you!

- Working with the servicer is frustrating most of the time (but not always)
- Your biggest frustration comes after submitting an offer
- Most real estate professionals don't know Fannie Mae has any role in the process
- There are multiple ways that the short sale "system" can be improved

**What can we do to improve the process?**

# Here's what we're doing...

- **Created a dedicated short sales team** within Fannie Mae (late 2012)
- **Expanded our escalation capability** to help resolve more short sale challenges (January 2013)
- **Began using appraisals** in addition to BPOs on all short sale valuations (April 2013)
- **Redesigned of HomePathforShortSales.com** to make the short sale experience more transparent for listing agents and their clients who are pursuing a Fannie Mae short sale (early June 2013)

# Here's what we're doing...

- Starting in early June 2013:
  - Fannie Mae will request that **listing agents register accepted offers with Fannie Mae** when they submit the offer to the servicer
  - Registering the offer allows us to proactively work with the mortgage servicer to facilitate faster communications and decisions

# Our short sale processes support our mission

- Fannie Mae works to prevent foreclosure, minimize taxpayer losses and stabilize neighborhoods.
- Our list price and market value guidance maintains neighborhood property values.
- We have a dedicated team to estimate values for all our foreclosed and short sale properties.
- We use BPOs, appraisals and a range of other data from internal and external sources and including current listings, pending sales and sold properties to estimate values.
- We are actively working with agents on real estate transactions in virtually every market, every day.



# What agents should expect with a Fannie Mae Short Sale

- Policy announced in late 2012 guides Fannie Mae's short sale process
  - **Applies to all mortgage loans owned or guaranteed by Fannie Mae**
  - **To determine if Fannie Mae owns a loan, go to the Fannie Mae Loan Lookup ([KnowYourOptions.com/loanlookup](http://KnowYourOptions.com/loanlookup))\***
  - Policy covers homeowner eligibility, listing guidance, offer evaluation
- Freddie Mac Standard Short Sale very similar and applies to loans owned and guaranteed by Freddie Mac; many large servicers have similar programs

# Dedicated Website on Short Sales

- Fannie Mae's [HomePathforShortSales.com](http://HomePathforShortSales.com) provides a portal to two tailored short sale sites:
  - 1) Listing agents representing a Fannie Mae short sale
  - 2) Homeowners considering a short sale



## Fannie Mae Short Sales

A Short Sale, also known as a pre-foreclosure sale, is when a homeowner sells his or her home for less than the balance remaining on the mortgage.

Fannie Mae works with your mortgage servicer (i.e the company where you send your mortgage payments) to make the short sale experience more transparent for all parties involved, especially for the homeowner and the real estate professional helping homeowners through the process.



How can we help you?

Listing agent representing a Fannie Mae short sale



Homeowner considering a short sale



# Dedicated Website for Listing Agents

- ✓ Easily escalate a short sale issue to Fannie Mae
- ✓ Learn more about the key steps of doing a short sale with Fannie Mae
- ✓ Access our Loan Lookup tool
- ✓ Find answers to your FAQs
- ✓ Link to required forms and helpful fact sheets for you and your clients
- ✓ Report fraud on a Fannie Mae short sale



The screenshot shows the HomePath Short Sales website interface. At the top, there is a navigation menu with links for Find Homes, Financing, Offers & Incentives, Resources, Real Estate Professionals, Investors, and Short Sale. The main content area is titled "Listing Agent Representing a Homeowner in a Fannie Mae Short Sale". It includes a "Quick Links" section with several links, a "What's New: Register an Offer" section, and a "Need to Escalate a Short Sale Issue?" section. At the bottom, there is a five-step process flow for doing a short sale with Fannie Mae.

**HomePath Short Sales**

Find Homes | Financing | Offers & Incentives | Resources | Real Estate Professionals | Investors | Short Sale

Home > Fannie Mae Short Sales > Listing Agent Representing a Homeowner in a Fannie Mae Short Sale

## Listing Agent Representing a Homeowner in a Fannie Mae Short Sale

Fannie Mae recognizes the important role real estate professionals play in the short sale process. To assist real estate professionals representing a homeowner in a Fannie Mae short sale, we have outlined five key steps in the short sale process. Listing agents should assist their clients in completing all five key steps. For example, a homeowner must be evaluated by the mortgage servicer and determined to be eligible for a short sale before an offer can be reviewed.

**What's New: Register an Offer**

Fannie Mae now requests that listing agents register accepted offers with Fannie Mae, the investor on the mortgage. Registering the offer with Fannie Mae allows us to proactively work with the mortgage servicer to facilitate faster communications and decisions.

▶ [Click here to register an offer](#)

**Need to Escalate a Short Sale Issue?**

If you are a real estate professional seeking assistance with an active short sale, you can escalate certain short sale issues directly to Fannie Mae to get the answers you need.

Click Below:

- ▶ [To contest a Fannie Mae assigned value](#)
- ▶ [If you haven't heard back from the servicer](#)
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- ▶ [If you have a policy related question](#)

**Quick Links**

- ▶ [Fannie Mae Loan Lookup Tool](#)
- ▶ [Fannie Mae Borrower Authorization Form](#)
- ▶ [Short Sale Affidavit](#)
- ▶ [FAQs](#)
- ▶ [Contacting Fannie Mae about an Active Short Sale Fact Sheet](#)
- ▶ [Listing Agent Checklist](#)
- ▶ [Report potential fraud on a Fannie Mae short sale](#)

Click on each step below to learn more about doing a short sale with Fannie Mae.

- 1 Homeowner's Eligibility
- 2 Recommended List Price
- 3 Register an Offer
- 4 Investor Offer Review & Decision
- 5 Prepare for Close

# Key Steps of a Fannie Mae Short Sale

- Our site outlines the five key steps of the Fannie Mae short sale process.
- On our site, agents can simply click on Steps 1-5 to see the key requirements associated with each step or to access our escalation tools.



- We encourage agents to follow the steps in order with their clients.
- Agents can also refer to our checklist of items to address for each step.



# Determining Homeowner Eligibility

- If Fannie Mae owns your client’s loan, your client must meet one of the conditions to be eligible for a Fannie Mae short sale:
  - **90+ days delinquent and have a FICO score less than 620.** No documents, hardship or contribution required.
  - **Have a demonstrated hardship** (unemployment, reduced income, divorce, death, disability) and provide a Borrower Response Package.
- Homeowners may qualify for a short sale, even if not delinquent, if at risk of imminent default – talk to your client’s servicer
- Owner occupant homeowners who have contribution requirement waived, may receive a \$3,000 relocation incentive\*
- Contribution and deficiency waiver:
  - Contribution evaluated on a case by case basis
  - After taking into account any contribution, deficiency waived on all completed Fannie Mae short sales

**Contact the servicer to determine a homeowner’s eligibility**

\* Less any employer or state agency-type assistance; servicers may contribute additional incentives



Homeowner's delinquency status	90 or more days delinquent	30 or more days delinquent	Current, but at risk of missing a payment
Eligible occupancy types	Owner occupant, second home or investor	Owner occupant, second home or investor	Owner occupant only
Eligibility requirements	FICO < 620 (proof of eligible hardship not required)	Homeowner must have an eligible hardship**	Homeowner must have an eligible hardship <sup>1</sup> and have a debt-to-income (DTI) ratio >55%
Contribution or promissory note	None required	If DTI <55%, evaluate for promissory note; If non-retirement liquid assets >\$10K or 6x PITI, whichever is greater, evaluate for a contribution	If non-retirement liquid assets >\$10K or 6x PITI, whichever is greater, evaluate for a contribution
Relocation incentive to move from primary residence	\$3,000 <sup>2</sup>	If a contribution is not required, then \$3000 <sup>2</sup>	If a contribution is not required, then \$3000 <sup>2</sup>
Deficiency waiver	After taking into account any contribution, deficiency waived on all completed Fannie Mae short sales		

**Contact the servicer to determine a homeowner's eligibility**

<sup>1</sup> Examples of eligible hardships include death, disability, divorce or distant employment transfer. The servicer will evaluate the Borrower Response Package to determine eligibility.  
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## Obtaining a Recommended List Price

When a homeowner is interested and is eligible for a short sale, **request a Recommended List Price<sup>1</sup>** by:

- Contacting your client's servicer  
OR
- Requesting one from Fannie Mae:
  - Go to [HomePathforShortSales.com](https://HomePathforShortSales.com);
  - Click on the *Step 2: Recommended List Price* tab, and then click on the 
  - Provide us with your contact info, property address, and upload the Fannie Mae Borrower Authorization Form;
  - We will then request a BPO and appraisal.
  - Fannie Mae will provide you and the servicer with the recommended list price.
- List the property in MLS as “Active”

1. The recommended list price is a recommendation, and does not ensure acceptance of an offer at or above the recommended list price.



## Contesting a Value

- To contest a Fannie Mae assigned value:
  - Go to [HomePathforShortSales.com](http://HomePathforShortSales.com)
  - Click on the *Step 2: Recommended List Price* tab, and then click on
  - You will need to provide:
    - Signed Borrower Authorization Form
    - List of significant value-related issues
    - **MLS Sheets of 3-6 comps** with listing history and realtor comments
    - **Supporting documents** such as appraisal or buyer's BPO, CMA, inspection report or contractor's estimate
    - Please include **color photos, comments and descriptions**
  - Agents may contest a value even if there is no offer accepted
- Fannie Mae will provide you and the servicer with a response to your value issue

Contest a Value that  
Fannie Mae has Assigned





# Submitting and Registering an Offer

- Agent should submit “highest and best” offer to servicer for review.
- Fannie Mae is requesting that listing agents **also register accepted offers** with Fannie Mae (if we are the investor).
- To register the “highest and best” offer with Fannie Mae:
  - Go to [HomePathforShortSales.com](https://HomePathforShortSales.com)
  - Verify that Fannie Mae owns the loan by clicking on the [Fannie Mae Loan Lookup Tool](#) link
  - Click on the *Step 3: Register an Offer* tab, and then click on



- Complete all the required fields (refer to our *Register an Offer* fact sheet) and upload the following documents -- fully executed purchase contract, estimated net sheet or HUD-1 settlement statement and signed Borrower Authorization Form
- Benefit to registering is we can proactively work with the mortgage servicer to facilitate faster communications and decisions



## Short Sale Offer Requirements

- “Arms length” transaction between seller and buyer – all parties to sale, including closing agent, must execute a [Short Sale Affidavit](#) (on Fannie Mae web site)
- **Seller must not remain in property** as tenant or later obtain title or ownership of property
- **Neither seller nor buyer will receive funds or commissions** from sale of property (except approved relocation assistance for seller)
- All agreements and sale contracts must be disclosed to servicer
- All funds that change hands must be disclosed to and approved by servicer and shown on the HUD-1
- **Deed restriction** to prohibit selling property within 30 days (any price) OR selling property for >120% of short sale price within 31 to 90 days



# Investor Offer Review & Decision

- Offer response times:
  - **Servicers must acknowledge a short sale offer within 30 and provide a decision within 60 days**
  - Agent may receive a counter offer from servicer
  - Homeowner must be evaluated and determined eligible for a short sale before offer can be reviewed
- Mortgage insurance
  - Broad delegations from MI companies to approve short sales
- Seconds
  - **Total payments to seconds must not exceed \$6,000**
  - If second accepts payment, second must release homeowner from liability for the second
  - Seconds may not require contributions from agent or homeowner
- Once all required information has been reviewed, you will receive a final written decision on your submitted offer from the mortgage servicer

1 Homeowner's Eligibility

2 Recommended List Price

3 Register an Offer

4 Investor Offer Review & Decision

5 Prepare for Close

## Escalating an Issue

You can also escalate and issue to Fannie Mae if:

- Offer submitted to servicer 30+ days ago and no acknowledgement of receipt of the offer by the servicer
- Have not received acceptance, rejection or counter to offer submitted 60+ days ago
- Received approval from the servicer for your transaction, but second lien holder has imposed closing conditions that are impossible to meet

To escalate an issue:

- Go to [HomePathforShortSales.com](https://HomePathforShortSales.com)
- Click on the *Step 4: Investor Offer Review & Decision* tab, and then click on

Escalate an Offer Issue  
to Fannie Mae



- Complete the few required fields (refer to our *Contacting to Fannie Mae about an Active Short Sale* fact sheet) and upload the signed Borrower Authorization Form



## Acceptable short sale closing costs

- Real estate sales commission, not to exceed 6%
- Typical and customary local and state transfer taxes and stamps
- Title and settlement charges typically paid by seller
- Wood destroying pest inspections and treatment if usual and customary
- HOA fees past due, if applicable
- Real estate taxes and other assessments prorated to date of closing
- Buyer closing costs typically paid by the seller and usual and customary for the market
- Seller's attorney fees for settlement services typically provided by title or escrow company





## Unacceptable short sale closing costs

- Fees paid to a third party to negotiate short sale with servicer
- Real estate sales commission paid to homeowner or purchaser
- Buyer's discount points or mortgage loan origination costs
- Taxes paid on HUD-1 for a post-closing period



# What should agents do if they suspect fraud?

- Fannie Mae is concerned about a range of short sale frauds which can increase taxpayer losses and destabilize neighborhoods
- Examples of short sale fraud: valuation manipulations, non-arms length transactions, pocket listings, abuse of pending status, short sale flipping
- To report potential fraud on a Fannie Mae property:
  - 1-800-7FANNIE (1-800-732-6643)
  - Email [MortgageFraud\\_Tips@fanniemae.com](mailto:MortgageFraud_Tips@fanniemae.com)

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**HomePath Short Sales**

Find Homes | Financing | Offers & Incentives | Resources | Real Estate Professionals | Investors | Short Sale

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## Top 5 Recommendations

1. With your client, understand your client's eligibility for a short sale and contact the servicer **before** listing and accepting an offer
2. Request a recommended list price. If necessary, escalate valuation concerns.
3. List and market the property ensuring maximum exposure to obtain "highest and best" offers possible.
4. Submit the "highest and best" offer to the servicer **and** register it with Fannie Mae.
5. If necessary, escalate an issue directly to Fannie Mae.

# Resources

- HomePath short sale page: [HomePathforShortSales.com](http://HomePathforShortSales.com)
- Fannie Mae Customer Resource Center: 800-7FANNIE (800-732-6643)
- Fannie Mae Standard Short Sale Guidance to Servicers (HAFA II):
  - Guidance: <https://www.fanniemae.com/content/announcement/svc1219.pdf>
  - FAQs: <https://www.fanniemae.com/content/faq/short-sale-faqs.pdf>
- To report potential fraud on a Fannie Mae property:
  - 800-7FANNIE (800-732-6643) or email [MortgageFraud\\_Tips@FannieMae.com](mailto:MortgageFraud_Tips@FannieMae.com)
- Comprehensive resource for renters, prospective buyers or struggling homeowners: [KnowYourOptions.com](http://KnowYourOptions.com)
- Resource for homeowners considering a short sale: [HomePathforShortSales.com](http://HomePathforShortSales.com)

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# QUESTIONS?