



Freddie Mac Standard Short Sale

- Announces the Standard Short Sale, including:
 - » Eligibility and Borrower Contribution
 - » Servicer delegation/approval authority
 - » Listing price guidance
 - » Borrower relocation incentives
 - » Sales transaction and processing requirements
- Eligible Hardship and Borrower Documentation
- HAFA Expiration



Standard Short Sale

- Requirements are effective for new short sale evaluations conducted on or after November 1, 2012
 - » Freddie Mac Servicers are delegated to approve eligible Standard Short Sale in accordance with the Guide
 - » Revises the non-delegated short sale option in Guide Chapter B65



Eligibility

- **Eligible Property Types**

- » Primary residences, investment properties, or second homes.

- **Borrower Eligibility**

Every borrower is eligible to be considered for a short sale, provided:

- » The borrower has one of the eligible hardships in Guide Section 65.17.
- » The sale is an arm's length transaction
- » The borrower did not enter into a program or arrangement where a third party takes the title to the mortgaged premises and arranges a short sale in exchange for a fee.

- Borrowers who are current or less than 31 days delinquent must:

- » Occupy the mortgage premises as a primary residence.
- » Have a monthly debt-to-income ratio greater than 55 percent (service members with Permanent Change of Station orders are exempt from this requirement).

Servicer Delegation

Servicers have delegated authority to approve a Standard Short Sale for:

- Borrowers who are 31 days or more delinquent.
- Borrowers who are current or less than 31 days delinquent, provided the borrower is experiencing one of the following eligible hardships:
 - » Divorce or separation
 - » Death of a borrower or primary wage earner
 - » Borrower or dependent family member has a long-term or permanent disability
 - » Distant employment transfer or relocation, including Permanent Change of Station orders for service members
- If the borrower is current or less than 31 days delinquent and their hardship is other than one of the four listed above, Servicers may submit a short sale recommendation to Freddie Mac for approval.
- Other mortgage, borrower eligibility and contribution requirements apply as noted in Guide Section B65.36.

Listing Price Guidance

- Servicers should provide listing price guidance to the Borrower or real estate broker based upon the property value obtained from Freddie Mac
- When providing listing price guidance, the Servicer must inform the Borrower or real estate broker of the following :
 - » The value provided is only guidance. The guidance should not be presented as the required listing price to the Borrower or real estate broker. The Borrower and the real estate broker are responsible for determining the list price for the Mortgaged Premises.
 - » All transactions must meet the minimum net proceeds required by Freddie Mac regardless of the value provided. An offer at or above the value provided by the Servicer may not necessarily result in an acceptable level of net proceeds.



Short Sale Communication Time Lines

Short sale: Submission of purchase offer and Servicer decision	
Days	Action required
3 Business Days	The Servicer must acknowledge receipt of the purchase offer within three Business Days
30 days (no later than 60 days)	<ul style="list-style-type: none"> ▪ The Servicer must respond to the Borrower with a purchase decision within 30 days of receipt of the purchase offer. ▪ If the purchase offer does not meet Freddie Mac's minimum net proceeds threshold, the Servicer must notify the Borrower and include an acceptable counteroffer in its response. ▪ If the Servicer is unable to provide a decision within 30 days following receipt of a purchase offer, then the Servicer must: <ul style="list-style-type: none"> ➤ Notify the Borrower within the 30 day time limit that the purchase offer is still under review; and ➤ Provide the Borrower a status update each week thereafter indicating the reason(s) why a decision is pending. However, the Servicer must provide the Borrower with a decision no later than 60 days after receipt of a purchase offer.
Short sale: Counteroffers (if purchase offer is less than the minimum net proceeds)	
Days	Action required
5 Business Days	The Borrower must respond to the Servicer's counteroffer within five Business Days of the date the counteroffer is received
10 Business Days	The Servicer must respond to the Borrower within 10 Business Days of receipt of the Borrower's response to the counteroffer

Short Sale Requirements

Arms Length Transaction

An "arm's length transaction" is a transaction between parties who are independent of one another, and unrelated and unaffiliated by family, marriage or commercial enterprise, other than the purchase and sale of the mortgaged premises between the borrower(s) and the purchaser(s) that is the specific subject of the proposed short sale as disclosed to the Servicer

New Guide Exhibit 97, *Short Sale Affidavit*, a template representative of the short sale affidavit requirements set forth in Section B65.40, *Sales Transaction and Processing Requirements*. Servicers may use the short sale affidavit template when requiring parties to the transaction to attest that the short sale constitutes an "arm's length" transaction




Exhibit 97
Short Sale Affidavit

Servicer: _____ Servicer Loan Number: _____

Address of Property: _____

Date of Purchase Contract: ____/____/____ Investor: _____

Seller: _____ Buyer: _____

Seller: _____ Buyer: _____

Seller's Agent/Listing Agent: _____ Buyer's Agent: _____

Escrow Closing Agent: _____ Transaction Facilitator (if applicable): _____

This Short Sale Affidavit ("Affidavit") is given by the Seller(s), Buyer(s), Agent(s), and Facilitator to the Servicer and the Investor of the mortgage loan secured by the Property ("Mortgage") in consideration for the mutual and respective benefits to be derived from the short sale of the Property.

NOW, THEREFORE, the Seller(s), Buyer(s), Agent(s), and Facilitator do hereby represent, warrant and agree under the pains and penalties of perjury, to the best of each signatory's knowledge and belief, as follows:

(a) The sale of the Property is an "arm's length" transaction, between Seller(s) and Buyer(s) who are unrelated and unaffiliated by family, marriage, or commercial enterprise;

Release of deficiency

If the borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the borrower for the entire amount owed under the Mortgage.



Borrower Incentives

If the Borrower is not required to make a financial contribution toward the deficiency, then he or she may be eligible for a relocation incentive payment of \$3,000 at closing.

- If the Borrower receives relocation assistance from a source other than Freddie Mac or the Servicer, Freddie Mac will provide the difference in the relocation assistance amount up to the \$3,000 incentive maximum.
- If the Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer and the amount is equal to or greater than \$3,000, Freddie Mac will not provide any relocation incentive to the extent that the Servicer is aware of such payment.

For example, if the Borrower receives \$1,000 of relocation incentive from his or her employer, Freddie Mac will provide the Borrower with an additional \$2,000 of relocation assistance.

- In addition to the relocation incentive offered by Freddie Mac, the Servicer may in its discretion offer the Borrower an additional financial incentive to complete the short sale.
- The Servicer must not require the Borrower to use the Borrower incentive payment to obtain release of subordinate liens or other non-real estate title impediments



No Sales Proceeds/Commissions

Neither the Borrower(s) nor the purchaser(s) will receive any funds or commissions from the sale of the Mortgaged Premises. The Borrower may receive a payment if it is offered by the Servicer, approved by Freddie Mac and reflected on the HUD-1 Settlement Statement.

Unless a real estate broker's sales commission exceeds six percent of the homeowner's mortgage, Servicers must not renegotiate a lower sales commission.



Payments to Subordinate Lienholders

Payment of up to an aggregate of \$6,000 to subordinate lien holders will be offered in exchange for releasing each subordinate lien, extinguishing the underlying debts, and waiving the right to pursue the deficiency.

Resale Restrictions

- The Servicer must instruct the settlement agent to:
 - » Ensure the deed conveying the Mortgaged Premises from the Borrower to the purchaser contains a provision to restrict any re-sale of the Mortgaged Premises for 30 days following the short sale closing.
 - » Restrict re-sales of greater than 120% of the short sale's sales price for the period beginning 31 days after the short sale closing and ending 90 days from the short sale closing.
- The deed must contain the following provision:



Grantee herein is prohibited from conveying captioned property for any sales price for a period of 30 days from the date of this deed. After this 30 day period, Grantee is further prohibited from conveying the property for a sales price greater than \$ (120% of short sale price) until 90 days from the date of this deed. These restrictions shall run with the land and are not personal to the Grantee.

HAFA Expiration Requirements

- Borrowers may be accepted into HAFA if a Short Sale Agreement (“SSA”) or Deed-in-Lieu Agreement (“DIL Agreement”) is fully executed by the Borrower and received by the Servicer on or before **December 31, 2012**.
- Prior to offering the Borrower an SSA or DIL Agreement, the Servicer must ensure there is sufficient time for the Borrower to fully execute and return the agreement by the program expiration date.
- If there is insufficient time to meet the program requirements by the HAFA expiration date, Servicers must consider Borrowers for a short sale or DIL as provided in Chapter B65.

- **Freddie Mac Standard Short Sale web page**
 - FreddieMac.com/singlefamily/service/short_sales.html
 - **Freddie Mac Standard Short Sale Fact Sheet**
- ***Bulletin 2012-16: Freddie Mac Standard Short Sale***