



Homeownership Program Bulletin

June 3, 2010

Program Bulletin #2010-04

To: CalHFA-approved Lenders and Servicers

Foreclosure Avoidance and Loss Mitigation Program – Additional Guidance for Short Payoffs (Pre-foreclosure Sales)

This Bulletin offers additional guidance to servicers for Section 11 – Short Payoffs (Pre-foreclosure Sale) of Program Bulletin 2009-14 dated May 28, 2009. As a reminder, CalHFA requires a financial hardship to be fully explained and documented as outlined in Program Bulletin 2009-14 in order for a short payoff/pre-foreclosure sale to be considered for approval.

Section 11 – Short Payoffs (Pre-foreclosure Sale) for conventional loans has been expanded to include additional guidance to servicers:

- Only qualified short sales that have met the financial hardship test and yield net proceeds greater than the expected post-foreclosure REO sale net proceeds will be approved. Servicers are required to provide CalHFA with an industry standard net proceeds analysis.
- Generally, foreclosure sale dates will not be postponed if they have already been scheduled. Servicers must complete the short sale before the scheduled foreclosure sale date.
- CalHFA will only consider short sale offers received more than five (5) business days prior to the scheduled foreclosure sale date.
- Servicers shall not submit short sales on loans more than twelve (12) months delinquent unless they can show servicer notes describing continuous contact with the borrower regarding prior loss mitigation options that have been offered.
- In cases where the borrower was offered a loan modification by CalHFA and did not accept it, a qualified short sale *may* be approved if the loan modification offer is:
 - A capitalized loan modification with or without a term extension that has a positive cash flow projection of less than \$500 a month, or
 - An interest rate reduction loan modification offer, but the borrower notifies the servicer that he or she can not continue with the loan, even under the new terms.

For questions about this bulletin, contact CalHFA Portfolio Management Unit by phone 916.327.5170; by fax 916.449.5719; by email at PortfolioManagement@calhfa.ca.gov. Plus you can always visit CalHFA's web site at: www.calhfa.ca.gov.

CalHFA thanks you for your business and we look forward to continuing to support your affordable housing loan needs.

PB. 2010-04