

Treasury Streamlines, Simplifies Short Sale Process

The U.S. Treasury plan to help homeowners avoid foreclosure, announced on Nov. 30, is many-faceted:

- It provides incentives to lenders and borrowers for completing Short Sales.
- It streamlines and standardizes the documentation necessary for Short Sales.
- It limits the ability of subordinate lien-holders to obstruct the Short Sales process.
- It sets limits on the time it takes lenders to approve or reject Short Sales requests.
- It steps up pressure on lenders to make permanent the 650,000 trial loan modifications they started earlier in 2009.

75 Percent of Borrowers Potentially Fall Under the Plan

The plan, part of the Foreclosure Alternatives Program, potentially could apply to 75 percent of all mortgages in the U.S. Loans held by Fannie Mae and Freddie Mac, which back about half of all mortgages, currently do not fall under the guidelines. However, both organizations are working with the Treasury Department to finalize applicable servicing guides.

Incentives to Borrowers

Under the plan, borrowers who complete a Short Sale are released from all mortgage debt. Additionally, they receive \$1,500 for moving expenses.

Incentives for Lenders

The plan provides for payments of \$1,000 to mortgage servicers and investors for completing a Short Sale - or a deed-in-lieu transaction, in which the deed is simply turned over to the lender.

Standardized Documentation

The program will publish streamlined and standardized documentation for Short Sales, including a Short Sale Agreement and Offer Acceptance Letter. Creating one standard set of documents will minimize the complexity of Short Sales, which should significantly increase use of the option.

Payments Capped to Subordinate Lien-Holders

Some holders of second mortgages have blocked Short Sales by seeking steep payment in exchange for releasing their claim. Under the plan, subordinate lien-holders as a group can receive no more than \$3,000 from proceeds of the sale.

Time Limits for Short Sales

Lenders will have only 10 days to approve or reject a Short Sale - a significant step, since the process often takes so long to complete that the transaction falls through. Borrowers will be allowed at least 90 days to market and sell their home, with the possibility of additional time based on local market conditions. Marketing can run at the same time as the foreclosure process, but no foreclosure can take place during the marketing period as long as the borrower is acting in good faith to sell the property.

RE/MAX has been training its agents to help homeowners avoid foreclosure by offering courses on Short Sales. Many other RE/MAX Associates have extensive experience with foreclosures and pre-foreclosures.

If you've fallen behind in your mortgage payments or received a pre-foreclosure letter from your lender, a RE/MAX Associate can help.

Contact Me to help with a Short Sale or pre-foreclosure.
Get more details at MakingHomeAffordable.gov.