Fannie Mae Short Sale: Improving the Short Sale Experience

An Important Note About the Content of This Presentation
While every effort has been made to ensure the accuracy of the content, Fannie Mae’s REO Sales Guide, Selling Guide, Servicing Guide, and updates to the Guides, as well as certain agreements and other contracts, collectively represent the official statement of Fannie Mae’s policies and procedures and control in the event of discrepancies with the information in this presentation.

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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 300,000 short sales transactions and sold over 1,000,000 foreclosed properties
  \(^1\)
- Fannie Mae works to prevent foreclosure, minimize taxpayer losses and stabilize neighborhoods

\(^1\) 2007 through Q1 2014
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 a contract
• 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’ve done…

• **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)

• **Became more engaged in reviewing and negotiating short sales** (spring/summer 2013)

• **Require short sales to be listed in the MLS for at least 5 days**, including a weekend (summer 2013)
Here’s what we’re doing…launched HomePath Short Sale Portal (May 2014)

• Use the HomePath Short Sale Portal and work directly with Fannie Mae to:
  – Request list price guidance prior to listing a property
  – Negotiate and receive first lien approval on a short sale directly from Fannie Mae (Seterus-serviced loans; more servicers added over summer and fall)
  – View the status of submitted cases
  – Communicate directly with Fannie Mae regarding your Short Sale issues
  – Access training materials and resources to better understand the Short Sale process
Updated Listing Agent Website: HomePathforShortSales.com

- See if Fannie Mae owns your client’s loan
- Request list price guidance directly from Fannie Mae
- Submit a contract to Fannie Mae
- Escalate a short sale issue to Fannie Mae
- Log in to see your case status and communicate with Fannie Mae
- Learn more about the key steps of doing a short sale with Fannie Mae
Still Have the Same HomePath Short Sale Process

1. Determine if Fannie Mae Owns your Client’s Mortgage
2. Understand Homeowner’s Eligibility
3. Request List Price Guidance
4. Submit an Accepted Contract
5. Review and Prepare to Close
Agents can work directly with Fannie Mae to...

- **Request list price guidance** prior to listing a property
- **Negotiate and receive first lien approval on a short sale directly from Fannie Mae** (Seterus-serviced loans; more servicers added over summer and fall)

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- **Work with Fannie Mae**
- **Work with Mortgage Servicer**
- **Work directly with Fannie Mae**
- **Seterus-serviced loans**: Work directly with Fannie Mae
  - **OR**
  - All other servicers: Work with Mortgage Servicer
- **Work with Mortgage Servicer**

* Seterus-serviced loans. Additional servicers will be added in the next few months
Determine if Fannie Mae owns your client’s loan

If Fannie Mae owns your client’s loan, ask your client to sign a Homeowner’s Authorization Form
Understand Homeowner’s Eligibility

1. Determine if Fannie Mae Owns your Client's Mortgage
2. Understand Homeowner's Eligibility
3. Request List Price Guidance
4. Submit an Accepted Contract
5. Review and Prepare to Close

• **Contact the mortgage servicer** to discuss the client's eligibility for a short sale
• Determine how much your client owes and estimate net equity
• **Obtain a preliminary title report** to show what types of liens are on the property that need to be cleared prior to closing. (Fannie Mae will allow up to $6,000 to resolve outstanding subordinate liens)
• Confirm with your client's mortgage servicer that there is enough time before foreclosure to complete a short sale
• Confirm your client is willing to provide necessary documents and maintain the property for showings during the eligibility determination process
Request List Price Guidance

1. Determine if Fannie Mae Owns your Client’s Mortgage
2. Understand Homeowner’s Eligibility
3. Request List Price Guidance

- Fannie Mae provides list price guidance
- Register (first time users) or log in to request list price guidance
- Fannie Mae will order a Broker Price Opinion (BPO) and an appraisal, so prepare your client to provide access to the property
- Fannie Mae requires up to three weeks to complete list price guidance requests – the agent will receive email updates on the status
Fannie Mae List Price Guidance Process

Fannie Mae uses the following data to estimate values and provide list price guidance:

- Appraisal performed to USPAP standards
- Interior BPO
- Sales, listing, and pending data available to the appraisers and brokers
- Normal characteristics are used for comparison: Proximity, Home and lot size, Age, Property features, Condition

- Additional characteristics may include:
  - Supply
  - Demand
  - Time of year
  - Number of competing properties
  - Days from List to offer
  - Number of offers on our own book of competing properties
  - On/offsite influences
  - Competing list prices
  - Recent Closed Sales
Contesting List Price Guidance

- To contest a Fannie Mae assigned value, go to HomePathforShortSales.com and select “Escalate an issue”
  - You will need to provide:
    - Signed Homeowner Authorization Form
    - List of significant value-related issues
    - **MLS Sheets of 3-6 comps** with listing history and real estate agent comments
    - **Supporting documents** such as appraisal or buyer's BPO, CMA, inspection report or contractor's estimate
    - Please include **color photos, comments and descriptions**
- Fannie Mae will provide you with a response
Submitting an Accepted Contract

1. Determine if Fannie Mae Owns your Client’s Mortgage
2. Understand Homeowner’s Eligibility
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4. Submit an Accepted Contract
5. Review and Prepare to Close

Seterus-serviced loans*:
• Submit a contract to Fannie Mae
• Negotiate the contract to a first lien approval directly from Fannie Mae

For all other mortgage servicers:
• Submit a contract to the servicer
• Negotiate the contract to a first lien approval from the servicer at Fannie Mae’s direction

* Seterus-serviced loans. Additional servicers will be added in the next few months
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)
- Listing agents must attest that they have presented all offers to the homeowner for review and consideration
- Seller must be represented by a licensed real estate agent; homeowner cannot represent themselves, even if licensed agent
- 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
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 costs & seconds

Unacceptable short sale 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

Seconds
- **Total payments to mortgage liens must not exceed $6,000**
- If second accepts payment, second must release homeowner from liability
- **Second must not require or accept additional funds** from the borrower, real estate agent, buyer, or other party to the short sale transaction
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 potential 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
Updated Listing Agent Website: HomePathforShortSales.com

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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 list price guidance from Fannie Mae. 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 or to 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)
- 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 struggling homeowners, renters, prospective buyers: [KnowYourOptions.com](http://KnowYourOptions.com)
- HomePath Short Sale Portal User Support Center 1-888-894-0205

QUESTIONS?