NAR Issue Summaries

Conventional Residential Lending / Short Sales

NAR Committee:

Conventional Financing and Policy Committee

What is the fundamental issue?

NAR continues to push the lending industry to improve the process for approving and expediting short sales. In a direct response to REALTOR® concerns, the Treasury Department developed the Home Affordable Foreclosure Avoidance Program (HAFA), to establish uniform procedures, forms, and deadlines for short sales. The development of the HAFA program pushed both Fannie Mae and Freddie Mac, as well as a number of large servicers, to implement standardized processes and procedures to improve the speed and efficiency of short sale transactions.

I am a real estate professional. What does this mean for my business?

Though there have been many improvments, many members still reiterate that short sales continue to be delayed and servicers often hold unrealistic views of current home values. Often time the result is having a potential buyer cancel the contract and the property going into foreclosure. Enormous amounts of time are spent on potential short sales that result in foreclosures. Even if successful, the process usually takes many months and countless hours and often requires re-marketing because buyers lose patience and terminate the contract. Mainting a focus on streamlining short sales will reduce the amount of time it takes to sell the property, improve the likelihood the transaction will close, and reduce the number of foreclosures. This will benefit the lender, the seller, the buyer, the community.

NAR Policy:

NAR strongly supported the implementation of the HAFA program and continues to call for improvement of other short sales programs to make them feasible. NAR believes lenders should adopt best practices learned from HAFA principles including identifying the required net proceeds, and approvable closing costs, up front to reduce delays in approving the transaction once a sales contract is executed.

The improvements to the short sale process helped stabilize the housing market during the Great Recession by providing additional options for responsible homeowners to avoid foreclosure. In turn, this allowed homeowners to avoid the foreclosure process and neighborhoods to avoid the blight of vacant foreclosed properties.

Opposition Arguments:

Opponents of NAR policy believe that is burdensome and costly for lenders, whom ultimately will pass on the costs to consumers.

Legislative/Regulatory Status/Outlook

NAR continues to meet with the four largest lenders, Fannie Mae, and Freddie Mac to emphasize the importance of making short sales work better. Though many lenders and the GSEs have improved procedures to handle escalated cases, NAR has continued to push for changes to make the short sales process as efficient as regular transactions.

NAR supported the Consumer Financial Protection Bureau's final rule on mortgage servicing that requires servicers to comply with new loss mitigation procedures for loans secured by a borrower's principal residence. If the servicer receives a complete loss mitigation application more than 37 days before a scheduled foreclosure sale, the servicer must evaluate the borrower within 30 days for all loss mitigation options available, including loan modifications and short sales. A borrower may appeal a denial of a loan modification only if the complete application was received 90 days or more before a scheduled foreclosure. The rule also restricts so-called dual tracking

No short sale legislation has ben introduced recently.

For details on short sales issues, go to www.nar.realtor/short-sales-foreclosures.

Current Legislation/Regulation (bill number or regulation)

CFPB Mortgage Servicing Rule

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