

FHA Preforeclosure Sales Initiated Before an Offer

Quick Reference Guide for Real Estate Professionals

The Federal Housing Administration (FHA) Preforeclosure Sale Program ("short sale") is different from the conventional short sale process. Use this guide to assist clients with FHA mortgages through a short sale. Time frames for each step will vary based upon your response times, the quality of documents submitted and investor requirements. **Visit our Agent Resource Center for tools, tips and more:** bankofamerica.com/shortsaleagent

Short Sale Customer/Agent Care 1.866.880.1232

8 a.m. to 10 p.m. Eastern, Monday to Friday

9 a.m. to 5:30 p.m. Eastern, Saturday

Timeline and Steps for FHA Preforeclosure Sales

	Initiation	Prequalification	Marketing	Offer Analysis	Closing
Key Steps for Agents	<ul style="list-style-type: none"> Discuss FHA Preforeclosure Sale Program ("short sale") process with homeowner Ensure homeowner has been reviewed and declined for a modification Initiate the short sale by asking the homeowner to contact their assigned CRM (or call 1.800.669.6650 if CRM has not been assigned) <p>FHA short sales cannot be initiated by the agent in Equator</p>	<ul style="list-style-type: none"> Fill out third-party authorization form and return to assigned short sale specialist Review Welcome Package with homeowner and provide fully executed (signed and dated) FHA-specific updated documents: <ul style="list-style-type: none"> Pay stubs (dates, amounts, names, institution) Bank statements (all pages, accounts and borrowers) Hardship letter Occupancy certificate Read, review, revise all documents before submitting Facilitate scheduling of appraisal with homeowner (if home is occupied) and assigned appraiser Coordinate access to property for appraiser Inform short sale specialist of any appraisal issues If short sale is approved, receive/read Approval to Participate (ATP) letter Return fully executed ATP within 7 days <p>Document tips:</p> <ul style="list-style-type: none"> Submit all required documents as one package Do not submit expired documents All signatures must be "wet ink" Do not leave any form fields blank – use "N/A" if necessary 	<ul style="list-style-type: none"> Provide to short sale specialist: <ul style="list-style-type: none"> Listing agreement Proof that utilities are turned on Current MLS sheet (every 30 days) Ensure property is maintained during marketing period If vacant, maintain and secure property (per FHA guidelines) 	<ul style="list-style-type: none"> Provide to short sale specialist: <ul style="list-style-type: none"> Purchase contract Buyer Acknowledgement and disclosure HUD-1 Respond to counter offer requests <p>Any changes in an offer will require submission of updated documentation</p>	<ul style="list-style-type: none"> Communicate with short sale specialist to ensure that closing is on schedule Email preliminary HUD-1 5 days prior to closing Close on or before approved closing date, after receiving approval of final HUD-1 Email final closing documents on same day as close of escrow
Key Steps for Bank of America	<ul style="list-style-type: none"> Validate modification review Assign a short sale specialist 	<ul style="list-style-type: none"> Send Welcome Package to homeowner <ul style="list-style-type: none"> Mortgagee Letter (explains HUD short sale process) Request appraisal Order title Review Welcome Package documents Review homeowner for FHA short sale program, communicate to agent if homeowner qualifies and next steps If short sale is approved, send Approval to Participate (ATP) letter <p>ATP is usually sent from a person other than the specialist assigned during initiation or prequalification</p>	<ul style="list-style-type: none"> Receive: <ul style="list-style-type: none"> Signed ATP Listing agreement MLS Check in with agent every 30 days regarding offers 	<ul style="list-style-type: none"> Receive: <ul style="list-style-type: none"> Purchase contract Buyer's Acknowledgement and disclosure HUD-1 Verify accuracy of fully executed documents Notify agent of need for additional/missing information or documents <ul style="list-style-type: none"> Issue <i>Short Sale Contract Review Approval /Rejection (SCR-A/R)</i> to agent (terms and conditions of offer approval) If a rejection is issued, the short sale specialist will provide additional guidance on offer renegotiation Issue wiring instructions and closing details 	<ul style="list-style-type: none"> Approve final HUD-1 within 24 hours of receipt Issue final approval to agent Confirm closing by contacting agent on close of escrow date
Projected Time Frame*	5 – 7 days	35 – 45 days	Up to 120 days	50 – 60 days	30 – 45 days

*Time frames depend on agent, homeowner and investor(s) completing each task promptly.

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Process Overview

The Federal Housing Administration (FHA) Preforeclosure Sale Program ("short sale") has specific Housing and Urban Development (HUD) requirements. While conventional short sales may close in 30-45 days after an offer has been received, HUD requires the homeowner to be approved to participate in the FHA short sale program. This approval can take 30 to 90 days (depending on specific circumstances) and does not involve a review of the listing agreement or purchase contract.

As a result, Bank of America does not begin negotiating the purchase contract until after the homeowner is approved to participate (and has returned a signed ("wet ink") copy of the Approval to Participate (ATP) within 7 days from the date of issuance).

The next phase of the process begins when the signed ATP is received. The purchase contract negotiations process can take up to 120 days, depending on various factors, such as:

- Whether a variance is required
- Documentation turnaround times
- Documentation accuracy
- Whether there is an offer on the property
- Whether the offer is acceptable

Required initiation documents

- ☐ Occupancy letter
- ☐ Authorization Form
- ☐ Authorization/Acknowledgement
- ☐ Financial worksheet:
 - ☐ Signed and Dated Hardship Letter
 - ☐ Verification of Information and Occupancy
 - ☐ Current, non-expired Listing Agreement, Signed and Dated by Seller(s) and Agent
 - ☐ Current, non-expired copy of MLS listing or proof of consistent marketing
- ☐ Pay Stubs (30 days consecutive)
- ☐ Bank Statements (60 days consecutive)

Required prequalification documents

- ☐ Signed ATP (not an approval to close)
- ☐ Purchase Contract
- ☐ HUD-1
- ☐ Listing Agreement
- ☐ Current MLS
- ☐ Buyer's Acknowledgement & Disclosure

NOTE: Additional documentation may be required by the investor.

Steps at a glance

Step	Projected Time Frame (days)	Description
1	3	Homeowner to contact Customer Relationship Manager at 1.800.669.6650.
2	3	Welcome Package sent to homeowner. Includes all required FHA short sale documents, valuation, title, and credit report are ordered at this time (which may take 14-21 days).
3	14	Homeowner or authorized third party returns documents.
4	5	Short sale specialist reviews documents.
5	3	File is submitted for quality review once all accurate seller documents (title and valuation) are received. If additional document collection is required, the process will lengthen.
6	10	Approval to Participate (ATP) is sent to both the seller's agent and the seller.
7	3	File assigned to a short sale specialist within 3 business days of the ATP issuance.
8	3	Short sale specialist contacts the authorized third party within 3 business days from the date the file was assigned, and sends a Welcome Package including all required FHA short sale documents.
9	14	Homeowner or authorized third party returns the documents.
10	5	Short sale specialist reviews documents.
11	3	If all documents are accurate, a conditional sales contract approval is issued.
12	5	Agent submits final HUD-1 for review 5 business days before expected closing date.
13	3	File is submitted for quality review once all accurate documents are received. If additional document collection is required, the process will lengthen.
14	3	Closing instructions issued within 3 days after file has passed quality audit.
15	3	Agent and title company submit all closing documents to short sale specialist.
16	3	Closing documents are reviewed and sent to closing department.