

# Making Home Affordable

## *Overview of Programs*





# What to Expect

## Overview of MHA Programs

This presentation will:

- Provide an overview of the Making Home Affordable Program and its various components.
- Show you how and where to get more information about the Programs reviewed today.
- Identify resources in place to help you.



# Making Home Affordable Offers Help

**MHA and other programs work together to help homeowners avoid foreclosure and to revitalize the housing market.**

- Home Affordable Refinance Program (HARP)
- Home Affordable Modification Program (HAMP)
  - Home Affordable Unemployment Program (UP)
  - Principal Reduction Alternative (PRA)
- Second Lien Modification Program (2MP)
- Home Affordable Foreclosure Alternatives (HAFA)
- Options for mortgages insured, guaranteed, or held by federal government agencies:
  - FHA (FHA-HAMP)
  - USDA (RD-HAMP)
  - VA (VA-HAMP)
- Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund)



# MHA – HARP Overview

## Home Affordable Refinance Program (HARP)

- Helps homeowners unable to refinance due to declining property values.
- Improves affordability and stability.
  - Replace ARM, Option ARM etc. with fixed-rate mortgage.
  - Reduce amortization term in order to build equity.
- Ends June 30, 2011.
- Through all refinances, including HARP, 7 million homeowners saving \$150/month.



# HARP Eligibility Criteria

## Homeowner:

- Is current on the mortgage
- Is owner-occupant of a 1-4 unit property
- Has reasonable ability to pay the new mortgage payment

## Loan:

- Owned or guaranteed by Fannie Mae or Freddie Mac
- First mortgage cannot exceed 125% of property's current market value
- Refinance must improve affordability or sustainability



## Steps to HARP Refinance

**Homeowner contacts GSE-approved servicer to apply for HARP.**

- Homeowner owing more than 105% and up to 125% of home's current market value contacts current servicer to apply for HARP refinance.
- Homeowner owing 105% or less of home's current market value contacts any GSE-approved mortgage servicer to apply for HARP refinance.



# MHA – HAMP Overview

## Home Affordable Modification Program (HAMP)

- Modifies 1<sup>st</sup> liens for eligible homeowners to achieve more affordable payments.
  - Helps homeowners keep their homes and avoid foreclosure.
  - Reduces impact of foreclosure on communities.
- Ends December 31, 2012.



# HAMP Eligibility Criteria

## Homeowner:

- Has financial hardship and is delinquent or in imminent default
- Is owner-occupant of 1-4 unit property
- Has sufficient, documented income to support the modified payment

## Loan:

- Amount owed on first mortgage equal to or less than \$729,750
- Mortgage originated on or before January 1, 2009
- First mortgage payment (PITI + homeowner association/condo fees) is greater than 31% of homeowner's monthly gross income





# HAMP Eligibility Criteria

## Homeowner:

- Has financial hardships, is delinquent or in imminent default
- Is owner-occupant of single-unit property
- Has sufficient, documented income to support the modified payment

**But what if the homeowner is unemployed? Go "UP."**

## Loan:

- Loan originated on or before January 1, 2009
- First mortgage payment (PITI + homeowner association/condo fees) is greater than 31% of homeowner's monthly gross income



# Home Affordable Unemployment Program (UP)

**UP provides some breathing room while homeowner seeks re-employment.**

- Any unemployed homeowner who requests assistance under HAMP must first be considered for UP.
- UP provides temporary assistance to homeowner with hardship related to unemployment.
- Effective August 1, 2010.

**What if the homeowner is unemployed?**



## UP Eligibility Criteria

### Homeowner:

- Is owner-occupant of 1-4 unit property.
- Makes request before seriously delinquent (three months due, unpaid).
- Is unemployed at time of request and eligible for unemployment benefits.
- Has not previously received UP forbearance.

### Loan:

- Amount owed on first mortgage equal to or less than \$729,750.
- Mortgage originated on or before January 1, 2009.
- Is delinquent or default is foreseeable.
- Loan has not been previously modified under HAMP.



## From UP to HAMP Modification

**Eligible homeowner enters forbearance period.**

- Minimum forbearance is 3 months, but may be extended at servicer discretion.
- Homeowner's payment must be reduced to no more than 31 % of gross income.
- Servicer may suspend homeowner's mortgage payment in full.
- UP Forbearance Plan begins when servicer transmits Forbearance Plan Notice to homeowner.

**What if the homeowner is unemployed?**



## From UP to HAMP Modification

**Servicer evaluates eligible homeowner for HAMP.**

- At least 30 days before forbearance expiration, servicer required to evaluate whether extension will be provided.
- Servicer provides Initial Package to homeowner at re-employment or 30 days before UP forbearance expiration.
- Homeowner submits Initial Package for servicer evaluation for HAMP.

**What if the homeowner is unemployed?**



# Steps to HAMP Modification

## **Step #1** **for everyone!**

**Homeowner submits Initial Package for evaluation.**

- Homeowner proactively seeks help from servicer or responds to servicer solicitation letter.
- Initial Package includes:
  - Request for Modification and Affidavit Form (RMA)
  - Signed and dated 4506T-EZ
  - Two most recent pay stubs and/or evidence of income
- Servicer evaluates income, debt, and hardship against eligibility criteria.



## Steps to HAMP Modification

**#2:**  
**Servicer**  
**calculates**  
**target modified**  
**payment.**

Servicer applies sequential steps “The Waterfall” to reduce monthly mortgage payment to 31% of gross (pre-tax) income.

1. Capitalize outstanding interest, escrow advances, out-of-pocket servicing expenses (no late fees).
2. Cut interest rate to as low as 2%.
3. Extend loan term up to 40 years.
4. Defer portion of principal, interest-free, until loan is paid off.



## Steps to HAMP Modification

### #3: Servicer applies Net Present Value (NPV) test.

- NPV test is complex, nonlinear mathematical model to analyze cost/benefit of investment decisions.
- If NPV test is positive on “The Standard Waterfall,” servicer must modify the loan.
- If NPV test is negative, servicer may modify the loan in accordance with investor guidelines.





## Steps to HAMP Modification

### **#4: Qualified homeowner enters HAMP Trial Period.**

- Servicer offers 3-month trial modification (4 months if in imminent default at start).
- Trial Period Plan Notice details terms and need not be signed by homeowner.
- Homeowner must make payment each month during trial period.
- Homeowner eligible for permanent modification after successful trial period.



# HAMP Modification

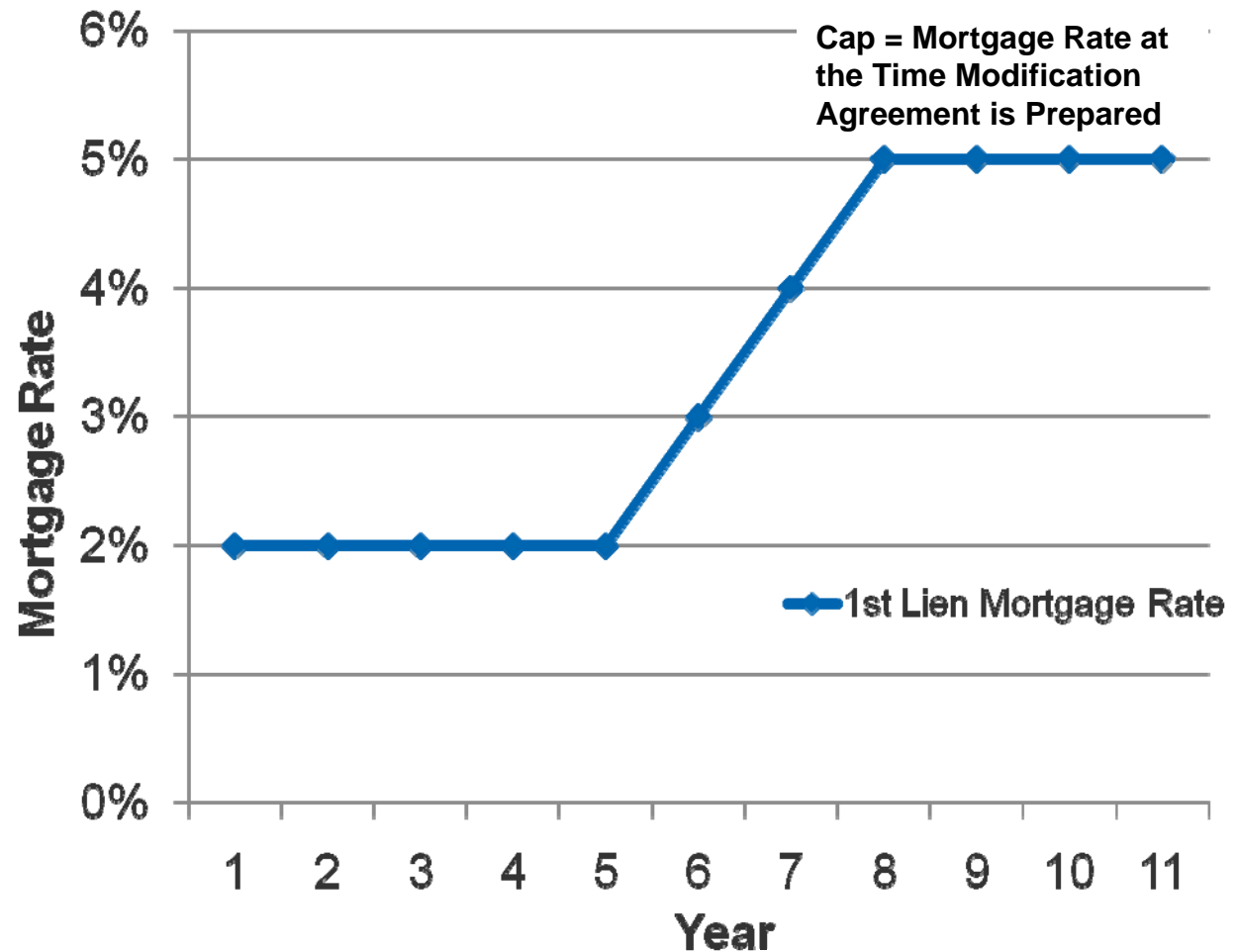
**#5:  
Successful trial  
becomes  
permanent  
modification.**

- Homeowner returns signed modification agreement to servicer.
- Homeowner who makes timely payments receives principal reduction of up to \$5,000: \$1,000 per year for 5 years.



# HAMP Modification

**#6:**  
Interest rate adjustment allows for gradual transition to sustainable payment.





## HAMP Principal Reduction Alternative (PRA)

**PRA offers some relief to underwater homeowners.**

**What if the homeowner is underwater?  
PRA Effective  
Fall 2010**

- Most recent program enhancement addresses principal reduction.
- PRA gives servicers flexibility to offer principal reduction relief to homeowners whose homes are worth significantly less than they still owe (LTV 115%+).
- Evaluation requirement becomes effective this Fall.
- Principal reduction will be at the servicer's discretion.



# Protections Against Foreclosure

**Designed to protect homeowners from unnecessary and costly foreclosure actions.**

- Servicers may not refer homeowner to foreclosure until homeowner is determined ineligible for HAMP, or contact efforts have failed.
- Servicers may not proceed with foreclosure sale until homeowner determined ineligible, declines HAMP or contact efforts failed.
- If you are facing foreclosure, contact your servicer, continue to make payments, and call MHA Help at 888-995-HOPE(4673).



## MHA – 2MP Overview and Eligibility

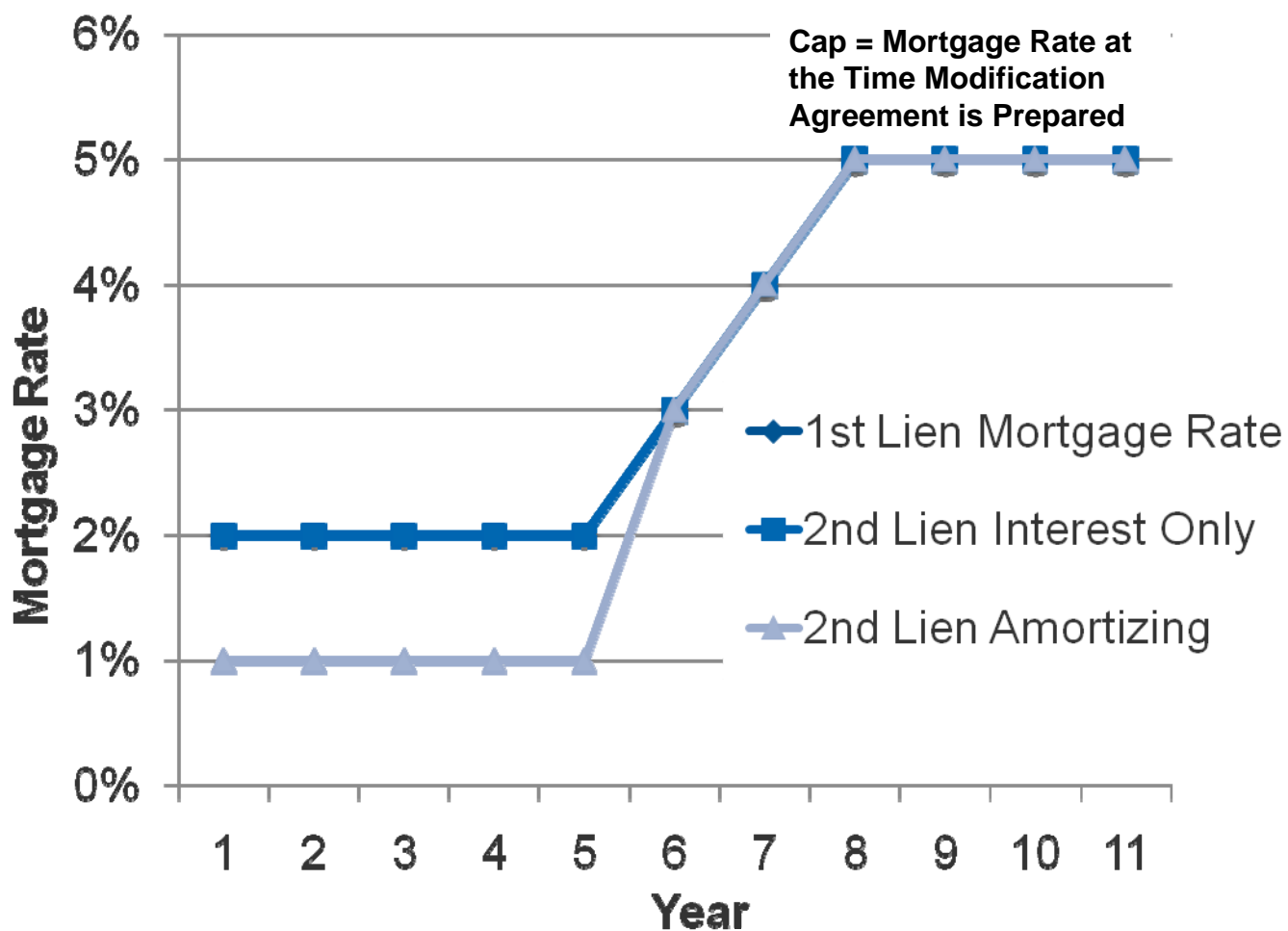
**Creates comprehensive solution to achieving greater affordability.**

- Works in tandem with HAMP. When 1<sup>st</sup> lien modified, participating 2MP servicers must offer to modify 2<sup>nd</sup> lien.
- 2<sup>nd</sup> lien must have been originated on or before January 1, 2009.
- Homeowner who makes timely payments receives principal reduction of up to \$1,250: \$250 per year for 5 years.
- No new 2MP modifications after December 31, 2012.



## 2MP Eligibility

Interest rate adjustment allows for gradual transition to sustainable payment.





# Home Affordable Foreclosure Alternatives (HAFA)

## HAFA provides more options.

- Provides other foreclosure alternatives: short sale (SS), deed-in-lieu of foreclosure (DIL).
- Standardizes and simplifies process to improve execution.
- Releases homeowner from future liability for the debt.
- Provides homeowner with \$3,000 relocation assistance.
- Encourages cooperation from subordinate lien holders.





## HAFA Eligibility

### Servicer evaluates homeowner for HAFA.

- Before evaluating for HAFA, servicer must consider other retention programs.
- Homeowner must be evaluated within 30 calendar days of the following:
  - Homeowner does not qualify for HAMP.
  - Homeowner does not successfully complete a HAMP Trial Period.
  - Homeowner is delinquent on a HAMP modification.
  - Homeowner requests a short sale or DIL.



# HAFA Short Sale

## Foreclosure Alternatives

- Servicer allows homeowner to sell property for less than full amount due on mortgage.
- Servicer accepts payoff in full satisfaction of mortgage.
- Servicer approves short sale terms prior to listing using standard forms and specific timeframes.



# HAFA Deed-in-Lieu of Foreclosure

## Foreclosure Alternatives

- Homeowner voluntarily transfers ownership of mortgaged property to servicer in full satisfaction of the total amount due.
- Servicer may require homeowner to list and market property before agreeing to DIL.
- Homeowner provides marketable title, free and clear of other mortgages, liens, and encumbrances.



# Federal Housing Administration (FHA-HAMP)

**Provides additional assistance to homeowners with FHA-insured loans.**

- Defers principal through partial claim; modifies remaining balance into 30-year fixed-rate loan.
- Provides affordable payment at 31% of gross monthly income.
- Homeowner who makes timely payments receives principal reduction of up to \$5,000: \$1,000 per year up to 5 years.
- For more information, call the National Servicing Center at 1-877-622-8525 or visit [www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm](http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm).



## Hardest Hit Fund (HHF) - Overview

**HHF supports innovative programs developed by state HFAs to prevent foreclosures and stabilize housing markets.**

- HHF supports innovative HFA programs that stabilize housing and help families avoid foreclosure. R1: \$1.5B, R2: \$600M, R3: \$2B.
- Programs may include assistance to unemployed homeowners, principal reduction, funding to extinguish 2<sup>nd</sup> liens, and facilitation of SS, DIL.
- Designed to complement MHA or reach homeowners ineligible for MHA.
- Ten states received funding: AZ, CA, FL, MI, NV, NC, OH, OR, RI, and SC.
- Additionally eligible: AL, GA, IL, IN, KY, MS, NJ, TN, and DC.



# Learn More!

# MakingHomeAffordable.gov

Access to Program information in various languages

Access Checklist to Prepare Homeowners to Speak with their Mortgage Servicer or Counselor

On the Home Page, consumers can access:

- Content in Various Languages
- 1-888-995-HOPE (4673)
- Help for Homeowners Events
- Beware of Scams
- Information Video
- Helpful Links in Footer

Text A+ A- A

En Español | 繁體中文翻譯 | 한국어 | Português | Việt | Hmoob | Tagalog

MAKING HOME AFFORDABLE.GOV

HELP FOR AMERICA'S HOMEOWNERS

ABOUT | ELIGIBILITY | LOAN LOOK UP | FIND A COUNSELOR | REQUEST A MODIFICATION | RESOURCES | AUDIO AND VIDEO | EN ESPAÑOL

## Are You Eligible?

Please use the self-assessment tools provided on this website to see if you are among the 7 to 9 million homeowners who may be able to benefit from **Making Home Affordable**.

Find out if you are eligible ▶

1 2 3 4

### Learn About Making Home Affordable

The Obama Administration's Making Home Affordable Program includes opportunities to modify or refinance your mortgage to make your monthly payments more affordable. It also includes the Home Affordable Foreclosure Alternatives Program for homeowners who are interested in a short sale or deed-in-lieu of foreclosure.

Call 1-888-995-HOPE (4673) for help with the Making Home Affordable Program and to speak with a HUD-approved housing counselor for free.

**888-995-HOPE**  
Homeowner's HOPE Hotline  
888-995-HOPE (4673)  
877-304-9709 TTY

#### Beware of Foreclosure Rescue Scams – Help Is Free!

- Beware of anyone who asks you to pay a fee in exchange for a counseling service or modification of a delinquent loan.
- Scam artists often target homeowners who are struggling to meet their mortgage commitment or anxious to sell their homes. Recognize and avoid common scams.
- Assistance from a [HUD-approved housing counselor](#) is FREE.
- Beware of people who pressure you to sign papers immediately, or who try to convince you that they can "save" your home if you sign or transfer over the deed to your house.
- Do not sign over the deed to your property to any organization or individual unless you are working directly with your mortgage company to forgive your debt.
- Never make a mortgage payment to anyone other than your mortgage company

**LATEST NEWS:**  
6/23: [Obama Administration Approves State Plans For Use of \\$1.5 Billion In 'Hardest Hit Fund' Foreclosure-Prevention Funding](#)  
6/21: [Obama Administration Introduces Monthly Housing Scorecard](#)

**UPCOMING EVENTS:**  
June 22: [Pittsburgh, PA](#)  
June 26: [Washington, DC](#)  
> [More upcoming homeowner events.](#)



# Avoid Scams!

**Beware of  
foreclosure  
rescue scams.  
Help is free.**

## **BEWARE of any company that promises...**

- “It’s safe to skip your mortgage payments.”
- “Walking away from your house won’t affect your credit.”
- “We’ll buy your house and just sell it back to you later.”
- “We guarantee success, for a fee.”

There is never a fee for getting information about the Making Home Affordable Program from your mortgage servicer or a HUD-approved housing counselor.



# Report Scams!

# LoanScamAlert.org

Homeowners learn to identify and report scams.

VIEW SITE IN: ENGLISH / ESPAÑOL

MATERIALS ALSO AVAILABLE IN: 한국어 / 中文 / Tiếng Việt

For loan modification guidance or to report a scam, call: **1(888)995-HOPE**

HOME | HOW TO SPOT SCAMS | HOW TO REPORT SCAMS | BECOME A PARTNER | ABOUT THIS CAMPAIGN

## 6 FACTS YOU SHOULD KNOW ABOUT LOAN MODIFICATION SCAMS

It's a growing problem across the country: Homeowners facing foreclosure are losing their money – and their homes – to loan modification scams. Information is your best defense. If you see the signs of a scam and know the facts, you can protect yourself.

[Learn More](#)

**FACING FORECLOSURE?**  
Get real help, free of charge, from HUD-approved counseling agencies. [Learn More Here](#)

**SCAM ALERT PARTNER TOOLKIT**  
Get modification scams in your community. Available in 5 languages.

**E-CARD**  
Send your friends and family this e-card that highlights the warning signs of loan modification scams. [Send an E-card](#)

**MOST COMMON SCAMS**  
Loan modifications scams are changing every day. Read descriptions of some of the most common scams to avoid. [Know the Scams](#)

**TRUSTED AUTHORITIES**  
There are many resources available to you for information on foreclosure counseling and loan modification scams. [Get Help Avoiding Scams](#)

**REAL SCAM STORIES**  
Anyone can be a victim of a loan modification scam. Learn from past victims, so you don't become one. [Read the Stories](#)

FOLLOW US ON FACEBOOK | FOLLOW US ON TWITTER

NeighborWorks AMERICA | Freddie Mac | Fannie Mae | LAWYERS' COMMITTEE FOR CIVIL RIGHTS

MEDIA CENTER / CONTACT US / SITEMAP / PRIVACY POLICY

Information is available in multiple languages.

Homeowners learn to identify scams. Enforcement is key part of campaign.

Partner Toolkit provides resources for local participation and promotion.





# Get Help!

**Resources are  
in place to help  
homeowners.**

**Help is free.**

- Homeowner's HOPE™ Hotline: 1-888-995-HOPE (4673)
- Fannie Mae: [www.FannieMae.com](http://www.FannieMae.com), 1-800-7Fannie
- Freddie Mac: [www.FreddieMac.com](http://www.FreddieMac.com), 1-800-Freddie, [Borrower\\_Outreach@FreddieMac.com](mailto:Borrower_Outreach@FreddieMac.com)
- Find a HUD-approved housing counselor at [www.HUD.gov](http://www.HUD.gov).
- For FHA insured loans. call the National Servicing Center at 1-877-622-8525.
- Report a scam at [www.LoanScamAlert.org](http://www.LoanScamAlert.org).
- To find your servicer's phone number:  
Refer to your monthly mortgage statement, or look up on [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov).



Help for America's Homeowners

 **MAKING HOME AFFORDABLE**<sup>SM</sup>

# Discussion/Questions

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**Thank You**