

Help for America's Homeowners

MAKING HOME AFFORDABLE

Making Home Affordable

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Today's Topics:

- MHA Resources
- MHA Refinance (HARP)
- MHA Loan Modifications (HAMP)
- Other Programs for Borrowers

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What is Making Home Affordable?

- Part of President Obama's Homeowner Affordability and Stability Plan to:
 - Support economic recovery
 - Stabilize communities & housing markets
- Making Home Affordable puts eligible borrowers into mortgages they can afford to repay:
 - Home Affordable Refinance Program (HARP)
 - Home Affordable Modification Program (HAMP)

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GSEs' roles on behalf of Treasury

Fannie Mae serves as financial agent, including

- Program administrator
- Record keeper
- Paying agent

Freddie Mac serves as compliance agent

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Getting Started: MakingHomeAffordable.gov

Easy-to-Use Loan Lookup tools let borrowers see if Fannie, Freddie owns their mortgage

Updated List of Participating Mortgage Servicers

Instructions for requesting a modification

Checklist to Prepare Borrowers to speak with mortgage servicer, counselor

On the Home Page, consumers can access:

- Spanish Content
- 1-888-995-HOPE (4673)
- Beware of Scams
- Information Video
- Helpful Links in Footer

Sample Home Page

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Guidance For Servicers: www.HMPAdmin.com

Easy-to-Use Main Navigation for Servicers to Quickly Learn About HAMP

Access RMA/Hardship Affidavit and Other Modification Documents

Easy Access to the Program Guidelines

From the Home Page, servicers can access:

- Registration Information and Forms
- Web Training
- FAQs
- News and Updates

Sample Home Page

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Additional Resources:

- Program details for borrowers, servicers and counselors
 - www.FinancialStability.gov
 - www.HMPadmin.com
 - www.MakingHomeAffordable.gov
 - www.hud.gov for a list of approved housing counselors (by state)
- For Immediate Borrower Assistance:
 - Call **1-888-995-HOPE** (4673)
- Fannie Mae
 - www.fanniemae.com or 1-800-7Fannie
- Freddie Mac
 - www.freddie.com or 1-800-Freddie
- Non-GSE Escalations
 - 1-866-939-4469 or support@HMPadmin.com

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HOME AFFORDABLE REFINANCE PROGRAM (HARP)

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HARP Overview

- Help current borrowers unable to refinance due to declining property values
- Make payments more affordable and/or stable
 - Replace ARM, Option ARM etc. with fixed-rate mortgage
 - Reduce amortization term
- HARP ends in June 30, 2011


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HARP Eligibility Criteria

<p>Borrower:</p> <ul style="list-style-type: none"> Is current on the mortgage Has reasonable ability to pay the new mortgage payment 	<p>Loan:</p> <ul style="list-style-type: none"> Owned or guaranteed by Fannie Mae or Freddie Mac First mortgage cannot exceed 125% of property's current market value Refi must improve affordability or sustainability
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How HARP Differs from Standard Refinance

- 125% LTV opens door for borrowers whose home values declined
- Relaxed credit score requirements
- No combined loan-to-value requirement
- MI flexibilities for loans with higher LTVs
- Limited cash-out to cover closing costs only; no debt consolidation

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HOME AFFORDABLE MODIFICATION PROGRAM (HAMP)


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Overview

- Modify first lien mortgage loans of eligible borrowers to achieve affordable payments
 - Help borrowers keep their homes
 - Reduce impact of foreclosure on communities
- Incentivize borrower, servicer and investor participation
- HAMP ends December 2012


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HAMP: Eligibility Criteria

<p>Borrower:</p> <ul style="list-style-type: none"> • Owner-occupant of 1-4 unit property • Has sufficient, documented income to support the modified payment • Has financial hardship and is delinquent or at risk of <i>imminent default</i> 	<p>Loan:</p> <ul style="list-style-type: none"> • Amount owed on <u>first</u> mortgage equal to or less than \$729,750 • Mortgage originated on or before January 1, 2009 • First mortgage monthly payment (PITI + homeowner association/condo fees) is greater than 31% of borrower's monthly gross income
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Determining Imminent Default

- Borrowers who are current on their loans but are struggling to make payments may also be eligible for HAMP if they:
 - Have a documented hardship – *decrease in income, increase in expenses, facing interest rate increase within the next four months, etc.*
 - Do not have sufficient savings or other liquid assets to make future payments.

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Borrowers Ineligible for HAMP

Borrowers with mortgages:

- Previously modified under HAMP
- Secured by investment properties, secondary residences, or vacant or condemned properties
- Monthly payment is already 31% or less than monthly gross income


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Servicers Determine Eligibility

- Evaluate borrower income and debt information:
 - May rely on verbal information for trial period but servicer will need to verify and document before modification is final
 - All trial periods starting June 1, 2010 and after must be based on verified income
 - **Tip: Borrowers should keep a duplicate set of all submitted documents for their records.**

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HAMP: "The Waterfall"

- Servicers must apply the sequential modification steps ("The Waterfall") as needed to cut loan payment to 31% of eligible borrower's monthly 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

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Servicers Apply Net Present Value (NPV) Test

- NPV test is a mathematical model used to analyze the cost/benefit of investment decisions.
- MHA NPV factors include:
 - Home value relative to mortgage amount
 - Likelihood of foreclosure
 - Home price trends
 - Cost of foreclosure and cost of modification
 - Default rate and discount rate
- If NPV test is positive, servicer must modify the loan.
- If NPV test is negative, servicer may modify the loan in accordance with investor guidelines.
- Loans with principal forbearance are subject to additional rules.

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HAMP Modification Example

Client: Nick from Northern VA

2005: Buys \$330,000 home
10% down payment
\$297,000 mortgage
(30 yr fixed @ 6.5%)

2008: Income drops to \$47,000 due to sudden illness

Nick's Current Monthly Payment	
Principal & Interest	\$1,877
Taxes	300
Insurance	80
Association Fee	50
Total Monthly Payment	\$2,307

Target Monthly PITIA payment for HAMP is \$1,215

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HAMP Modification Example: Steps 1-4

	HAMP Waterfall	Current	After HAMP
Step 1	Add \$18,722 in unpaid interest and advances	\$286,359 Unpaid Principal Balance	\$305,081 UPB
Step 2	Cut interest rate to 2%	\$2,307	\$1,650 PITIA
Step 3	Extend term to 40 years	Monthly payment (Principal, Interest, Taxes, Insurance, Association fees)	\$1,354 PITIA
Step 4	Forbear \$46,000 in principal		\$1,215 PITIA

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HAMP Modification Example: Interest Rate Increases

Nick's HAMP payment is set at \$1,215 for 5 years. Market rate at time of permanent modification was 4.85%.

Starting in year 6, Nick's interest rate rises up to 1% per year until market rate at time of permanent modification is reached.

In year 8, interest rate of 4.85% is fixed for life of Nick's loan.

Year	Interest Rate	PITIA (minus MI)
1 - 5	2%	\$1,215
6	3%	\$1,341
7	4%	\$1,475
8 - 40	4.85%	\$1,594

Nick saves \$65,520 in the first five years

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Three Month Trial Period

- Servicer offers 3-month trial modification after eligibility, modified payment calculation, NPV test completed
- Modification final after borrower makes all 3 trial period payments, sends in all documents, signed modification agreement
- Key documents include:
 - 4506T or 4506T-EZ
 - Most recent paystubs for all borrowers
 - RMA/Hardship Affidavit

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OTHER MHA PROGRAMS

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Second Lien Modification Program (2MP)

Eligibility:

- First mortgage is modified through HAMP
- 2nd lien servicer is participating in 2MP
- 2nd lien originated on or before January 1, 2009

Year	1st Lien Rate	2nd Lien Rate
1	2%	1%
2	2%	1%
3	2%	1%
4	2%	1%
5	2%	1%
6	3%	3%
7	4%	4%
8	5%	5%

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Home Affordable Foreclosure Alternatives (HAFA)

- HAFA provides additional alternatives to foreclosure using short sales and deeds in lieu of foreclosure.
- Servicers evaluate borrowers for HAMP and any other loan modification or retention programs prior to considering for HAFA.
- HAFA provides \$1,500 financial incentive to borrowers.
- Requires the borrower be fully released from future liability for the mortgage debt.
- Effective April 5, 2010.

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HAFA Short Sale

- Servicer allows the borrower to sell the property for less than the full amount due on the mortgage.
- Servicer accepts the payoff in full satisfaction of the mortgage.
- Servicer approves short sale terms *prior to listing* using standard forms and specified time frames.

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HAFA Deed-In-Lieu

- Borrower voluntarily transfers ownership of the mortgaged property to the servicer in full satisfaction of the total amount due.
- The servicer may require the borrower to list and market the property before they agree to a deed-in-lieu.
- Borrower must provide marketable title, free and clear of other mortgages, liens, and encumbrances.

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