

Federal Programs to Help Homeowners Avoid Foreclosure

In February 2009, the Obama Administration announced Making Home Affordable, an initiative designed to help homeowners avoid foreclosure. Making Home Affordable includes the following programs:

- > Home Affordable Refinance
- > Hope for Homeowners
- > Home Affordable Modification
- > Foreclosure Alternatives

These programs help eligible borrowers:

- > Refinance to fixed-rate loans (Home Affordable Refinance and Hope for Homeowners)
- > Modify the interest rate and mortgage payment (Home Affordable Modification)
- > Offer the lender a short sale or deed in lieu of foreclosure (Foreclosure Alternatives)

Let's take a detailed look at each program.

Home Affordable Refinance

Borrowers who are current with their mortgage but feel they cannot refinance due to declining home values may consider Home Affordable Refinance. Under this program, borrowers may refinance to 30- or 15-year, fixed-rate loans.

Eligibility criteria are:

| | |
|-------------------|---|
| Home | <input type="checkbox"/> Owner occupied <input type="checkbox"/> Is a one- to four-unit home |
| Existing mortgage | <input type="checkbox"/> Owned or backed by Fannie Mae or Freddie Mac <input type="checkbox"/> Loan-to-value (LTV) ratio is above 80% but not more than 105% |
| Borrower | <input type="checkbox"/> Current on existing mortgage payments <input type="checkbox"/> Has enough income to support new mortgage payments |

The Web site for Making Home Affordable—www.MakingHomeAffordable.gov—has easy-to-use, online tools for consumers to assess whether or not they meet eligibility criteria.

For more information, visit www.MakingHomeAffordable.gov.

HOPE for Homeowners

HOPE for Homeowners, a program launched in July 2008, was designed to help borrowers who cannot afford their mortgages refinance to 30-year, fixed-rate, FHA-insured loans. Due to the program's many constraints, participation by mortgage servicers and borrowers has been extremely low. On May 20, 2009, the Helping Families Save Their Homes Act was signed into law. This act gives an overhaul to HOPE for Homeowners, reducing administrative burdens and providing greater incentives for mortgage servicer participation. Detailed guidance is expected to be released by the end of June 2009.

For more information, visit <http://portal.hud.gov>.

Home Affordable Modification

Homeowners struggling to stay current with mortgage payments who experience a change in income or other financial hardships may seek loan modification via Home Affordable Modification, another component of the Making Home Affordable Program. Home Affordable Modification is a voluntary program with participation from major mortgage servicers, including, but not limited to, Chase Financial, GMAC Mortgage, Countrywide, and Wells Fargo. Eligibility criteria are:

| | |
|-------------------|---|
| Home | <input type="checkbox"/> Owner occupied <input type="checkbox"/> One- to four-unit property |
| Existing mortgage | <input type="checkbox"/> Unpaid principal balance that is equal to or less than \$729,750 for one-unit properties (higher limits are available for two- , three- , and four-unit properties) <input type="checkbox"/> Originated on or before January 1, 2009 <input type="checkbox"/> Payments exceed 31% of borrower's gross monthly income |
| Borrower | <input type="checkbox"/> Experiences a change in income or other financial hardship <input type="checkbox"/> At risk of imminent default or in default |

For qualified borrowers, mortgage servicers determine how much of an interest rate deduction will be required to bring the borrower's mortgage payment to less than 31% of gross monthly income. They next evaluate whether modifying the loan is less costly than **not** modifying the loan. Qualified borrowers are put on a three-month trial period with the modified interest level and mortgage payment. If the borrower is successful in making payments, the participating mortgage servicer executes an agreement that:

- > Lowers the interest rate to a fixed rate for five years
- > Caps the interest at a low rate for the remaining life of the loan

For more information, visit www.MakingHomeAffordable.gov.

Foreclosure Alternatives

For borrowers who meet eligibility criteria for Home Affordable Modification but don't qualify for a modification or don't complete the modification process, Foreclosure Alternatives may be considered. Under this program, borrowers and mortgage servicers are provided incentives and documentation is standardized to help facilitate short sales or deeds-in-lieu-of-foreclosure if short sales are not successful.

Incentives are:

- > \$1,000 for servicers for successful short sale or deed-in-lieu-of-foreclosure
- > \$1,500 for borrowers/homeowners to help with relocation expenses
- > Up to \$1,000 toward cost of paying junior lien holders to release liens

Features of this program include, but are not limited to:

- > Depending on market conditions, 90 days up to one year to market and sell the property
- > No foreclosures may occur during the marketing period specified in the short sale agreement.
- > Mortgage servicers may not charge fees to borrowers for participating in Foreclosure Alternatives
- > Mortgage servicers may not negotiate lower commission after an offer has been received.

For more information, visit www.treas.gov.