

HAMP Update 2012

June 2012



About Northwest Counseling Service

- ❑ Non Profit Agency
- ❑ No Cost Housing Counseling Services
- ❑ Any Service Related To A Home
- ❑ Specialize In Mortgage Delinquency
- ❑ 96% Rate In Keeping Residents In Homes
- ❑ HUD Certified/OHCD Funded
- ❑ 33 Agencies Like Us In The City

NWCS
Northwest Counseling Service, Inc.

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NWCS
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HAMP

Director of Business
Development, NWCS

Housing Counselor

Help Homeowners in
Distress



Michael Brown

PRINCIPAL REDUCTION ALTERNATIVE



Eligibility

- ❑ **You may be eligible for PRA if:**
- ❑ Your mortgage is not owned or guaranteed by Fannie Mae or Freddie Mac.
- ❑ You owe more than your home is worth.
- ❑ You occupy the house as your primary residence.
- ❑ You obtained your mortgage on or before January 1, 2009.
- ❑ Your mortgage payment is more than 31 percent of your gross (pre-tax) monthly income.
- ❑ You owe up to \$729,750 on your 1st mortgage.
- ❑ You have a financial hardship and are either delinquent or in danger of falling behind.
- ❑ You have sufficient, documented income to support the modified payment.
- ❑ You must not have been convicted within the last 10 years of felony larceny, theft, fraud or forgery, money laundering or tax evasion, in connection with a mortgage or real estate transaction

➤ Program Availability

- ❑ More than 100 servicers participate in HAMP and can evaluate homeowners for principal reduction.
- ❑ Participating servicers are required to develop written standards for PRA application.
- ❑ The largest servicers include Bank of America, CitiMortgage, JP Morgan Chase, and Wells Fargo.

Extension of HAMP into 2013

- **Extension of HAMP into 2013**
- **HAMP was set to expire for new trial modifications at the end of the year**
- **HARP, the newly-tweaked refinancing program, also has authority through 2013.**
- **This means that the bulk of the money left in HAMP accounts can actually get used.**

Expanding Eligibility

- Borrowers with second liens or additional financial exposure (like medical bills) will have the chance for another evaluation
- More flexible debt-to-income criteria to expand modification assistance to borrowers with higher levels of secondary debt
- Properties intended for rental are eligible

- ✓ New principal reduction enhancements
- ✓ Treasury has tripled the incentive payments for investors who agree to reduce principal for borrowers
- ✓ Principal reduction incentives for GSE-owned or guaranteed loans

To mitigate FHFA's concerns about losing taxpayer money in the deal Treasury will "pay principal reduction incentives to Fannie Mae or Freddie Mac if they allow servicers to forgive principal in conjunction with a HAMP modification."



Modify or Refinance Your Loan for Lower Payments

- **Home Affordable Modification Program (HAMP):** The typical HAMP modification results in a 40 percent drop in a monthly mortgage payment.
- **Principal Reduction Alternative (PRA):** PRA was designed to help homeowners whose homes are worth significantly less than they owe by encouraging servicers and investors to reduce the amount you owe on your home.
- **Second Lien Modification Program (2MP):** If the first mortgage was permanently modified under HAMP SM and there is a second mortgage on the same property, the borrower may be eligible for a modification or principal reduction on the second mortgage under 2MP.
- **Home Affordable Refinance Program (HARP):** For borrowers who are current on their mortgage and have been unable to obtain a traditional refinance because the value of the home has declined

“Underwater” Mortgages

In today's housing market, many homeowners have experienced a decrease in their home's value. Learn about these MHA programs to address this concern for homeowners.



Home Affordable Refinance Program (HARP)

- ❑ The mortgage must be owned or guaranteed by Freddie Mac or Fannie Mae.
- ❑ The mortgage must have been sold to Fannie Mae or Freddie Mac on or before May 31, 2009.
- ❑ The mortgage cannot have been refinanced under HARP previously unless it is a Fannie Mae loan that was refinanced under HARP from March-May, 2009.
- ❑ The current loan-to-value (LTV) ratio must be greater than 80%.
- ❑ The borrower must be current on the mortgage at the time of the refinance, with a good payment history in the past 12 months.



FHA Short Refinance



- **The mortgage is not owned or guaranteed by Fannie Mae, Freddie Mac, FHA, VA or USDA.**
- **More is owed than the home is worth.**
- **Borrower is current on the mortgage payments**
- **The house is the primary residence.**
- **Standard FHA underwriting requirements.**
- **Total debt does not exceed 55 percent of the monthly gross income.**
- **Can not have been convicted within the last 10 years of felony larceny, theft, fraud, forgery, money laundering or tax evasion in connection with a mortgage or real estate transaction**

Principal Reduction Alternative (PRA)



- Home is worth significantly less than owed
- Encourages servicers and investors to reduce the amount owed
- Treasury/FHA Second Lien Program (FHA2LP): If there is a second mortgage and the 1st mortgage servicer agrees to participate in FHA Short Refinance, the second mortgage may qualify to be reduced or eliminated through FHA2LP
- The total amount of the mortgage debt after the refinance cannot exceed **115%** of the home's current value

Assistance for Unemployed Homeowners

- Home Affordable Unemployment Program (UP)
- FHA Forbearance for Unemployed Homeowners:



FHA-Home Affordable Modification Program (FHA-HAMP)

- ❑ **Allows homeowners to modify FHA-insured mortgages to reduce monthly mortgage payments and avoid foreclosure**
- ❑ **Allows the use of a partial claim up to 30 percent of the unpaid principal balance as of the date of default combined with a loan modification**
- ❑ **Must successfully complete a three month trial payment plan**
- ❑ **Monthly payment during the trial must be the amount of future modified payment**
- ❑ **The Mortgagee must service the mortgage during the trial period in the same manner as it would in forbearance.**
- ❑ **If trial is not completed properly, the mortgagor is no longer eligible for FHA-HAMP.**

FHA PARTIAL CLAIM

LENDER WILL ADVANCE FUNDS IN AN AMOUNT NECESSARY TO REINSTATE DELINQUENT LOAN (NOT TO EXCEED THE EQUIVALENT OF 12 MONTHS PITI)

BORROWER, UPON ACCEPTANCE OF THE ADVANCE, WILL EXECUTE A PROMISSORY NOTE AND SUBORDINATE MORTGAGE PAYABLE TO HUD

CURRENTLY, THESE PROMISSORY OR “PARTIAL CLAIM” NOTES CARRY NO INTEREST AND ARE NOT DUE AND PAYABLE UNTIL BORROWER EITHER PAYS OFF THE FIRST MORTGAGE OR NO LONGER OWNS THE PROPERTY.

FOLLOWING REINSTATEMENT, LENDER WILL FILE A PARTIAL” CLAIM FOR THE AMOUNT OF THE ADVANCE PLUS THE LENDER'S INCENTIVE FEE, AND FORWARD A COPY OF THE RECORDED DOCUMENTS TO HUD.

A CONTRACTOR RETAINED BY HUD WILL SERVICE THE PARTIAL CLAIM LIENS.

Changes to HAMP, Making homes affordable for 2012

- Individuals who have been declined for the Home Affordable Modification Program (HAMP) or MHA program may find assistance under the Tier 2 level of eligibility through the following changes:
- **1. Expansion of eligibility:** Homeowners who did not qualify under the HAMP Tier 1 program may apply under Tier 2. The new guidelines calculate debt-to-income ratios by taking other debt into account.
- **2. Extension of eligibility to rental property owners:** Owners of investment properties will be eligible to apply for assistance under Tier 2 if they are current on their investment payments.
- **3. Fannie Mae and Freddie Mac to receive same incentives:** If either provider allows servicers to forgive principal with a HAMP modification, the United States Treasury will pay the same principal reduction incentives.
- **4. Triple balance-reduction incentives:** HAMP will pay between 18 cents and 63 cents for every dollar the lenders take from the mortgage principal. These numbers were originally between 6 cents and 21 cents.

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