The Making Home Affordable Programs

What is "Making Home Affordable" all about?

The Making Home Affordable Program is part of the Obama Administration's broad, comprehensive strategy to get the economy and the housing market back on track. The Making Home Affordable Program offers strong options for homeowners: 1) refinancing mortgage loans through the Home Affordable Refinancing Program (HARP), 2) modifying first and second mortgage loans through the Home Affordable Modification Program (HAMP) and the Second Lien Modification Program (2MP), providing temporary assistance to unemployed homeowners through the Home Affordable Unemployment Program (UP), and 3) offering other alternatives to foreclosure through the Home Affordable Foreclosure Alternative Program (HAFA).

Home Affordable Modification Program (HAMP)

How will the HAMP modification affect a homeowner's credit?

Accepting a loan modification can affect a homeowner's credit score, but the actual effect will depend on a variety of factors. Each month servicers must describe to the credit reporting agencies the exact status of each mortgage. If they are current with their mortgage payments prior to the trial period and they make each trial period payment on time, the servicer must report them as current and also identify the loan as "modified under federal government plan."

If they are delinquent (at least 30 days past the due date) prior to the trial period and the reduced payments do not bring the account current, the servicers must report the level of delinquency and also identify the loan as "modified under federal government plan."

Will a modification under HAMP include property taxes and homeowners insurance?

Yes. All loans modified under HAMP must include an escrow account for payment of future property taxes and hazard insurance, unless prohibited by state law. If the existing loan does not include an escrow account, one will be established. A new escrow account may require collection of a sufficient reserve to pay the taxes and insurance on or before they are next due. The reserve amount cannot be added to the modified loan amount. The servicer may give the homeowner the option of paying the reserve amount at the time the loan is modified or the option of spreading the amount over a period of 60 months and including it in the monthly escrow payment.

Home Affordable Financing Alternatives Program (HAFA)

How will HAFA improve the short sale process?

- Complements HAMP by providing a viable alternative for borrowers who are HAMP eligible but nevertheless unable to keep their home.

- Uses borrower financial and hardship information already collected in connection with consideration of a loan modification under HAMP.

- Allows borrowers to receive pre-approved short sales terms before listing the property (including the minimal acceptable net proceeds and approvable closing costs).

- Requires borrowers to be fully released from future liability for the first mortgage debt (no cash contribution, promissory note, or deficiency judgment is allowed). Junior lien holders accepting a HAFA incentive must also release borrowers from future liability. They may not require contributions from either the real estate agent or borrower/seller as a condition for releasing its lien and releasing the borrower from personal liability.

- Uses standard processes, documents and timeframes/deadlines.

- Provides financial incentives: $3,000 for borrower relocation assistance; $1,500 for servicers to cover adiminstrative and processing costs; and up to $2,000 match for investors for allowing a total of up to $6,000 in short sale proceeds to be distributed to subordinate lien holders (on a one-for-three matching basis; up to 6% of the unpaid principal balance of each subordinate loan).

Who is eligible for HAFA?

- The borrower must meet the basic eligibility criteria for HAMP:
- Principal residence (including certain vacant properties for borrowers who recently moved at least 100 miles for employment and meet program requirements).

- First lien originated before 2009

- Mortgage delinquent or default is reasonably foreseeable

- Unpaid principal balance no more than $729,750 (higher limits for two- to four-unit dwellings)

- Borrower's total monthly payments exceeds 31% of gross income eligible for a refinance under HARP. The eligibility will depend, in part, on two additional requirements:

- The lender that has the junior lien mortgage must agree to remain in a junior lien position.

- The homeowner must be able to demonstrate their ability to meet the new payment terms on the first lien mortgage.

How long will refinances under HARP be available?

The program expires on June 10, 2011. The refinance under HARP must have a mortgage note date on or before that date.

Home Affordable Unemployment Program (UP)

What is the Home Affordable Unemployment Program?

The Home Affordable Unemployment Program (UP) provides homeowners a forbearance which is a temporary period of time during which their regular monthly mortgage payment is reduced or suspended. This program will be available **July 1, 2010** to eligible unemployed homeowners through participating HAMP servicers.

If a homeowner is unemployed can they still get a mortgage modification?

If a homeowner is unemployed they need to ask their servicer immediately for consideration through the Home Affordable Unemployment Program (UP).

- If they are currently in a HAMP trial period and just lost their job, they may request to be considered for UP as long as they entered the trail period plan before missing three full consecutive mortgage payments.

- If they are unemployed and were previously determined ineligible for a HAMP modification, they may be eligible for UP.

How long is the UP forbearance period?

The UP forbearance period is at least three months long. It can be extended, however, depending on the investor and regulatory guidelines. The homeowner can contact their servicer for more information.

Is it true the government is providing a financial incentive to homeowners through HAMP?

Yes. Homeowners who make timely payments on their modified loans will receive success incentives. For every month you make a payment on time, you will accrue an incentive that reduces the principal balance on your loan. If your loan ceases to be in good standing (three monthly payments are due and unpaid on the last of the third month), no further success payments will be paid, including accrued but unpaid amounts. The incentive will be applied directly to the loan balance annually - $1,000 each year – and over five years the total principal reduction could add up to $5,000. This contribution the by the Treasury is designed to help homeowners build equity faster.

How long will modifications under HAMP be available?

HAMP expires on December 31, 2012. The trial modification must be in place by that date.

Home Affordable Refinance Program (HARP)

If a homeowner is current on their mortgage will a refinance under the Home Affordable Refinance Program (HARP) help them?

Eligible homeowners who are current on their mortgages but have been unable to take advantage of today's lower interest rates because of their homes have decreased in value, may now have the opportunity to refinance. Through a refinance under HARP, Fannie Mae and Freddie Mac will allow the refinancing of mortgage loans that they own or that they guaranteed in mortgage backed securities.

Will a refinance under HARP reduce the amount that a homeowner owes on their loan?

No. The objective of a refinance under HARP is to help homeowners get into more stable or more affordable loans. Refinancing will not reduce the principal amount they owe to the first lien mortgage holder or any other debt they owe.

If a homeowner has a first lien and second lien mortgage do they still qualify for a refinance under HARP?

As long as the amount due on the first lien mortgage is less than 125% of the value of the property homeowners with more than one mortgage may be

Second Lien Modification Program (2MP)

How do I get help with my second mortgage?

The Second Lien Modification Program (2MP) is designed to work in tandem with the Home Affordable Modification Program (HAMP). Together, HAMP and 2MP create a comprehensive solution to help homeowners achieve greater affordability by lowering payments on both the 1st and 2nd liens.

What do I need to do to be considered for 2MP?

Under 2MP, when a homeowner's 1st lien is modified under HAMP and the servicer of the 2nd lien is a 2MP participant, that servicer must offer to modify or provide some level of extinguishment on the borrower's second lien. The 2MP offer will be made in reliance on the financial information provided by the homeowner in conjunction with the HAMP modification and without additional evaluation by the second lien servicer.

Which servicers are participating in 2MP?

At this time, Citi Mortgage, Inc., Bank of America (including Countrywide), Wells Fargo (including Wachovia) and Chase (including EMC and WaMu) are participating.

What are the steps for evaluating a loan to see if it is a candidate for HAFA?

- Borrower solicitation and response.

- Assess expected recovery through foreclosure and disposition compared to a HAFA short sale or DIL.

- Use of borrower financial information from HAMP. (May require updates or documentation).

- Property valuation.

- Review of title.

- Borrower notice if short sale or DIL not available (to borrowers that have expressed interest in HAFA).

When does the program end?

- Short sale agreements must be executed and returned to the servicer no later than 12/31/2012.

What else do you need to know?

- The deal must be "arms length." Borrowers cannot list the property or sell it to a relative or anyone else whom they have a close personal or business relationship.

- The amount of debt forgiven might be treated as income for tax purposes. Under a law expiring at the end of 2012, however the tax may not apply. Forgiven debt will not be taxed if the amount of forgiven debt does not exceed the debt that was used to acquire, construct, or rehabilitate a principal residence. Check with a tax advisor or the IRS.

- The servicer will report to the credit reporting agencies that the mortgage was settled for less than full payment. There will be a negative effect on credit scores.

- Buyers may not reconvey the property within 90 days after closing.