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Home Mortgage Modification

Frequently Asked Questions

On March 26, 2010, the Administration announced several enhancements to the existing Making Home Affordable Program (MHA) and the Federal Housing Administration (FHA) refinance program that will give a greater number of responsible borrowers an opportunity to remain in their homes and reduce costly foreclosures. The changes will improve the effectiveness of the existing MHA program by providing temporary assistance for unemployed homeowners while they search for re-employment, providing servicers and lenders more flexibility to reduce mortgage principal for underwater borrowers, increasing incentive to servicers to participate in MHA, facilitating transitions to more sustainable housing for borrowers who do not succeed within the HAMP program, and expanding opportunities to refinance into affordable FHA loans for underwater borrowers.

Q: When will homeowners begin to receive help under the new enhancements?

It will take time to get these new program enhancements up and running. Some pieces, such as increased payments for alternatives to foreclosures, will be put in place in the coming weeks. We anticipate the full set of programs to be available by the fall.

Q: How can I learn more about these beneficial changes?

Fact sheets are posted on www.makinghomeaffordable.gov. More details will be published as they become available.

Q: I am unemployed and having difficulty paying my mortgage. What benefits are available under the Temporary Assistance for Unemployed Borrowers?

The program will require servicers to provide a minimum of 3 months, and up to six months for some borrowers, of temporary forbearance for eligible unemployed borrowers, during which their payments will be reduced to no more than 31 percent of their monthly income. After the forbearance period, borrowers will be evaluated for a HAMP modification if they have a mortgage payment greater than 31 percent of their monthly income and meet other income documentation and property eligibility requirements. The temporary assistance will enable unemployed homeowners to remain in their homes as they continue to seek employment. If the forbearance period ends without re-employment, the homeowner may be considered for a HAMP program supporting alternatives to foreclosure including short-sales.

Q: How do I know if I qualify for the temporary assistance for unemployed homeowners?

Servicers participating in HAMP will be required to offer assistance to all unemployed borrowers who meet these eligibility criteria:

- Homeowner's mortgage meets HAMP eligibility requirements, including that the house is owner-occupied and the loan balance is below \$729,000.
- Borrower submits evidence that they are receiving unemployment insurance (UI) benefits.
- Borrower must request temporary assistance in the first 90 days of delinquency.

Q: I think I may be eligible for the temporary assistance for unemployed homeowners. When will this program be available to eligible borrowers?

We will move to implement this as quickly as possible and expect it to be offered within the next few months. Some major investors and servicers have similar programs in place today.

Q: If I qualify for the forbearance period, will I be eligible for a HAMP modification at the end of the forbearance period if I become employed?

At the end of the temporary assistance period, homeowners who have a mortgage payment greater than 31 percent of their monthly income must be considered for a permanent HAMP modification. To receive the permanent HAMP modification, homeowners must verify qualifying income with standard documentation and must be current on forbearance plan payments, and the modified loan must pass the standard net present value (NPV) test. It is important to note that unemployment insurance will not be counted as income when a homeowner is evaluated for HAMP at the end of the forbearance plan. Not all unemployed homeowners will receive a HAMP modification at the end of the temporary assistance period.

Q: What happens at the end of the forbearance period if I have not found a new job and can't get a HAMP modification?

After the forbearance period, if the borrower cannot qualify for a HAMP modification their lender will be required to consider them for an alternative to foreclosure, such as a short sale or deed-in-lieu of foreclosure as part of the Home Affordable Foreclosure Alternatives Program (HAFA).

Q: I owe more on my house than it is worth. How do the HAMP changes help me and other underwater homeowners?

Homeowners who are significantly underwater and who are eligible for the HAMP program will benefit from changes that will motivate lenders to writedown more principal. This will help homeowners regain some of the equity lost due to severe home price declines in many regions of the country. The changes will require all servicers to consider an alternative modification approach which includes writedown of some principal for loans that are over 115 percent of the current value of the property (LTV). Servicers will earn increased incentives for offering principal writedowns in conjunction with a HAMP modification. The alternative payment reduction option will allow homeowners to regain lost equity in their homes just by remaining current on their modified payments. Servicers will initially forbear some or all of the principal balance over 115 percent LTV as needed to bring the borrower's payment to 31 percent of income. Then, servicers will forgive this forbore amount in three equal amounts over 3 years, as long as homeowner remains current on payments.

Q: How do I know if I qualify for principal reduction in HAMP?

If your property is worth at least 15 percent less than the amount of your first mortgage you may be eligible, but not every underwater borrower will benefit from principal reduction through the HAMP program. Your servicer or investor will contact you if you are eligible.

Q: Will these changes require my servicer to write down my principal?

No, principal writedown will not be required. However, we are providing increased financial incentives and expect that where principal write-down yields a greater economic benefit, based on the net present value (NPV) test comparison, lenders will generally choose to pursue the principal writedown option when they are legally permitted to do so.

Q: I have an existing HAMP modification. Will I be able to take advantage of the new principal forgiveness program?

Possibly. The increased incentives will be available to servicers who elect to review loan that have already been modified under HAMP to determine if principal forgiveness would help bring those mortgages closer to a market value.

Q: I have both a first and a second lien, is there any payment assistance available for my second lien?

Yes, many borrowers whose first mortgages are permanently modified under HAMP may now be eligible for payment relief on their second lien if their servicer is participating in the Second Lien Modification Program (2MP). We have increased incentives in this program to encourage servicers and investors to either forgive all or a portion of qualifying second liens

Q: I have applied for a HAMP modification but continue to receive notices from my servicer that I am in foreclosure. Are there new protections to prevent the servicer from selling my home while I am being considered for the HAMP modification?

Yes. New and clarifying guidance provides protection for responsible borrowers against initiation of costly and unnecessary foreclosures while the borrower is being considered for HAMP. The guidance clarifies the solicitation requirements for borrower eligible for HAMP, including mail and phone outreach. In addition, the guidance provides improvements in communication about the foreclosure process to reduce confusion for borrowers who are simultaneously in foreclosure and either being evaluated for HAMP or in a trial payment plan. Also, the guidance requires written certification that a borrower is not HAMP eligible before an attorney or trustee can conduct a foreclosure sale.

Q: I was told that I did not qualify for HAMP because I have filed for bankruptcy protection. How will the new enhancement impact me?

As a result of the new guidance, servicers are required to consider a borrower in bankruptcy for HAMP if the borrower or the borrower's bankruptcy counsel asks for help. The guidance also includes new features to facilitate the process for them.

Q: I was unable to complete all my payments under the HAMP trial modification plan and would like to pursue a short sale. How will the new program enhancements help me pursue this alternative to foreclosure?

Yes. The Home Affordable Foreclosure Alternative (HAFA) program, which includes short sales and deed-in-lieu of foreclosure, is available for borrowers who are generally eligible for HAMP but do not qualify for or complete a HAMP trial period plan. The Administration will provide additional incentive payments to servicers and double borrower relocation assistance payments to \$3,000 in order to encourage greater use of HAFA short-sales and deeds-in-lieu. These options benefit borrowers by avoiding complicated and lengthy foreclosure proceedings and by helping borrowers defer relocation expenses and transition costs as they seek more affordable housing.

FHA Refinance Options

Q: I owe more on my home than it is worth. How can the FHA Refinance option help me as an underwater borrower?

The Federal Housing Administration (FHA) is making some changes to its existing refinancing program guidelines that will allow more lenders to perform mortgage principal write-down for underwater homeowners in mortgages not currently insured by FHA. These adjustments will provide more opportunities for qualifying mortgage loans to be responsibly restructured and refinanced into FHA loans as long as the borrower is current on the mortgage and the lender or investor writes down the unpaid principal balance of their

mortgage by at least 10 percent of the original first lien of the borrower. A second lien write-down program will be paired with these changes to encourage further write-down of second liens such that total mortgage debt (first and second liens) is no greater than 115 percent of the current value of the home.

Q: Am I eligible for a FHA Refinance loan?

This is a voluntary refinancing and lenders must agree to the writedown. However, the new FHA refinance option is only available to responsible homeowners who are current on an existing mortgage that is not insured by FHA. Eligible borrowers must occupy the home as the primary residence and will also have to meet FHA standard documentation and other underwriting requirements. In addition, to participate in the program, all homes will be appraised to determine current market value. The LTV loan for the new FHA loan must be no greater than 97.75 percent of the appraised value of the home.

Q: When will the FHA Refinance loan be available to underwater borrowers?

FHA will move to implement this as quickly as possible and expect that lenders can begin making decisions by the fall. Specific guidelines will be posted in a FHA Mortgagee Letter in the near future.

Q: How do I apply for an FHA refinance loan?

Because this program is voluntary for lenders, not all underwater borrowers who meet the eligibility standards will receive an FHA refinance loan. You will be notified by your lender if you have been selected to participate in the program.

Q: I have an FHA-insured loan. Why am I not eligible for this principal forgiveness?

FHA-insured borrowers are currently eligible for extensive loss mitigation assistance to prevent foreclosure and make mortgage payments more affordable. FHA is currently prohibited by statute from offering explicit principal forgiveness to FHA-insured loans.



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