

## Updates on Foreclosure Prevention Programs

## Avoiding Foreclosure 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



## How to Avoid Foreclosure: Financial Literacy

▣ Director of  
Business  
Development  
, NWCS

▣ Housing  
Counselor

▣ Help  
Homeowners  
in Distress



Michael Brown



## FHA Principal Reduction Alternative

- ▣ 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 actually set to expire for new trial modifications at the end of the year, but it was extended it to the end of 2013. 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), for example, will have the chance to enter HAMP for another evaluation with what is called "more flexible debt-to-income criteria to expand modification assistance to borrowers with higher levels of secondary debt." In addition, properties intended for rental will be able to get eligibility for HAMP.

- New principal reduction enhancements. Under the new plan, Treasury will triple the incentive payments for "investors who agree to reduce principal for borrowers." Also, there will be principal reduction incentives for GSE-owned or guaranteed loans.

### America's Most Reliable Network



*Similar to cell phone Providers HAMP has expanded it's coverage area*

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. [Click Here for more information.](#)
- **Second Lien Modification Program (2MP):** If your first mortgage was permanently modified under HAMP SM and you have a second mortgage on the same property, you may be eligible for a modification or principal reduction on your second mortgage under 2MP. Likewise, If you have a home equity loan, HELOC, or some other second lien that is making it difficult for you to keep up with your mortgage payments, learn more about this MHA program. [Click Here for more information.](#)
- **Home Affordable Refinance Program (HARP):** If you are current on your mortgage and have been unable to obtain a traditional refinance because the value of your home has declined, you may be eligible to refinance through HARP. HARP is designed to help you refinance into a new affordable, more stable mortgage. [Click Here for more information.](#)

## “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)

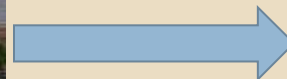


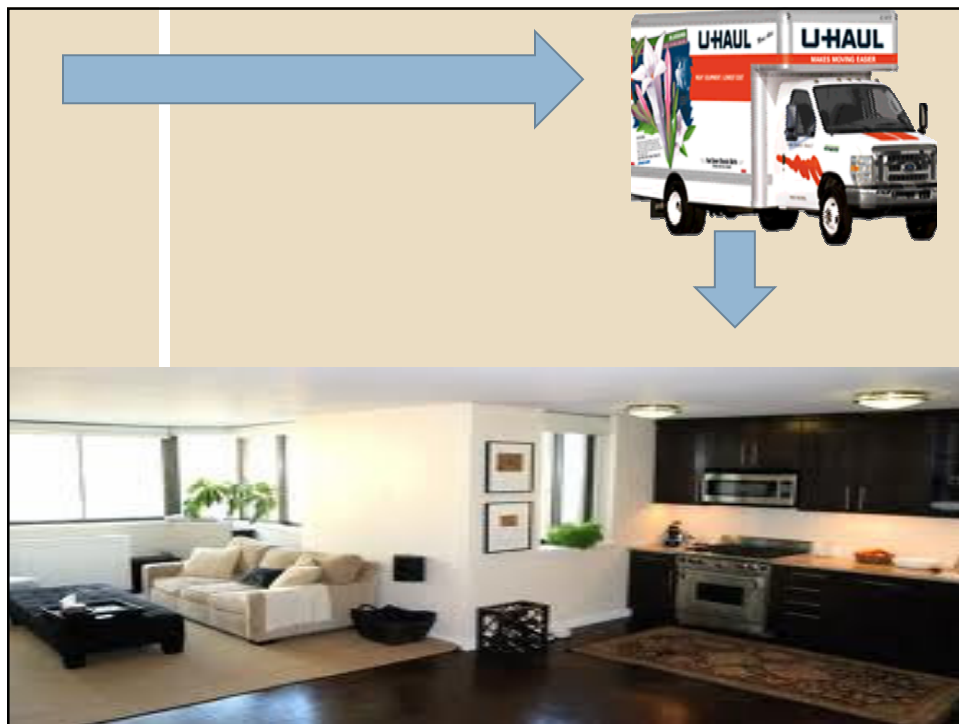
**PRA was designed to help homeowners whose homes are worth significantly less than they owe by encouraging servicers and investors to reduce the amount you owe on your home.**

**Treasury/FHA Second Lien Program (FHA2LP): If you have a second mortgage and the mortgage servicer of your first mortgage agrees to participate in FHA Short Refinance, you may qualify to have your second mortgage on the same home reduced or eliminated through FHA2LP. If the servicer of your second mortgage agrees to participate, the total amount of your mortgage debt after the refinance cannot exceed 115% of your home's current value.**

## Assistance for Unemployed Homeowners

- Home Affordable Unemployment Program (UP)
- Emergency Homeowners' Loan Program (EHL), Substantially Similar States: If you live in Connecticut, Delaware, Idaho, Maryland, or Pennsylvania
- FHA Forbearance for Unemployed Homeowners:





## FHA-Home Affordable Modification Program (FHA-HAMP)

- ❑ Allows homeowners to modify their FHA-insured mortgages to reduce monthly mortgage payments and avoid foreclosure.
- ❑ **Nature of Program:** FHA-HAMP 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.
- ❑ To confirm if the mortgagor is capable of making the new FHA-HAMP payment, the mortgagor must successfully complete a trial payment plan. The trial payment plan shall be for a three month period and the mortgagor must make each scheduled payment on time. The mortgagor's monthly payment required during the trial payment plan must be the amount of the future modified mortgage payment. The Mortgagee must service the mortgage during the trial period in the same manner as it would service a mortgage in forbearance. If the mortgagor does not successfully complete the trial payment plan by making the three payments on time, the mortgagor is no longer eligible for FHA-HAMP.

## FHA PARTIAL CLAIM

UNDER THE PARTIAL CLAIM OPTION, A LENDER WILL ADVANCE FUNDS ON BEHALF OF A BORROWER IN AN AMOUNT NECESSARY TO REINSTATE A DELINQUENT LOAN (NOT TO EXCEED THE EQUIVALENT OF 12 MONTHS PITI). THE 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 THE BORROWER EITHER PAYS OFF THE FIRST MORTGAGE OR NO LONGER OWNS THE PROPERTY. FOLLOWING REINSTATEMENT, THE 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.

[https://www.hmpadmin.com/portal/programs/docs/hamp\\_servicer/escalated\\_case\\_docs/hampresolutionmatrix.pdf](https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/escalated_case_docs/hampresolutionmatrix.pdf)



## HAMP Tier 2

- ☐ A loan that passes basic HAMP eligibility (originated before 1/1/09, 1-4 units, documented hardship)
- ☐ but did not receive a HAMP modification
- ☐ may be eligible for HAMP Tier 2
- ☐ Effective date = June 1, 2012

## HAMP Tier 2

- ☐ Reasons for not receiving a HAMP modification can include
  - ☐ Failed "Tier 1" criteria: payment 31% of gross income; fails NPV; excessive forbearance
  - ☐ Default on Tier 1 trial plan
  - ☐ Default on prior permanent mod, at least 12 months have passed or changed circumstances

## HAMP Tier 2

- ☐ Reasons for not receiving a HAMP modification can include
  - ☐ Permanent mod not given for any reason except misrepresentations
  - ☐ Property is not owner-occupied

## HAMP Tier 2

### ☐ Affordability standard

- Instead of 31% payment to gross income target, 25%-42%
- modified P&I payment must be at least 10% reduction from pre-modification P&I payment

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## HAMP Tier 2

### ☐ Rental property may be eligible for HAMP Tier 2 if:

- Two or more mortgage payments are unpaid for
- Borrower does not own more than five single family units
- Property occupied by a tenant as a principal residence or is vacant

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