

HAMP Tier 2

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HAMP Tier 2

Basic eligibility remains the same:

- Mortgage originated on or before January 1, 2009
- Unpaid principal balance, prior to capitalization, must be less than:
 - \$729,750 for a one-unit property
 - \$934,200 for a two-unit property
 - \$1,129,250 for a three-unit property
 - \$1,403,400 for a four-unit property
- Property securing the mortgage has not been condemned
- Borrower must be able to document a financial hardship

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Expanded Deadline:

- Servicer receives homeowner's request for assistance by December 31, 2013
- Transaction completed by September 30, 2014

Expanded Eligibility:

- Homeowners not eligible for HAMP Tier 1 (e.g., NPV negative or excessive forbearance)
- Homeowners who did not successfully complete HAMP Tier 1 trial period plan or permanent modification
- Rental properties occupied by a tenant or available for rent on a year-round basis
- Homeowners with a monthly mortgage payment less than 31%

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Additional eligibility factors:

- Homeowners must submit an initial package to be evaluated (new RMA)
- Limitation on multiple modifications
 - HAMP Tier 1 – only one loan, principal residence only
 - HAMP Tier 2 – up to three mortgage loans
- For borrowers who were unsuccessful under HAMP Tier 1 – a change in circumstances must have occurred OR at least 12 months have elapsed since the effective date

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The same terms are applied for every homeowner under Tier 2:

- Capitalization
- Interest rate adjustment (Freddie Mac Primary Mortgage Market Survey rate + small premium: www.freddiemac.com/pmms/)
- Term extension – 480 months
- Principal Forbearance (if pre-modification MTMLTV is greater than 115%)

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Post-modified payment must:

- Be within the acceptable DTI range of 25% - 42%
- Have a P&I reduction of at least 10%

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NPV:

- If the loan is NPV positive for HAMP Tier 1, servicer MUST offer a HAMP Tier 1 trial period plan
- If the loan is NPV negative for HAMP Tier 1 and the investor has authorized a different threshold, servicer MAY offer a HAMP Tier 1 trial period plan
- If HAMP Tier 1 is not offered and the loan is NPV positive for HAMP Tier 2, servicer MUST offer a HAMP Tier 2 trial period plan
- If the loan is NPV negative for HAMP Tier 2, the servicer MAY, based on investor guidance, offer a HAMP Tier 2 trial period plan

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Principal Forbearance:

- NPV evaluates underwater mortgages using both the standard and alternative modification waterfalls
- HAMP Tier 2 alternative modification waterfall includes optional principal reduction down to the lesser of:
 - Amount that lowers post-modification LTV ratio to no more than 115%, or
 - 30% of post-modified UPB

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If a loan is not eligible for HAMP (Tier 1 or Tier 2), the servicer must:

- Send a Non-Approval Notice to the homeowner identifying the denial reason and include the NPV results if the reason is “NPV negative,” and
- Consider the homeowner for other available loss mitigation options including HAFA

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Rental Properties:

- The property must be used for rental purposes only, and not occupied by the borrower, whether as principal residence, second home, or vacation home
- Borrower may not own more than 5 single-family properties in addition to the principal residence
- The mortgage loan securing the rental property must be delinquent – two or more payments missed (no imminent danger of default)

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For borrowers who previously defaulted on a HAMP trial period payment or who lost good standing on a HAMP permanent modification:

- HAMP Tier 2 must lower the payment by 10% more than the failed Tier 1 tpp/mod
- The borrower must document a change in circumstances OR 12 months must have passed since the previous effective date
- A borrower who defaults on a HAMP Tier 2 tpp or who loses good standing is no longer eligible for any HAMP modification

Additional HAMP Expansions

- Unemployment Program
 - Removed requirement that borrower's monthly payment ratio be greater than 31%
 - Mortgages secured by vacant or tenant-occupied properties are eligible
 - Available to borrowers who previously defaulted on a HAMP trial period plan or who lost good standing on a permanent HAMP modification

Additional HAMP Expansions

- HAFA
 - Removed occupancy requirements
 - Borrower relocation incentive may be paid to a borrower or a tenant that must vacate
 - Payment to subordinate lien holder increased from \$6,000 to \$8,500

Additional HAMP Expansions

For Service Members:

- A Permanent Change of Station Order (PCS order) is taken into account as a financial hardship whether or not income has actually decreased, as long as the service member does not have sufficient liquid assets to make mortgage payments
- A service member may be considered an owner-occupant if:
 - Displaced due to job transfer (such as PCS order), and was occupying the property as principal residence immediately prior to displacement
 - Intends to return to the home at some point in the future
 - Does not own any other single-family real estate