HAMP
"Home Affordable Modification Program"
UPDATE

The whole purpose of HAMP is to try and prevent foreclosures. Homeowners have to prove a hardship and go through a protocol that proves this is a good use of taxpayer money.

Employed homeowners who are struggling to make their mortgage payments are eligible for the Home Affordable Modification Program (HAMP), which lowers monthly mortgage payments up to 31 percent and can result in thousands of dollars in savings a year.

Although the Obama administration aimed to reach a goal of 3 to 4 million permanent loan modifications when it first released HAMP in 2009, to date, only an estimated 930,000 modifications have been made most of which has involved a combination of reducing principal payments and lengthening the term of payment. That falls short of the original target of 4 million borrowers.

The pace of loan modifications under HAMP could begin to pick up speed this summer as new changes to the program are put into place and ultimately lead to modifications for an additional 1.5 million homeowners who are struggling to pay off their mortgages.

HAMP, which was set to expire in December, now has been extended until Dec. 31. 2013. There will be no additional costs to taxpayers for the expanded program, officials said. It will be funded from the $29 billion already set aside mortgage modification efforts.

Among the updated changes to HAMP, the debt-to-income cutoff will be relaxed, reflecting borrowers obligations to make payments on second liens, credit cards and medical bills.

Expand use of principal reduction modifications by tripling incentives provided to investors who agree to reduce principal for borrowers. The Treasury will triple incentives to investors, paying from 18 to 63 cents on the dollar, on early state delinquency and depending on the degree of change in the loan-to-value ratio. For loans that are more than 6 months delinquent, the compensation has been increased to 18 cents from 6 cents earlier.

Principal reduction incentives also will be offered to Fannie Mae and Freddie Mac if they use them in loan modifications on mortgages they own or insure. In a statement, the Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac, said it will study the new incentives but it previously concluded "that principal forgiveness did not provide benefits that were greater than principal forbearance." Greater participation from Fannie Mae and Freddie Mac in principal reductions could deliver a $4 billion benefit to the mortgage insurance industry, according to the analysts assuming the latest program is at least as successful as the earlier version.

Banks are also expected to make money on the deal, although the government has exempted JPMorgan Chase and Bank of America from the incentive program until the two banks make more significant changes to mortgage modification efforts.

In addition, the treasury is working to allow modifications of single-family loans on properties that are currently occupied by a tenant as well as vacant properties which the borrower intends to rent.

New changes to HAMP guidelines will begin later this month and continue through September of this year although the treasury expects a number of homeowners to be evaluated under the new program throughout the month of May for trials starting on June 1st. 79,300 borrowers are currently in payment trails while 23,300 borrowers completed trails in December and were granted permanent HAMP modifications.

- **Making Home Affordable Program -** http://www.makinghomeaffordable.gov/pages/default.aspx
- **Making Home Affordable Program Handbook – 12-15-2011** https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/mhahandbook_34.pdf
- **HAMP Resolution Template** https://www.hmpadmin.com/portal/programs/docs/hamp_servicer/escalated_case_docs/hampresolutionmatrix.pdf
- **IRS – Website – "Principal Reduction Alternative Under the Home Affordable Modification Program" -** http://www.irs.gov/newsroom/article/0,,id=252310,00.html
- **Pay-for Performance -** http://www.irs.gov/pub/irs-drop/rr-09-19.pdf
- **Freddie Mac Home Affordable Modification Program -** http://www.freddiemac.com/singlefamily/service/mha_modification.html
- **Fannie Mae Home Affordable Modification Program -** https://www.efanniemae.com/sf/mha/mhamod/
- **FHA HAMP -** http://portal.hud.gov/hudportal/HUD?src=/hudprograms/fhahamp

Questions?
If you have questions, do not reply to this e-mail -- contact the HAMP Solution Center at support@hmpadmin.com or 1-866-939-446.

HAMP Qualifications

- One-to-four unit residential property
- Occupied by the borrower as his or her principal residence - The property was originally non-owner occupied, but the servicer can verify that it is currently the borrower's principal residence. The borrower is temporarily displaced (e.g., military service, temporary foreign service assignment, or incarceration) but was occupying the property as his or her principal residence immediately prior to his or her displacement, intends to occupy the property as his or her principal residence upon his or her return and the current occupant is not a tenant.
- Not vacant or condemned
- Loan originated on or before January 1, 2009
- A borrower has documented a financial hardship and represented that he or she does not have sufficient liquid assets to make the monthly mortgage payments
- The mortgage loan is delinquent or default is reasonably foreseeable. Loans currently in foreclosure are eligible.
- PITI and association fees prior to modification is great than 31 percent of the borrower's verified monthly gross income
- The borrower agrees to set up an escrow account for taxes and hazard and flood insurance prior to the beginning of the trial period if one does not currently exist
- UPB does not exceed HAMP limits
- Not previously modified under HAMP
- The servicer may not require a borrower to make any "good faith" payment or up-front cash contribution to be considered for HAMP
- Borrowers with back-end ratios of 55 percent or more must agree in writing to obtain HUD-approved counseling as a condition
- An occupying co-borrower may be considered for HAMP if a quitclaim deed evidencing that the non-occupying co-borrower has relinquished all rights to the property has been recorded
- Income of both a borrower and co-borrower must be used for HAMP evaluation, even if the co-borrower is not an occupant of the property
- A borrower who is currently receiving unemployment benefits should be evaluated for Unemployment Program
- Borrowers in active Chapter 7 or Chapter 13 bankruptcy cases are eligible
- Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the first lien mortgage who did not reaffirm the mortgage debt under applicable law are eligible
- Servicers may not refuse to evaluate an otherwise eligible borrower based on the LTV ratio of the mortgage loan except to the extent it impacts the NPV evaluation or the principal forbearance limit
- A borrower is eligible for HAMP even if the borrower did not file a tax return, as long as the borrower documents the reason for not filing
- Servicers should include non-borrower household income in monthly gross income if it is voluntarily provided by the borrower and if, in the servicer's business judgment, that the income reasonably can continue to be relied upon to support the mortgage payment.

Reasonable Effort
A servicer is deemed to have made a "Reasonable Effort" to solicit a borrower if over a period of at least 30 calendar days:

- The servicer made a minimum of four telephone calls to the last known phone numbers of record, at different times of the day
- The servicer sent two written notices to the last address of record by sending one letter via certified/express mail or via overnight delivery service

The servicer may not conduct a foreclosure sale within the 30 calendar days after the date of a Non-Approval Notice or any longer period required to review supplemental material provided by the borrower in response to a Non-Approval Notice unless the reason for non-approval if:

- Ineligible mortgage
- Ineligible property
- Offer not accepted by borrower / request withdrawn
- The loan was previously modified under HAMP

NPV (Net Present Value) Evaluation – The Servicers must allow a borrower who is ineligible because the transaction is NPV negative the opportunity to correct values that may impact the analysis of the borrower's eligibility. All Non-Approval Notices must include an e-mail address and mailing address for communicating with the servicer if the borrower wishes to dispute the reasons for a non-approval determination and to submit written evidence. Because the NPV Data Input Fields and Values must be disclosed to a borrower declined for HAMP. When the borrower is not approved for a TPP because the transaction is NPV negative, the borrower will have 30 calendar days from the date of the Non-Approval Notice to submit written evidence to the servicer that one or more of the NPV input values is inaccurate. If the borrower wishes to dispute more than one NPV input, the written evidence for each input being disputed must be provided to the servicer at the same time. If the borrower identifies material inaccuracies in the NPV input values, the servicer may not conduct a foreclosure sale until the inaccuracies are reconciled.

The **"Principal Reduction Alternative"** (PRA) has started approximately 38,000 permanent modifications for an average principal reduction of $66,000.

Visit: http://www.makinghomeaffordable.gov/programs/lower-payments/Pages/pra.aspx

You may be eligible for PRA if:

- Your mortgage is not owned or guaranteed by Fannie Mae or Freddie Mac
- Mortgages secured by one-to-four-units owner-occupied single-family properties
- 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.
- Verify your servicer participates: http://www.makinghomeaffordable.gov/get-started/contact-mortgage/Pages/default.aspx

Other Options

- **Home Affordable Modification Program** – HAMP - A national mortgage modification program, provides eligible borrowers the opportunity to modify their first lien mortgage loans to make them more affordable.
- **Home Affordable Unemployment Program –** UP - UP grants qualified borrowers a forbearance period of at least twelve months, during which mortgage payments are reduced or suspended, allowing borrowers to seek employment without the fear that they will lose their homes to foreclosure.
- **Home Affordable Foreclosure Alternatives Program** – HAFA - provides opportunities for borrowers to transition to more affordable housing through a short sale or deed-in-lieu (DIL) of foreclosure when they can no longer afford to stay in their home but want to avoid foreclosure
- **Second Lien Modification Program** – 2MP - is designed to work in tandem with HAMP to offer borrowers with second mortgage liens even greater affordability. Under 2MP, when a borrower's first lien is modified under HAMP and the servicer of the second lien is a 2MP participant, that servicer must offer to modify the borrower's second lien according to a defined protocol and/or to accept a lump sum payment from Treasury in exchange for full or partial extinguishment of the second lien.
- Government Loans – FHA, VA, RHS – are eligible for modification under HAMP. FHA and RHS provides pay-for-performance compensation for borrowers.
- **Treasury/FHA Second Lien Program** – FGA2LP - is designed to work in tandem with the FHA Refinance of Borrowers in Negative Equity Positions – FHA Refinance - FHA Refinance allows borrowers who are current and in a negative equity mortgage to restructure their debt and refinance into an FHA-insured loan where the unpaid principal balance (UPB) of the original first lien mortgage is written down by at least 10 percent and the amount of all mortgage debt, after the FHA refinance, does not exceed 115 percent of the current value of the property. State Housing Finance Agencies (HFAs) are implementing innovative programs to prevent foreclosures and stabilize housing markets.
- **MHA Interactions with the Hardest Hit Fund –**

Website Resources

- www.HMPadmin.com
- www.efanniemae.com
- www.freddiemac.com
- All reporting to Treasury for Non-GSE mortgages – 866-939-4469

Compliance with Applicable Laws

- **Federal Trade Commission Act** – Prohibits unfair or deceptive acts or practices
- **The Equal Credit Opportunity Act** (ECOA) and **Fair Housing Act** – Discrimination
- **The Real Estate Settlement Procedures Act** (REPSA) - Imposes certain disclosure requirements

- **The Fair Debt Collection Practices Act** – Restricts certain abusive debt collection practices
- **Fair Lending Laws** – Ensure that services and lenders do not treat a borrower less favorable on grounds such as race, religion, national origin, gender, martial or familial status, age, handicap or receipt of public assistance income in connection with any loan modification.
- **Fair Credit Reporting Act** – Regulates the collection, dissemination and use of consumer information including credit information

1.7 Dodd-Frank Certification Requirement
The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provides that no person is eligible to begin receiving assistance under the MHA Program if such person, in connection with a mortgage or real estate transaction, has been convicted within the last 10 years of any of the following:

- Felony larceny, theft, fraud, or forgery
- Money laundering
- Tax evasion

Compliance
Treasury has engaged Freddie Mac as the Compliance Agent for the elements of MHA that are addressed in this Handbook. Freddie Mac has created an independent division, Making Home Affordable-Compliance (MHA-C) for this purpose. MHA-C conducts independent compliance assessments and servicer reviews to evaluate servicer compliance with the requirements of MHA.

Servicers are required to maintain appropriate documentary evidence of their MHA-related activities, and to provide that documentary evidence upon request to MHA-C.
Servicers must maintain required documentation in well-documented servicer system notes or in loan files for all MHA activities, for a period of seven years from the date of the document collection.

FHA, RHS and Treasury have agreed that each will perform certain compliance activities for loans modified under Treasury FHA-HAMP and RD-HAMP.

Treasury's Borrower Support Centers – 888-995-HOPE(4673) – www.hopenow.com- **www.995hope.org**
The HOPE™ Hotline, a 24-hour telephone help-line operated by the non-profit, Homeownership Preservation Foundation, provides homeowners with free foreclosure prevention information and housing counseling referrals. Under contract with the Program Administrator, the HOPE™ Hotline assists borrowers with a preliminary assessment of their eligibility for MHA Programs and also connects borrowers with detailed program or denial questions to MHA Help, a team of housing counselors dedicated exclusively to working with borrowers and servicers to resolve MHA escalated cases. Treasury established a similar resolution resource, the HAMP Solution Center (HSC), to manage escalated cases received from housing counselors, government offices, and other third parties acting on behalf of a borrower.

Suspension of Scheduled Foreclosure Sale
When a servicer receives an Escalated Case from a Requestor after a foreclosure sale date has been scheduled and the Escalated Case is received no later than midnight of the seventh business day prior to the foreclosure sale date (Deadline), the servicer must suspend the sale as necessary to resolve the Escalated Case. Servicers are not required to suspend a foreclosure sale when an Escalated Case is received after the Deadline.

The servicer will not be in violation of this Section to the extent that a court with jurisdiction over the foreclosure proceeding (if any), or the bankruptcy court in a bankruptcy case, or the public official charged with carrying out the activity or event, fails or refuses to halt the sale after the servicer has made reasonable efforts to move the court or request the public official for a cessation of the sale. The servicer must document in the servicing system and/or mortgage file if the foregoing exception to the requirement to suspend an existing foreclosure sale is applicable. If an Escalated Case is pending at the time of a foreclosure sale, the servicer must still resolve the Escalated Case in accordance with Section 3.3 and, when appropriate, the servicer will be required to take corrective action even if the foreclosure sale has taken place.

Single Point of Contact

Servicers that have a Program Participation Cap of $75,000,000 or more as of May 18, 2011, must establish and implement a process through which borrowers who potentially are eligible for HAMP, UP, or HAFA are assigned a relationship manager to serve as the borrower's single point of contact. The same relationship manager is responsible for managing the borrower relationship throughout the entire delinquency or imminent default resolution process, including any home retention and non-foreclosure liquidation options, and, if the loan is subsequently referred to foreclosure, must be available to respond to borrower inquiries regarding the status of the foreclosure.

Each such servicer must assign a relationship manager to a delinquent borrower or a borrower who requests consideration under imminent default immediately upon the successful establishment of Right Party Contact with the borrower and the determination that the servicer will consider the borrower for HAMP, UP or HAFA.

In all of these circumstances, the relationship manager must provide written notice to the borrower within five business days of the assignment, which notice must include a toll-free telephone number and at least one other method by which the borrower may directly contact the relationship manager, as well as the preferred means by which documents should be delivered by the borrower to the servicer.

In the event that it is necessary to change the relationship manager (e.g., relationship manager no longer employed, work responsibilities change, on extended leave), the servicer must provide written notification of the changed contact information to the borrower within five business days of assignment of the new relationship manager.

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