



**Federal Government & Attorneys General  
Reach Landmark Settlement with Major Banks  
*Mortgage Servicer Settlement***

<http://nationalmortgagesettlement.com>

**February 9, 2012**

After many months of negotiation, 49 state attorneys general and the federal government have reached agreement on a historic joint state-federal settlement with the country's five largest loan servicers. The settlement will provide as much as \$25 billion in relief to distressed borrowers and direct payments to states and the federal government. It's the largest multistate settlement since the Tobacco Settlement in 1998. The agreement settles state and federal investigations finding that the country's five largest loan servicers routinely signed foreclosure related documents outside the presence of a notary public and without really knowing whether the facts they contained were correct. Both of these practices violate the law. The settlement provides benefits to borrowers whose loans are owned by the settling banks as well as to many of the borrowers whose loans they service.

Georgia along with 48 other states and the federal government entered into a joint state-federal settlement with the country's five largest loan services: Ally/GMAC, Bank of America, Citi, JPMorgan Chase and Wells Fargo. The settlement resulted in a direct payment of \$100 million to the State of Georgia which has been directed to economic development programs (creating jobs) imposed uniform loan servicing standard and gave State

**Attorney Generals Oversight Authority**

- 49 of the states' attorneys general (AGs), the Departments of Justice (DOJ) and Housing and Urban Development (HUD)
- The settlement, the result of a 16 month nationwide investigation into foreclosure abuses, fraud, and unacceptable mortgage servicing practices is, as anticipated, for \$25 billion dollars
- The deal represents the largest government-industry settlement since a multistate deal with the tobacco industry in 1998
- Bank of America, JPMorgan Chase & Co., Wells Fargo & Company, Citibank, and Ally Financial, (formerly GMAC) and their servicing subsidiaries
- Commit a minimum of \$17 billion directly to borrowers through a series of relief effort options including principal reduction
- Up to \$3 billion in refinancing for "underwater" homeowners who are current on their mortgages but owe more than their homes' current market value.
- 1.5 billion in payments to homeowners who lost their homes to foreclosure between Jan. 1, 2008 and Dec. 31, 2011. These recipients will have to complete a simple form, and they will not have to drop any legal claims they may have.
- There will be \$4.2 billion paid directly to the states and \$750 million to the federal government for civil penalties

- A comprehensive set of new standards will be implemented to protect homeowners from future abuses and an independent monitor will be appointed to ensure servicer compliance
- Nothing in the agreement grants any immunity from criminal offenses and will not affect criminal prosecutions
- The agreement does not prevent homeowners or investors from pursuing individual, institutional or class action civil cases
- The Agreement **does not prevent state and federal authorities** from pursuing criminal enforcement actions nor does it prevent any claims by any individual borrowers who wish to bring their own lawsuits
- This agreement will span a three year period

Under this settlement the four banks (Ally is not included in this action) agree not to contest the OCC's ability to impose penalties totaling \$394 million and the OCC agrees to hold in abeyance imposition of such penalties if the servicers make payments or take other actions under the larger federal-state settlement with a value of at least the penalty amounts that each servicer agrees OCC could impose. Additional penalties will be assessed if the agreement is not fulfilled within three years.

- Bank of America is liable for \$164 million
- Citibank, \$34 million
- Chase \$113 million
- Wells Fargo \$83 million

### Financial Obligations of Individual Servicers

Institution	Federal and State Payments	Relief to Borrowers (Principal Write Downs, Refinancing, and Other)
Ally Financial, Inc.	\$110 million	\$200 million
Bank of America Corp. <i>* including EDNY FHA origination settlement</i>	\$3.24 billion	\$8.58 billion
Citigroup, Inc.	\$415 million	\$1.79 billion
J.P. Morgan Chase & Co.	\$1.08 billion	\$4.21 billion
Wells Fargo & Co.	\$1.01 billion	\$4.34 billion

The settlement also establishes first-ever nationwide reforms to mortgage servicing standards. These standards require better communication with borrowers, a single point of contact, adequate staffing levels and training, and appropriate standards for executing documents in foreclosure cases.

In addition, the settlement creates a Monitor whose job it is to oversee the servicers and ensure their compliance with the consent judgments. The participating banks must file regular reports with the Monitor to detail their compliance. Based on these reports as well as his independent oversight, the Monitor will make his own reports to the courts and the participants on a semi-annual basis.

### Key Provisions of the Settlement

- Immediate aid to homeowners needing loan modifications now, including first and second lien principal reduction. The servicers are required to work off up to \$17 billion in principal reduction and other forms of loan modification relief nationwide

- Immediate aid to borrowers who are current, but whose mortgages currently exceed their home's value. Borrowers will be able to refinance at today's historically low interest rates. Servicers will have to provide up to \$3 billion in refinancing relief nationwide
- Immediate payments to borrowers who lost their homes to foreclosure with no requirement to prove financial harm and without having to release private claims against the servicers or the right to participate in the OCC review process. \$1.5 billion will be distributed nationwide to some 750,000 borrowers
- Immediate payments to signing states to help fund consumer protection and state foreclosure protection efforts
- First ever nationwide reforms to servicing standards; something that no other federal or state agency has been able to achieve. These servicing standards require single point of contact, adequate staffing levels and training, better communication with borrowers, and appropriate standards for executing documents in foreclosure cases, ending improper fees, and ending dual-track foreclosures for many loans
- National banks will be required to regularly report compliance with the settlement to an independent, outside monitor that reports to state Attorneys General
- Servicers will have to pay heavy penalties for non-compliance with the settlement, including missed deadlines

This settlement does not seek to hold mortgage servicing responsible for all their wrongs over the years and the agreement and its release preserve legal options for others to pursue. Specifically, this settlement does not:

- Release any criminal liability or grant any criminal immunity
- Release any private claims by individuals or any class action claims
- Release claims related to the securitization of mortgage backed securities that were at the heart of the financial crisis
- Release claims against Mortgage Electronic Registration Systems or MERSCORP
- Release any claims by a state that chooses not to sign the settlement
- End state attorneys general investigations of Wall Street related to financial fraud or the financial crisis

### Locate Your State Attorney General

- <http://nationalmortgagesettlement.com/states>

### Contact – Website

- **Ally/GMAC** - [www.gmacmortgage.com/finform/hhstart.htm](http://www.gmacmortgage.com/finform/hhstart.htm)
- **Bank of America**  
[http://homeloanhelp.bankofamerica.com/en/index.html?cm\\_sp=CRE-Mortgage-Refi- - Home%20Loan%20Assistance%20Q3- -MR16000S\\_marketing%20strip\\_%20ooo-123\\_hp\\_lahUmbrella-o](http://homeloanhelp.bankofamerica.com/en/index.html?cm_sp=CRE-Mortgage-Refi- - Home%20Loan%20Assistance%20Q3- -MR16000S_marketing%20strip_%20ooo-123_hp_lahUmbrella-o)
- **Citi** - [www.citimortgage.com/Mortgage/displayHomeOwnerAssistance.do?page=overview](http://www.citimortgage.com/Mortgage/displayHomeOwnerAssistance.do?page=overview)
- **JPMorgan Chase** - [www.chase.com/chf/mortgage/keeping-your-home](http://www.chase.com/chf/mortgage/keeping-your-home)
- **Wells Fargo**- [www.wellsfargo.com/homeassist](http://www.wellsfargo.com/homeassist)

Loans owned by Fannie Mae or Freddie Mac are not impacted by this settlement. You may visit the following websites to learn if your loan is owned by either Fannie Mae or Freddie Mac:

- <http://www.fanniemae.com/loanlookup>
- <http://www.freddie.mac.com/mymortgage>

These sites will also include information about mortgage and foreclosure programs you may be eligible to access.

Approximately \$1.5 billion of the settlement funds will be allocated to compensation to borrowers who lost their home to foreclosure between Jan. 1, 2008 and Dec. 31, 2011, a settlement administrator designated by the attorneys general will send claim forms to persons eligible for cash restitution. Borrowers who were not properly offered loss mitigation or who were otherwise improperly foreclosed on will be eligible for a uniform payment, which will be approximately \$2000 per borrower depending on level of response.

Borrowers who receive payments will not have to release any claims and will be free to seek additional relief in the courts. Borrowers may also be eligible for a separate restitution process administered by the federal banking regulators.

Borrowers who are current in their payments but are “underwater” on their mortgages may qualify for refinancing relief under the settlement.

**Q:** If I have not yet been foreclosed, do I have to live in the house to be eligible for the Consumer Relief portion of the settlement?

**A:** No. To qualify for the Consumer Relief portion of the settlement, the home must be occupied but there is no requirement that the owner of the home be the occupant. This is different from past settlements.

Even if you are not contacted, if your loan is serviced by one of the five settling banks, you are encouraged to contact your servicer to see if you are eligible.

You may reach them at the Web sites and phone numbers below:

- Ally/GMAC 800-766-4622
- Bank of America 877-488-7814
- Citi 866-272-4749
- JPMorgan Chase 866-372-6901
- Wells Fargo 800-288-3212

### **New Servicing Standards**

Servicers are agreeing to implement extensive new servicing standards, designed to correct the kinds of conduct that harmed consumers during recent years.

- Stop many past foreclosure abuses, such as robo-signing, improper documentation and lost paperwork through new mortgage servicing standards
- Require strict oversight of foreclosure processing, including of third-party vendors
- Impose new standards to ensure the accuracy of information provided in federal bankruptcy court, including pre-filing reviews of certain documents

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- Make foreclosure a last resort, by requiring servicers to evaluate homeowners for other loan mitigation options first
- Restrict banks from foreclosing while the homeowner is being considered for a loan modification
- Set procedures and timelines for reviewing loan modification applications, and give homeowners the right to appeal denials
- Create a single point of contact for borrowers seeking information about their loans and adequate staff to handle calls

### **Benefits to Servicemembers and Veterans**

The settlement contains a number of provisions designed both to protect Servicemembers' rights under the law and to provide them significant additional benefits.

### **Wrongful Foreclosures**

To resolve allegations of liability that have not previously been settled, Chase, Citi, Wells Fargo, and Ally have agreed to conduct a full review, overseen by the Department of Justice's Civil Rights Division, to determine whether any Servicemembers were foreclosed on in violation of the Servicemembers Civil Relief Act (SCRA) since January 1, 2006. Ally, Citi, Wells Fargo will be required to provide any Servicemember who was a victim of a wrongful foreclosure as a result of a violation of the SCRA with a payment equal to the Servicemember's lost equity, plus interest, and an additional \$116,785 or an amount provided for the same violation under the review conducted by the banking regulators, whichever is higher.

To ensure consistency with an earlier settlement, JP Morgan Chase will provide any Servicemember who was a victim of a wrongful foreclosure as a result of a violation of the SCRA either his or her home free and clear of any debt plus compensation for additional harm or the cash equivalent of the full value the home at the time of sale plus compensation for additional harm. The compensation for Servicemembers wrongfully foreclosed on is in addition to the \$25 billion settlement amount.

### **Consumer Alert!**

Scammers are already at work trying to capitalize on the national mortgage settlement to access your personal information—or worse, your money. The Attorneys General have already received reports of scammers in Alabama calling borrowers claiming to be one of the major banks involved in this settlement and offering a cash payment to consumers if they simply provide the routing number to access their bank account. If you receive an unsolicited call from one of the major banks, you can identify a scam in several ways:

- Does the caller identify themselves as representing your loan servicer? Or do they ask you to provide the name of your loan servicer? If they ask you for the name of your servicer, they may be a scammer.
- Does the caller offer to provide your personal information to assist you in identifying your account? Or do they ask you to provide that? If the caller is from your loan servicer, they will be able to tell YOU your personal information because they will have it. You should never provide your personal information (including bank account numbers, social security numbers, etc.) to an unsolicited caller—no matter what they promise you.
- Does the caller offer to speed your settlement relief for a fee? They are definitely a scammer! Neither the banks nor the Attorneys General will charge a fee to speed your settlement.
- If you think the caller may be legitimate, ask for their contact information, tell them you are going to call your bank's hotline (located above) and confirm, then call them back. Chances are if they're a scammer, they won't want you to check on them and they won't provide their contact information.

## **Report Client Issues**

If you are an attorney, caseworker, counselor or other professional helping consumers with their mortgages, please fill out this form to report your client's mortgage servicing issue.

By sharing your client's information, you will help the Monitor better understand how servicers are treating their customers across the country. If a number of consumers are experiencing similar problems with a particular servicer, this may represent a pattern or practice in violation of the agreement. With this information, the Monitor can better enforce the mortgage servicing standards outlined in the agreement.

Please note that the Monitor cannot intervene with the servicer on behalf of your individual client. The national mortgage settlement charged the Monitor with ensuring that the servicers comply with the agreement; it did not task the Monitor with resolving individual complaints.

- <https://www.mortgageoversight.com/report-client-issues>
- Laura Brewer, 919-508-7821

## **Independent Foreclosure Review**

- <https://independentforeclosurereview.com>
- 888-952-9105

As part of a consent order with federal bank regulators, the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS) (independent bureaus of the U.S. Department of the Treasury), and the Board of Governors of the Federal Reserve System, fourteen mortgage servicers and their affiliates are identifying customers who were part of a foreclosure action on their primary residence during the period of January 1, 2009 to December 31, 2010.

The Independent Foreclosure Review is providing homeowners the opportunity to request an independent review of their foreclosure process. If the review finds that financial injury occurred because of errors or other problems during their home foreclosure process, the customer may receive compensation or other remedy.

If your primary residence was involved in a foreclosure process between January 1, 2009 and December 31, 2010, you may qualify for a free Independent Foreclosure Review.

The Independent Foreclosure Review will determine whether individual borrowers suffered financial injury and should receive compensation or other remedy because of errors or other problems during their home foreclosure process.

If you believe you are eligible to participate in the program, you may complete and submit a Request for Review Form. It is important that you complete the form to the best of your ability; all information you provide can be useful.

All Requests for Review Forms must be submitted online or postmarked no later than July 31, 2012.

You must have been a customer of one of the mortgage servicers listed below. Select your mortgage servicer:

<ul style="list-style-type: none"><li>• America's Servicing Co.</li><li>• Aurora Loan Services</li><li>• BAC Home Loans Servicing</li><li>• Bank of America</li><li>• Beneficial</li><li>• Chase</li><li>• Citibank</li><li>• CitiFinancial</li><li>• CitiMortgage</li></ul>	<ul style="list-style-type: none"><li>• Countrywide</li><li>• EMC</li><li>• EverBank/EverHome Mortgage Company</li><li>• Financial Freedom</li><li>• GMAC Mortgage</li><li>• HFC</li><li>• HSBC</li><li>• IndyMac Mortgage Services</li><li>• MetLife Bank</li></ul>	<ul style="list-style-type: none"><li>• National City Mortgage</li><li>• PNC Mortgage</li><li>• Sovereign Bank</li><li>• SunTrust Mortgage</li><li>• U.S. Bank</li><li>• Wachovia</li><li>• Washington Mutual</li><li>• Wells Fargo</li><li>• Wilshire Credit Corporation</li></ul>
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### **Financial Injury**

- Compensation for financial injury due to errors, misrepresentations or other deficiencies in the foreclosure process
- The mortgage balance amount at the time of the foreclosure action was more than actually owed
- Homeowner was complying with modification agreement but the foreclosure sale still happened
- The foreclosure action occurred while homeowner
- protected by bankruptcy

### **Financial Injury II**

- Homeowner requested assistance/modification, submitted completed documents on time and was waiting for a decision when the foreclosure sale occurred
- Fees charged or mortgage payments were inaccurately calculated, processed or applied
- The foreclosure action occurred despite protections under the Servicemembers Civil Relief Act

### **What Happens During the Review Process?**

- Acknowledgement letter within one week after Request for Review Form
- Loan servicer will provide relevant documents along with any findings and recommendations to the independent consultant. The review could take several months.
- Homeowner will receive a letter with the findings of the review and information about compensation or other remedy. Not every finding will result in compensation or other remedy.

What is a foreclosure action? What foreclosure actions is part of the Independent Foreclosure Review? Foreclosure actions include any of the following occurrences on a primary residence between the dates of January 1, 2009 and December 31, 2010:

- The property was sold due to a foreclosure judgment.
- The mortgage loan was referred into the foreclosure process but was removed from the process because payments were brought up-to-date or the borrower entered a payment plan or modification program.
- The mortgage loan was referred into the foreclosure process, but the home was sold or the borrower participated in a short sale or chose a deed-in-lieu or other program to avoid foreclosure.

- The mortgage loan was referred into the foreclosure process and remains delinquent but the foreclosure sale has not yet taken place.

### **How do I know if I am eligible for the Independent Foreclosure Review?**

Your loan must first meet the following initial eligibility criteria:

- Your mortgage loan was serviced by one of the participating mortgage servicers in Question 4.
- Your mortgage loan was active in the foreclosure process between January 1, 2009 and December 31, 2010.
- The property was your primary residence.

If your mortgage loan does not meet the initial eligibility criteria outlined above, you can still have your mortgage concerns considered by calling or writing your servicer directly.

### **Who are the participating servicers? What mortgage servicers and their affiliates are part of the Independent Foreclosure Review process?**

The list of participating servicers includes:

- The mortgage balance amount at the time of the foreclosure action was more than you actually owed.
- You were doing everything the modification agreement required, but the foreclosure sale still happened.
- The foreclosure action occurred while you were protected by bankruptcy.
- You requested assistance/modification, submitted complete documents on time, and were waiting for a decision when the foreclosure sale occurred.
- Fees charged or mortgage payments were inaccurately calculated, processed, or applied.
- The foreclosure action occurred on a mortgage that was obtained before active duty military service began and while on active duty, or within 9 months after the active duty ended and the Servicemember did not waive his/her rights under the Servicemembers Civil Relief Act.

### **How does my mortgage loan get reviewed as part of the Independent Foreclosure Review?**

Homeowners meeting the initial eligibility criteria will be mailed notification letters with an enclosed Request for Review Form before the end of 2011.

If you believe that you may have been financially injured, you must submit a Request for Review Form postmarked no later than July 31, 2012. Forms postmarked after this date will not be eligible for the Independent Foreclosure Review.

If you have more than one mortgage account that meets the initial eligibility criteria for an independent review, you will receive a separate letter for each. You will need to submit a separate Request for Review Form for each account. It is important that you complete the form to the best of your ability. All information you provide may be useful.

### **How can I submit the Request for Review Form?**

Homeowners meeting the initial eligibility criteria will be mailed notification letters with an enclosed Request for Review Form before the end of 2011. If you received the notification letter, you can send in your Request for Review Form in the prepaid envelope provided, postmarked no later than July 31, 2012.



If your loan is part of the initial eligible population and you need a new form by mail, have questions, or need help completing the form you have received in the mail, call 1-, Monday through Friday, 8 a.m.–10 p.m. ET or Saturday, 8 a.m.–5 p.m. ET.

**Who can submit or sign the Request for Review Form?**

Either the borrower or a co-borrower of the mortgage loan can submit and sign the form. The borrower signing the Request for Review Form should be authorized by all borrowers to proceed with the request for review. In the event of a finding of financial injury, any possible compensation or remedy will take into consideration all borrowers listed on the loan, either directly or to their trusts or estates.

**What if one of the borrowers has died or is injured or debilitated?**

Any borrower, co-borrower or attorney-in-fact can sign the form. In the event of a finding of financial injury, any possible compensation or other remedy will take into account all borrowers listed on the mortgage loan either directly or to their trusts or estates.

**Do I need an attorney to request or submit the Request for Review Form?**

No. However, if your mortgage loan meets the initial eligibility criteria and you are currently represented by an attorney with respect to a foreclosure or bankruptcy case regarding your mortgage; please refer to your attorney.

The Independent Foreclosure Review is free. Beware of anyone who asks you to pay a fee in exchange for a service to complete the Request for Review Form.

**If I have already submitted a complaint to my servicer, do I need to submit a separate Request for Review Form to participate in this process?**

If your mortgage loan meets the initial eligibility criteria, you should submit a Request for Review Form to ensure your foreclosure action is included in the Independent Foreclosure Review process.

**What happens during the review process?**

You will be sent an acknowledgement letter within one week after your Request for Review Form is received by the independent review administrator.

Your request will be reviewed for inclusion in the Independent Foreclosure Review. If your request meets the eligibility requirements, it will be reviewed by an independent consultant.

Your servicer will provide relevant documents along with any findings and recommendations related to your request for review to the independent consultant for review. Your servicer may be asked to clarify or confirm facts and disclose reasons for events that occurred related to the foreclosure process. You could be asked to provide additional information or documentation. Because the review process will be a thorough and complete examination of many details and documents, the review could take several months.

The Independent Foreclosure Review will determine whether financial injury has occurred as a result of errors, misrepresentations or other deficiencies in the foreclosure process. You will receive a letter with the findings of the review and information about possible compensation or other remedy.

**How do I know who my servicer is? How do I find them?**

The company you sent your monthly mortgage payments to is your mortgage servicer. It is not necessarily the company whose name is on the actual foreclosure documents (although in most cases, it is).

If you don't remember the name of the servicer for your foreclosed property, we suggest you review cancelled checks, bank statements, online statements or other records for this information.

**If I request an Independent Foreclosure Review, is there a cost or will there be a negative impact to my credit?**

The Independent Foreclosure Review is a free program. Beware of anyone who asks you to pay a fee in exchange for a service to complete the Request for Review Form.

The review will not have an impact on your credit report or any other options you may pursue related to your foreclosure.

**How are military Servicemembers affected by the Independent Foreclosure Review?**

In the review, servicers are required to include all loans covered by the Servicemembers Civil Relief Act that meet the qualifying criteria. However, Servicemembers or co-borrowers may also request a review through this process. Financial injury may have occurred if the foreclosure action occurred on a mortgage that was obtained before active duty military service began and while on active duty, or within 9 months after the active duty ended.

**How am I affected if I submit a Request for Review Form while in active bankruptcy?**

If you submit a Request for Review Form and a review is conducted of your foreclosure process, this will have no impact on your bankruptcy. The letter being sent to you about the Independent Foreclosure Review is not an attempt to collect a debt. If you are in bankruptcy, please refer this letter to your attorney.

**I'm still working with my servicer to prevent a foreclosure sale. Will I still be able to work with them?**

Yes, continue to work with your servicer. Participating in the review will not impact any effort to prevent a foreclosure sale. The review is not intended to replace current active efforts with your servicer.

**How long will the review process take and when can I expect a response?**

You will be sent an acknowledgement letter within one week after your Request for Review Form is received by the independent review administrator. Because the review process will examine many details and documents, the review could take several months. The Independent Foreclosure Review will determine if financial injury occurred because of errors or other problems during the home foreclosure process. You will receive a letter with the findings of the review and information about possible compensation or other remedy. Not every finding will result in compensation or other remedy.

**What happens if the review finds that I was financially injured as a result of errors, misrepresentations or other deficiencies in the foreclosure process?**

You will receive a letter with the findings of the review and information about possible compensation or other remedy. The compensation or other remedy you may receive will be determined by your specific situation. Not every finding will result in compensation or other remedy.

**What happens if the review finds that I was not financially injured as a result of errors, misrepresentations or other deficiencies in the foreclosure process?**

You will receive a letter with the findings of the review. Not every finding will result in compensation or other remedy.

### **What if I disagree with the eligibility requirements or the result of the Independent Foreclosure Review?**

The decision of the review is considered final and there is no further recourse within the Independent Foreclosure Review process. The Independent Foreclosure Review will not have an impact on any other options you may pursue related to the foreclosure process of your mortgage loan.

### **Does filing a Request for Review Form prevent me from filing other litigation or action against the servicer?**

No. Submitting a request for an Independent Foreclosure Review will not preclude you from any other options you may pursue related to your foreclosure.

### **How do I know this is legitimate?**

For additional information, visit the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Prevent Loan Scams, or the Loan Scam Alert websites.

The Independent Foreclosure Review is free. Watch out for scams—there is only one Independent Foreclosure Review. Beware of anyone who asks you to pay a fee for any foreclosure review service, such as completing the Request for Review Form.

### **Who is Rust Consulting?**

Rust Consulting serves as the central administrator of the Independent Foreclosure Review. The firm has been hired to notify customers and receive Request for Review Forms. Rust will also respond to questions about the Independent Foreclosure Review.

## **Bank of America**



### **Bank of America Principal Reduction Program Part I and Part II**

March 12, 2012 - Bank of America has agreed to provide mortgage relief, including partial loan forgiveness, to more than 200,000 borrowers. More information: 877-488-7814 – 800-669-6607

Bank of America has committed to make mortgage principal reductions as part of the \$1 billion side deal to the \$25 billion loan servicing settlement.

Eligible borrowers could see their mortgage reduced to current value of their home with reductions of as much as \$150,000 anticipated. Why? It reduces the penalty amount BOA owes to Housing & Urban Development by \$850 million. The penalties were part of the nationwide mortgage loan servicing settlement.

Bank of America has implemented an earned principal forgiveness approach to modifying certain loans eligible for its National Homeownership Retention Program (NHRP).

The plan is designed for homeowners who are past due on their mortgage payments and owe considerably more on their loan than the current value of their home, when the loan is being considered for modification through the government's Home Affordable Modification Program (HAMP).

### **How it Works**

In order to be eligible for principal forgiveness:

- You must be at least 60 days late on your home loan payments on January 21, 2012

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- Monthly mortgage payments (PITI) must be more than 25 percent of the borrower's monthly before-tax income.
- The house must be worth less than the balance on the mortgage.
- The first-lien mortgage loan needs to be owned by Bank of America or serviced for others who have given the bank permission to reduce principal if necessary on troubled loans.
- Loans owned, insured or guaranteed by Fannie Mae, Freddie Mac, the Federal Housing Administration and Veterans Affairs loans are not eligible for the program.

The remaining principal balance on your home loan must be more than 120% of the current value of your home

The maximum amount of principal forgiveness is 30% of the remaining principal balance on your loan, so long as this does not reduce your loan-to-value (LTV) ratio to less than 100%. The reason: the amount you owe is now equal to the value of your home and, moving forward, you're ready to build positive equity.

Depending on your situation, the principal will be forgiven in equal amounts over 3 or 5 years. In the 5-year option, the amount forgiven in years 4 and 5 is conditional, based on the value of your home at that time.

After being approved for principal forgiveness, it's important to stay current on your new monthly payments, as falling behind could affect your eligibility.

## **Part II Enhancement under the National Homeownership Retention Program**

The program is limited to homeowners who got a sub-prime mortgage, option ARM or 2-1 Hybrid ARM loan through Countrywide before January 1, 2009. The program specifically excludes Fannie Mae and Freddie Mac loans, as well as FHA loans.

- The program is only for owner-occupied properties
- The loan must be underwater by at least 20 percent
- The loan must be 60 days or more past due or in imminent danger of default, i.e. the interest rate is about to reset and the homeowner is unable to afford the new payment

## **How Does It Work?**

The loan balance will be divided up into two loans:

- A 30 year fixed rate loan for amount that represents 100% of the current value of the home. Interest rate is set to get the borrower's payment to 31% of gross monthly income.
- Second loan carry a zero-interest rate for the remaining amount owned on the home
- Each year, for the first three years, the balance owned on the second loan will be reduced by 20 percent as long as the payments on the first account are made on time and in full
- In the fourth year, if the property is still underwater, another 20% forgiven
- In the fifth year, if property is still underwater, the final amount of the second account's principle balance will be forgiven.

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