

# Hope For Homeowners (H4H) and Making Home Affordable (MHA) PROGRAM GUIDELINE OVERVIEW

## **BEWARE OF FORECLOSURE RESCUE SCAMS – HELP IS FREE!!!**

There should never be a fee to get assistance or information about the “Making Home Affordable” programs from your lender or a HUD approved housing counselor. **BEWARE** of any person, organization or business that asks you to pay a fee in exchange for housing counseling services or loan modification/refinance application for this program. **NEVER** sign, without first consulting with an attorney of your choice, a “Quit Claim Deed” or any other legally binding document that could potentially remove your ownership rights from your home. **NEVER** submit your mortgage payments to any person or company other than the mortgage company that can provide documentation that they own or service your loan. If you’re unsure of your rights and options with regard to your housing, please contact the Greenville County Human Relations Commission at (864) 467-7095 or visit our website at [www.greenvillecounty.org/human\\_relations](http://www.greenvillecounty.org/human_relations).

***HOPE for Homeowners (H4H)*** will provide another resource to the Federal Housing Administration's (FHA) existing efforts to aid struggling homeowners. Under the program, borrowers having difficulty paying their mortgages will be eligible to refinance into FHA-insured mortgages they can afford. For borrowers who refinance under ***HOPE for Homeowners***, lenders will be required to "write down" the size of the mortgage to a maximum of 96.5 percent of the home's new appraised value. In many instances, lenders will determine that such a reduction in principal will allow them to avoid a costly foreclosure, while helping borrowers stay in their homes.

HUD strongly encourages borrowers to work with their current lender to determine if ***HOPE for Homeowners*** is the right program for them. Lenders should explore all options, including ***HOPE for Homeowners***, before issuing foreclosure notices. For lenders, this voluntary program is another loss mitigation tool that can be used to help families keep their homes.

***HOPE for Homeowners*** will only offer 30-year fixed rate mortgages - so the borrower's last payment will be the same as the first payment. Further, this program will maintain FHA's long-standing requirement that new loans be based on a family's long-term ability to repay the mortgage. Only owner-occupants are eligible for FHA-insured mortgages.

Consistent with statutory requirements, borrowers must also meet the following criteria:

Their mortgage must have originated on or before January 1, 2008;

- They must have made a minimum of six full payments on their existing first mortgage and did not intentionally miss mortgage payments and must document circumstances resulting in current payment being unaffordable;
- They do not own a second home;
- They did not knowingly or willfully provide false information to obtain the existing mortgage, and they have not been convicted of fraud in the last 10 years;
- They must follow FHA's long-standing and strict policy of fully documented income and employment.
- Homeowners must agree to share both the equity created at the beginning of their new HOPE for Homeowners mortgage and any future appreciation in the value of their home.
- To participate, existing subordinate lenders must agree to release their outstanding mortgage liens.

The new ***HOPE for Homeowners*** mortgage payment must be at or below 31 percent of the borrower's income, unless there is "trial modification" period prior to loan application. A trial modification would give borrowers the opportunity to demonstrate their capacity and willingness to make a mortgage payment that does not exceed 38 percent of their monthly income.

### **Program Timeline**

The program will last from October 1, 2008 through September 30, 2011.

### **Voluntary Lender Participation**

FHA will continue to offer lenders an alternative to foreclosing on borrowers. Lenders will be required to write-down the outstanding mortgage principal balances to 90% of the new value of the property. In many cases, reductions in principle will cost lenders less than the losses associated with foreclosure.

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***The Making Home Affordable Refinance:*** VA and USDA loans are NOT currently eligible for either of the Making Home Affordable programs. Normally, homeowners would be unable to refinance because their homes have lost value, pushing their current loan-to-value ratios above 80%. Under the Making Home Affordable Refinance program, many homeowners will now be eligible to refinance their loan to take advantage of today's lower mortgage rates or to refinance an adjustable-rate mortgage into a more stable mortgage, such as a 30-year fixed rate loan. Lenders and servicers already have much of the borrower's information on file, so documentation requirements are not likely to be burdensome. In addition, in some cases an appraisal will not be necessary. This flexibility will make the refinance quicker and less costly for both borrowers and lenders. The Home Affordable Refinance program ends in June 2010. **MHA eligible loans that have been past due at anytime in the previous twelve (12) months prior to application are ineligible for MHA refinance but may apply for MHA modification.**

***The Making Home Affordable Modification*** program will help up to 3 to 4 million at-risk homeowners avoid foreclosure by reducing monthly mortgage payments. The detailed guidelines provide information on the following:

- Eligibility and Verification: Loans originated on or before January 1, 2009.
- First-lien loans on owner-occupied properties with unpaid principal balance up to \$729,750. Higher limits allowed for owner-occupied properties with 2-4 units.
- All borrowers must fully document income, including signed IRS 4506-T, two most recent pay stubs, and most recent tax return, and must sign an affidavit of financial hardship.
- Property owner occupancy status will be verified through borrower credit report and other documentation; no investor-owned, vacant, or condemned properties.
- Incentives to lenders and servicers to modify at risk borrowers who have not yet missed payments when the servicer determines that the borrower is at imminent risk of default.
- Modifications can start from now until December 31, 2012; loans can be modified only once under the program.

## **Loan Modification** Terms and Procedures

Participating servicers are required to service all eligible loans under the rules of the program unless explicitly prohibited by contract. Servicers and Lenders will follow a specified sequence of steps in order to **reduce the monthly payment to no more than 31% of gross monthly income (DTI)**. The modification sequence requires first reducing the interest rate (subject to a rate floor of 2%), then if necessary extending the term or amortization of the loan up to a maximum of 40 years, and then if necessary forbearing principal. Principal forgiveness or a Hope for Homeowners refinancing are acceptable alternatives. The monthly payment includes principal, interest, taxes, insurance, flood insurance, homeowner's association and/or condominium fees. Monthly income includes wages, salary, overtime, fees, commissions, tips, social security, pensions, and all other income. Servicers must enter into the program agreements with Treasury's financial agent on or before December 31, 2009.

## Payments to Servicers, Lenders, and Responsible Borrowers

- The program will pay the lender/investor the cost of reductions in monthly payments from 38% to 31%
- Servicers that modify loans according to the guidelines will receive an up-front fee of \$1,000 for each modification, plus "pay for success" fees on still-performing loans of \$1,000 per year.
- Homeowners who make their payments on time are eligible for up to \$1,000 of principal reduction payments each year for up to five years.
- The program will provide one-time bonus incentive payments of \$1,500 to lender/investors and \$500 to servicers for modifications made while a borrower is still current on mortgage payments.
- The program will include incentives for extinguishing second liens on loans modified under this program.
- No payments will be made under the program to the lender/investor, servicer, or borrower unless and until the servicer has first entered into the program agreements with Treasury's financial agent.

# Hope For Homeowners (H4H) and Making Home Affordable (MHA)

## PROGRAM GUIDELINE OVERVIEW

This guide is an overview of general program requirements of both the “Making Home Affordable” (MHA) and the “Hope For Homeowners” (H4H) loan programs. Please note that other requirements may apply. Guidelines are subject to change without notice by HUD, the United States Departments of Treasury and/or Federal Housing Authority. All information provided in any Greenville County publicly posted document is believed to be accurate but not warranted by Greenville County nor its staff.

PROGRAM REQUIREMENT	MHA MODIFICATION	MHA REFINANCE	H4H REFINANCE (FHA)
Primary residence	Yes	Yes	Yes
Must be owner occupied	Yes	Yes	Yes
Vacant or abandoned ok	No	No	No
Must be owned by Fannie Mae or Freddie Mac	No but if not Fannie or Freddie, participation is lender discretion	No but if not Fannie or Freddie, participation is lender discretion	No If not Fannie/Freddie, investor approval required to reduce balance
FHA, VA, USDA Loans ok	FHA-Yes, VA & USDA-NO	FHA-Yes, VA & USDA-NO	Yes
Condos/Co-ops or multi-unit ok	Yes, 4 unit max & owner must occupy one unit.	Yes, 4 unit max & owner must occupy one unit.	Yes, 4 unit max & owner must occupy one unit.
Mobile or Modular Homes ok	Only if taxed as affixed	Only if taxed as affixed	Only if taxed as affixed
Past due ok	Yes	Not in the past 12 months	Yes
Documented hardship required	Yes	Yes	Yes
Credit Scores Considered	No	No	No
Original loan origination date	01/01/2009 or before	01/01/2009 or before	01/01/2008 or before
New payment % of Gross Monthly Income (GMI)	31% <b>Maximum</b> payment	31% <b>Maximum</b> payment	31% <b>Maximum</b> payment
Last date to apply	December 31, 2012	June 10, 2010	September 30, 2011
Current lender <b>MUST</b> participate	Yes, if used <b>TARP*</b> funds	Yes, if used <b>TARP*</b> funds	No, lender voluntarily participates
Maximum Loan (single family)	\$729,750	\$729,750	\$550,000.00
Current payment must be > 31%	Yes, unless excludes escrow	Yes, unless excludes escrow	No
Minimum age of current loan	3 months	3 months	Minimum of 6 payments made
Maximum loan % of home value	125%	125%	96.5%
New loan terms are fixed rate	Yes, first 5 years w/caps	Yes	Yes
May currently be in bankruptcy	Yes, with trustee ok	Yes, with trustee ok	Yes, with trustee ok
Minimum APR on new loan	2%	2%	5.25%
Maximum APR on new loan	Market rate with caps	Market rate with caps	5.25%
Cash out of new loan	N/A	Fannie Mae loans only and allows lesser of 2% or \$2,000	No
Escrow of taxes and insurance	Yes	Yes	Yes
Private mortgage insurance	Yes, if previously had PMI	Yes, if previously had PMI	Yes, if previously had MIP
Second mortgages consolidated	No	No	Only if sufficient equity in home
Trial period required to approve	3 months	N/A	N/A
Website address	<a href="http://www.makinghomeaffordable.gov">www.makinghomeaffordable.gov</a>	<a href="http://www.makinghomeaffordable.gov">www.makinghomeaffordable.gov</a>	<a href="http://www.fha.gov/hopeforhomeowners">www.fha.gov/hopeforhomeowners</a>

\*The **Troubled Asset Relief Program (TARP)** is a program of the United States government to purchase assets and equity from financial institutions in order to strengthen its financial sector. It is the largest component of the government's measures in 2008 to address the sub-prime mortgage crisis. TARP funding is often referred to as “bailout money”. If a mortgage lender received TARP funding, they are required to participate in the “Making Home Affordable” modification and refinance programs. In addition, if your loan is owned by Fannie Mae or Freddie Mac AND the lender received TARP funding, the lender must permit you to apply for the “Making Home Affordable” program(s). However, the lenders are not required to approve a “Making Home Affordable” refinance or modification unless you have documented that you meet all program guidelines and requirements.

### **Additional websites:**

List of lenders receiving **TARP funding**: [www.treas.gov/press/releases/hp1352.htm](http://www.treas.gov/press/releases/hp1352.htm)  
 Verify if your loan is owned by **Fannie Mae**: [www.fanniemae.com](http://www.fanniemae.com)  
 Verify if your loan is owned by **Freddie Mac**: [www.freddiemac.com](http://www.freddiemac.com)  
**Hope for Homeowners Program** overview: [www.fha.gov/hopeforhomeowners](http://www.fha.gov/hopeforhomeowners)

### **Homeownership opportunities:**

[www.greenvillesc.gov/neighborhoods/comm\\_development.asp](http://www.greenvillesc.gov/neighborhoods/comm_development.asp)  
[www.greenvillecounty.org/redevelopment](http://www.greenvillecounty.org/redevelopment)  
[www.greenvillehousingfund.org](http://www.greenvillehousingfund.org)  
[www.habitatgreenville.org](http://www.habitatgreenville.org)  
[www.homesofhope.org](http://www.homesofhope.org)

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