

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT


 MAKING HOME AFFORDABLE

FHA Loss Mitigation Tools

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Special Forbearance

- Written agreement,
- Reinstates a loan that is at least 3 months unpaid but not more than 12 months delinquent PITI,
- Provides more relief than an informal or formal forbearance plan,
- Does not change the original loan terms,
- Provides failure options, and
- No maximum term.

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Special Forbearance

A Special Provision Type I is for the mortgagor whose cause of default is unemployment and who has no prospects of employment, but who has a good payment record and stable employment history.

Mortgagor must:

- Make partial payments, if financially able.
- Agree to actively seek employment.
- Immediately notify mortgagee when employment status changes.

 **Special Forbearance**

Type I SFB Agreement must:

- 1) Identify the specific months for which the account is delinquent and note the total arrearage.
- 2) Must fully reinstate the loan.
- 3) Ensure payments are based on the ability to pay.
- 4) May allow reasonable foreclosure costs and late fees to be included in the plan.

 **Special Forbearance**

- 5) Provide relief not typically afforded under an informal or formal forbearance plan, including one or more of the following:
 - * Suspended or reduced payments.
 - * Regular payments.
 - * Repayment period of at least 6 months.
- 6) Have a minimum duration of 4 months for increased payments; no maximum length of time to repay

 **Special Forbearance**

Type II Special Forbearance Agreement combines a short-term Special Forbearance Agreement with either a Loan Modification or a Partial Claim.

   **Loan Modification**

A permanent change in the terms of a Mortgagor's loan.

- Interest Rate shall be reduced.
- Loan Term extended to 360 months.

Capitalization of delinquent PITI.

Legal fees and related foreclosure costs may be capitalized.

Allows a loan to be reinstated and results in a payment the mortgagor can afford.

   **Partial Claim**

A promissory note and subordinate mortgage to cover the advance for delinquent mortgage payments is issued in the name of the Secretary of HUD.

Mortgagee advances funds on behalf of the Mortgagor in the amount of the Partial Claim advance to reinstate the delinquent loan.

   **Home Affordable Modification Program**

- HAMP combines a Partial Claim with a loan modification
- Eligible FHA Mortgagors are those that are:
 - * Facing Imminent Default, or
 - * Currently in Default

Determining Imminent Default

Borrowers who are current on their loans but are struggling to make payments may also be eligible for HAMP if they:

- Have a documented hardship – *long-term or permanent decrease in income or increase in expenses.*
- Do not have sufficient savings or other liquid assets to make future payments.

Federal Housing Administration (FHA) HAMP

- FHA-HAMP defers principal through a partial claim and modifies the remaining balance into a 30 year fixed rate loan
- Interest Rate modified to current market rates
- No NPV test required
- Conditional imminent default and up to 12 months delinquent
- Cannot exceed 55% DTI
- FHA-HAMP program guidance can be found in Mortgagee Letter 2009-23 and its Attachment
- For more information visit the National Servicing Center's website at www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm, or call the National Servicing Center at 1-888-297-8685.

FHA-HAMP

- Partial Claim may be up to 30% of the outstanding principal balance, and is applied first to arrearages (up to 12 months); and permissible legal fees and foreclosure costs, then to principal reduction.
- Partial Claim is non-interest bearing and no payment is due until the earlier of (a) maturity of the original FHA loan; (b) sale of the property; (c) payoff or refinancing of the FHA loan
- The remaining principal balance of the loan is then modified to a fixed rate 30 year term using current market interest rates in order to reduce the borrower's monthly payment as close to, but not below, a 31% mortgage payment to income ratio.

FHA-HAMP

- Subject property must be borrowers' primary and only residence
- Hardship Affidavit required
- No appraisal required
- No minimum credit score required
- 12 month seasoning of original FHA loan; minimum four full payments made
- "Trial modification" for three months
- Imminent Default Loans – "Trial Modification" for four months
- All existing secondary financing must be re-subordinated to maintain the first lien priority of the FHA loan

Preforeclosure Sale

Allows Mortgagor in default to sell the property and use the sale proceeds to satisfy the mortgage debt, even if the proceeds are less than the amount owed.

Preforeclosure Sale

Available monies for payment of Junior Liens

PFS closes within first 90 days:

- Mortgagor's Incentive \$1,000 plus an additional \$1,500 for a total of \$2,500.

PFS closes after 90 days:

- Mortgagor's Incentive \$750 plus an additional \$1,500 for a total of \$2,250.

Preforeclosure Sale

Minimum Net Sale Proceeds

First 30 days – net 88% of “As Is” appraised FMV.

Second 30 days - net 86% of “As Is” appraised FMV.

Duration of PFS - net 84% of “As Is” appraised FMV.

Deed-In-Lieu

The mortgagor voluntarily deeds collateral property to HUD in exchange for release from all obligations under the mortgage.

Monetary consideration not to exceed \$2,000 may be paid to the Mortgagor if the Mortgagor has honored the Deed-In-Lieu Agreement and/or the consideration is not needed to pay of junior liens in order to clear the title.

www.MakingHomeAffordable.gov

Help for the Hardest Hit

Find program information in various languages.

Find the list of participating servicers at www.MakingHomeAffordable.gov/contact_services.html and also under “Borrowers” tab.

Find the required documents to determine eligibility for HAMP.

  

Resources

For Homeowners:

- Homeowner's HOPE™ Hotline: 1-888-995-HOPE (4673)
- Fannie Mae: www.FannieMae.com, 1-800-7Fannie
- Freddie Mac: www.FreddieMac.com, 1-800-Freddie, Borrower_Outreach@FreddieMac.com
- Find a HUD-approved housing counselor at www.hud.gov/office/housing/counselors or call 1-800-569-4287
- National Service Center Website:
<http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>
- Congressional email for NSC: nsccongress@hud.gov
- Report a scam at www.LoanScamAlert.org
