

FHA-HAMP Frequently Asked Questions (FAQs)

1. Can an owner-occupant mortgagor that does not meet the requirements of a Formal Forbearance, Special Forbearance, Loan Modification that is independent of FHA-HAMP be approved for a standard/standalone (rate and term) modification under FHA HAMP guidelines?

Yes. Contingent upon successful completion of a trial payment plan and if there are no other encumbrances (e.g. a non-FHA lien that the holder is unwilling to subordinate) that prohibit a modification. A standard rate and term modification is permitted under the requirements of FHA-HAMP if one or more of the following conditions exist:

- the total outstanding debt can be re-amortized at the market interest rate for 30 years with a resulting principal, interest, taxes, and insurance (PITI) payment at or below the targeted payment;
- the modified loan has a front-end ratio at or below 40% and the total value of existing partial claims is at the Statutory Maximum. (See Example 1(a) below)

Example 1(a): FHA-HAMP Stand-alone (Rate & Term) Loan Modification	
Assumptions:	
<ul style="list-style-type: none"> • Verified loss of income or increase in living expense. • Not Eligible for Special Forbearance due to Unemployment or Formal Forbearance/Repayment Plan for Six Months or Standalone (Rate & Term) Modification that is independent of FHA-HAMP. 	
Gross Monthly Income	\$ 2,360.00
Current Payment (PITI)	\$ 870.19
A. 31% * \$2,360.00	\$ 731.60
B. 80% * \$870.19	\$ 696.15
C. 25% * \$2,360.00	\$ 590.00
D. Greater of B and C	\$ 696.15
E. Lesser of A and D – Target PITI Payment	\$ 696.15
Maximum PITI Payment – 40% or less of Gross Income	\$ 944.00
Statutory Maximum Value of All Partial Claims (Post-Modification) [UPB at the Date of Default associated with the Initial Existing Partial Claim if applicable * 30%] Else [UPB at the Date of Current Default if No Existing Partial Claims * 30%] →In this case: UPB at Date of Initial Partial Claim * 30% = \$75,203.45 * 30%	\$ 22,561.04
Existing Partial Claim(s) (Pre-Modification)	\$ 5,000.00
Maximum Allowable New Partial Claim (including Principal Deferment, if applicable)	\$ 17,561.04
UPB at the Date of Current Default	\$ 51,575.95
Capitalizable Arrearages	\$ 16,092.54
Canceled Foreclosure Expenses	\$ 500.00
Total Amount to be Resolved under FHA-HAMP	\$ 68,168.49
P&I Payment for Modified Loan Balance of \$68,168.49 at a market interest rate of 4.5% for 360 months	\$ 345.40
Reanalyzed Escrow Payment	\$ 190.00
New Modified Payment *	\$ 535.40
New Partial Claim	N/A
Total of All Outstanding Partial Claims (Post-Modification)	\$ 5,000.00
Partial Claim Allowance Remaining for Future Loss Mitigation	\$ 17,561.04
* Borrower is eligible for an FHA-HAMP Stand-alone Loan Modification because a new Partial Claim of any amount is not required to bring the final mortgage payment at/below the targeted payment. The Front-End Ratio for the modification is \$535.40 / \$2,360 = 22.69%.	

2. Can an owner-occupant be approved for FHA-HAMP if his/her arrearages, attorney fees, etc. exceeds the Maximum Allowable New Partial Claim?

- Yes. Contingent upon successful completion of a trial payment plan and if there are no other encumbrances (e.g. a non-FHA lien that the holder is unwilling to subordinate) that prohibit a modification, which results in a front-end ratio at or below 40%. (See Example 1(b) below)

Example 1(b): FHA-HAMP Combination Loan Modification and Partial Claim	
Assumptions:	
<ul style="list-style-type: none"> • Verified loss of income or increase in living expenses. • Not Eligible for Special Forbearance due to Unemployment or Formal Forbearance/Repayment Plan for Six Months or Standalone (Rate & Term) Modification that is independent of FHA-HAMP. 	
Gross Monthly Income	\$ 1,759.00
Current Payment (PITI)	\$ 512.18
A. 31% * \$1,759.00	\$ 545.29
B. 80% * \$512.18	\$ 409.74
C. 25% * \$1,759.00	\$ 439.75
D. Greater of B and C	\$ 439.75
E. Lesser of A and D – Target PITI Payment	\$ 439.75
Maximum PITI Payment – 40% or less of Gross Income	\$ 703.60
Statutory Maximum Value of All Partial Claims (Post-Modification) [UPB at the Date of Default associated with the Initial Existing Partial Claim if applicable * 30%] Else [UPB at the Date of Current Default if No Existing Partial Claims * 30%] → In this case: UPB at Date of Current Default * 30% = \$44,744.42 * 30%	\$ 13,423.33
Existing Partial Claim(s) (Pre-Modification)	\$ 0.00
Maximum Allowable New Partial Claim (including Principal Deferment, if applicable)	\$ 13,423.33
UPB at the Date of Current Default	\$ 44,744.42
Capitalizable Arrearages	\$ 15,023.24
Canceled Foreclosure Expenses	\$ 1,300.00
Total Amount to be Resolved under FHA-HAMP	\$ 61,067.66
P&I Payment for Modified Loan Balance of \$47,644.33 (\$61,067.66 Total Amount - \$13,423.33 New Partial Claim) at a market interest rate of 4.5% for 360 months	\$ 241.41
Reanalyzed Escrow Payment	\$ 252.17
New Modified Payment	* \$ 493.58
New Partial Claim	\$ 13,423.32
Total of All Outstanding Partial Claims (Post-Modification)	\$ 13,423.32
Partial Claim Allowance Remaining for Future Loss Mitigation	\$ 0.00
* Borrower is eligible for an FHA-HAMP that consists of a Loan Modification and a Partial Claim. The Loan Modification balance is \$47,644.33 with a Partial Claim of \$13,423.32. The Front-End Ratio for the modification is \$493.58/ \$1,759.00= 28.06%, which does not exceed the 40% maximum Front-End Ratio for modifications. The amount to be capitalized in a loan modification is \$2,899.91.	

3. Can the Maximum Allowable Partial Claim be exhausted in order to reduce the modified loan payment below the targeted PITI payment?

- Except for when a stand-alone Partial Claim is permitted, a Partial Claim cannot include any amount to reduce a mortgagor’s mortgage payment below the targeted PITI payment. (See Example 1(c) below)

Example 1(c): FHA-HAMP Combination Loan Modification and Partial Claim	
Assumptions:	
<ul style="list-style-type: none"> • Verified loss of income or increase in living expenses. • Not Eligible for Special Forbearance due to Unemployment or Formal Forbearance/Repayment Plan for Six Months or Standalone (Rate & Term) Modification that is independent of FHA-HAMP. 	
Gross Monthly Income	\$ 1,456.00
Current Payment (PITI)	\$ 590.45
A. 31% * \$1,456.00	\$ 451.36
B. 80% * \$590.45	\$ 472.36
C. 25% * \$1,456.00	\$ 364.00
D. Greater of B and C	\$ 472.36
E. Lesser of A and D – Target PITI Payment	\$ 451.36
Maximum PITI Payment – 40% or less of Gross Income	\$ 582.40
Statutory Maximum Value of All Partial Claims (Post-Modification) [UPB at the Date of Default associated with the Initial Existing Partial Claim if applicable * 30%] Else [UPB at the Date of Current Default if No Existing Partial Claims * 30%] →In this case: UPB at Date of Current Default * 30% = \$40,404.75 * 30%	\$ 12,121.42
Existing Partial Claim(s) (Pre-Modification)	\$ 0.00
Maximum Allowable New Partial Claim (including Principal Deferment, if applicable)	\$ 12,121.42
UPB at the Date of Current Default	\$ 40,404.75
Capitalizable Arrearages	\$ 8,683.42
Canceled Foreclosure Expenses	\$ 599.81
Total Amount to be Resolved under FHA-HAMP	\$ 49,687.98
P&I Payment for Modified Loan Balance of \$46,083.36 (\$49,687.98 Total Amount - \$3,604.62 New Partial Claim) at a market interest rate of 5.75% for 360 months	\$ 268.93
Reanalyzed Escrow Payment	\$ 182.43
New Modified Payment *	\$ 451.36
New Partial Claim	\$ 3,604.62
Total of All Outstanding Partial Claims (Post-Modification)	\$ 3,604.62
Partial Claim Allowance Remaining for Future Loss Mitigation (\$12,121.42-\$3,604.62)	\$ 8,516.80
* Borrower is eligible for an FHA-HAMP that consists of a Loan Modification and a Partial Claim. The Loan Modification balance is \$46,083.36 with a Partial Claim of \$3,604.62. The Front-End Ratio is \$451.36 / \$1,456.00 = 31.0%. A Partial Claim should only be used for the amount necessary to meet the target payment.	