

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
KENTUCKY FIELD OFFICE



AVOIDING FORECLOSURE

Kentucky Mortgage Assistance Guide

HUD-Approved Housing
Counseling

Avoiding
Foreclosure

Refinancing
Programs

Mortgage
Servicing
Settlement

Housing Counseling Services: All homeowners, regardless of their situation or lender are eligible for housing counseling services. Contact a HUD-approved housing counselor at 888-995-HOPE (4673). This service is FREE and available in more than 160 languages.

REFINANCING PROGRAMS FOR BORROWERS WHO ARE CURRENT

Federal Housing Administration (FHA) Loans

FHA Streamline Refinancing: As of June 11, 2012, FHA lowered its Upfront Mortgage Insurance Premium (UFMIP) to just .01 percent and reduced its annual premium to .55 percent for FHA borrowers who wish to refinance. To qualify the mortgage must have been endorsed on or before May 31, 2009. Borrowers may contact their lender directly to inquire about eligibility.

FHA Short Refinancing: Helps current homeowners who can't refinance because they are underwater. FHA short refinance loans require a loan application and that borrowers satisfy other eligibility requirements.

Veterans Affairs/ U.S. Department of Agriculture Loans

Streamline Refinancing: Both VA and USDA offer streamline refinance programs similar to the FHA. Visit www.benefits.va.gov/homeloans or www.rurdev.usda.gov for more information. These are in addition to conventional refinancing programs.

Fannie Mae or Freddie Mac Loans

HARP – Home Affordable Refinance Program helps homeowners who are current on their mortgage, but are unable to qualify for the GSEs' streamline refinance programs.

Other Loans

Mortgage Servicing Settlement Refinancing: Homeowners whose mortgages are held by and serviced by Bank of America, Wells Fargo, Citibank, JP Morgan Chase and Ally (formerly GMAC) may have an opportunity to refinance their mortgage. Letters from those lenders to affected homeowners will inform them if they are eligible for refinancing. However, borrowers may contact the lenders directly to inquire about eligibility.

- 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

Or visit www.nationalmortgagesettlement.com

PROGRAMS FOR DISTRESSED BORROWERS (NOTE: A distressed borrower is one who is either delinquent or facing imminent default, meaning behind on one payment and will not make the subsequent payment).

FHA Loans

Informal Forbearance: Verbal agreement to increase, reduce or suspend payments for less than three months.

Formal Forbearance: Written agreement to increase, reduce or suspend payments for a minimum of three months.

Special Forbearance: Written structured repayment agreement between a lender and a borrower to repay a delinquency over time that can provide for up to 12 months of principal, interest, taxes and insurance (PITI).

Loan Modification: A modification is a permanent change in one or more of the terms of the loan which will allow it to be reinstated and should result in a payment the borrower can afford. The overdue payments may be added to the loan balance, the interest rate may be changed, or the loan term may be extended.

FHA-HAMP: Combines partial claim with a loan modification allowing for a reduction of as much as 30 percent of the unpaid principal balance (UPB).

Foreclosure Alternatives:

- **Pre-foreclosure Sale:** An option, also known as a short sale, where the homeowner can offer their house for sale and sell it at fair market value even if the amount they receive from the sale is less than the amount they owe.
- **Deed in Lieu of Foreclosure (DIL):** As a last resort, DIL is a disposition option in which a homeowner voluntarily deeds the property to the lender in exchange for a release from all obligations under the mortgage.

VA/USDA Loans

Forbearance Programs, similar to FHA programs and including Special Forbearance (see definition above).

Loan Modification, such as VA-HAMP and USDA's Special Loan Servicing, similar to FHA-HAMP (see definition above).

Foreclosure Alternatives, such as Pre-Foreclosure Sales and Deed-in-Lieu.

Note: VA loans may be eligible for additional relief under Servicemembers Civil Relief Act (SCRA) and the recent Mortgage Servicing Settlement.

Fannie Mae or Freddie Mac Loans

Forbearance Programs: includes Special Forbearance (see above definition).

HAMP: The Home Affordable Modification Program, administered by U.S. Treasury, is for borrowers who are not unemployed, but still struggling to make mortgage payments. HAMP provides Loan Modifications and can lower the monthly mortgage payment to 31 percent of verified gross (pre-tax) income.

Proprietary Loan Modifications: Loan Modifications provided by Fannie or Freddie lenders outside of the HAMP program.

HAFA: Home Affordable Foreclosure Alternative, also administered by Treasury, offers Pre-foreclosure Sales and Deeds-in-Lieu (see previous definitions)

Additional Foreclosure Alternatives: Can include such options as Deed-for-Lieu, which is used in conjunction with DIL so that borrower may stay in the home as a renter/tenant.

Other Loans

HAMP: See previous definition. For Other Loans, there are several additional options within HAMP described below.

- **Principal Reduction Alternative (PRA):** Designed to help homeowners whose home is currently worth significantly less than they owe on it. Homeowners may be eligible for PRA if their mortgage is not owned or guaranteed by Fannie Mae or Freddie Mac; they owe more than the home is worth; they occupy the house as primary residence; they obtained their mortgage on or before January 1, 2009; mortgage payments are more than 31 percent of gross (pre-tax) monthly income; and they owe up to \$729,750 on the 1st mortgage.
- **Second Lien Modification Program (2MP):** If the first mortgage was permanently modified under HAMP and there is a second mortgage on the same property, the borrower may be

eligible for a modification or principal reduction on the second mortgage as well through 2MP which works in tandem with HAMP to provide comprehensive solutions for homeowners with second mortgages to increase long-term affordability and sustainability.

- **HAFA:** Pre-foreclosure Sales and DILs.

Mortgage Settlement Principal Reduction/Forbearance & Foreclosure Alternatives: Distressed homeowners whose mortgages are held and/or serviced by Bank of America, Wells Fargo, Citibank, JP Morgan Chase and Ally (formerly GMAC) may have an opportunity to receive Loan Modifications with Principal Reduction, or benefit from Forbearance Programs and Foreclosure Alternatives. Servicers should contact eligible borrowers; however, borrowers may also contact Servicers directly at numbers provided above to inquire about eligibility, or visit www.nationalmortgagesettlement.com

State Programs

Hardest Hit Fund: AL, AZ, CA, FL, GA, IL, IN, KY, MI, MS, NV, NJ, NC, OH, OR, RI, SC, TN, and Washington D.C. were hit hard by the housing crisis. Borrowers in these jurisdictions are eligible for different types of mortgage assistance depending on their situation and state of residence, such as:

- Mortgage payment assistance for unemployed or underemployed homeowners.
- Principal reduction to help homeowners get into more affordable mortgages.
- Funding to reduce or eliminate homeowners' second lien loans.
- Help for homeowners who are transitioning out of their homes and into more affordable places of residence.

In Kentucky the Hardest Hit Fund is known as the Unemployment Bridge Program and is administered by Kentucky Housing Corporation. To be eligible, the homeowner must have experienced a job loss or 15 percent or more reduction in income due to changing economic conditions, through no fault of their own, and demonstrate a need for assistance. The job-related event must have occurred after January 1, 2009. The maximum amount of assistance is \$30,000 or 18 months, whichever occurs first. Of the \$30,000, you may use up to \$12,500 to catch up your mortgage. For more information, homeowners can contact the Kentucky Homeownership Protection Center at www.ProtectMyKYHome.org or call toll-free at (866) 830-7868.

U.S. Department of HUD

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Louisville, KY 40202
Phone: 502-582-5251
Fax: 502-582-6074
TDD: 800-648-6056
(for hearing-impaired)

Office Hours: Monday-Friday
8 a.m. – 4:45 p.m. EST
Closed for all Federal holidays



Last Revised: March 4, 2013



QUICK TIPS

1. *Get help as soon as possible. The sooner you learn about your options, the more you have.*
2. *Use a housing counselor. Contact a housing counselor working for a HUD approved housing counseling agency and make an appointment.*
3. *Gather your financial documents. That way your mortgage company will have the information it needs to help you.*
4. *Watch out for scams. You should never be charged for speaking to a certified housing counselor.*
5. *Don't give up. Call 888-995-HOPE (4673) if you experience any problems.*

IF I'M HAVING TROUBLE BECAUSE...

I've lost my job and I can't meet my mortgage payment.

I can't afford my mortgage payment.

I MIGHT BE ELIGIBLE FOR...

Unemployment Assistance

A Mortgage Modification

HERE'S WHAT TO DO...

- Contact your servicer (to whom you make your monthly mortgage payment).
- Get in touch with a free HUD-certified housing counselor to learn all of your options.
- Find out from your servicer who owns your mortgage.
- Questions? Need a counselor? Call 888-995-HOPE (4673) or visit <http://www.hud.gov/findacounselor>

Ask about federal unemployment mortgage assistance.

(e.g. forbearance programs at FHA, VA, and GSEs). Some forbearance relief is available under the Mortgage Servicing Settlement to borrowers at the servicers party to it.

Ask about unemployment assistance in some states.

Some state housing finance agencies are using funds from the Hardest Hit Fund to offer assistance to those who have lost their jobs or have seen their hours reduced. This assistance will help you make your monthly payments while looking for a job.

(See participating states on reverse)

Ask about a HAMP modification.

- You must occupy your house as a primary residence.
- Your mortgage must have been issued before Jan. 1, 2009.
- Your mortgage payment must be more than 31% of your pre-tax income.
- You must demonstrate financial hardship.

Ask your mortgage servicer if you're eligible for a modification.

Borrowers with loans owned by Fannie Mae, Freddie Mac, USDA, or insured by VA can take advantage of federal modification programs similar to HAMP.

Under the Mortgage Servicing Settlement,

You may be eligible for modification that includes reduction of your principal if your loan is serviced by a servicer party to it.



IF I'M HAVING TROUBLE BECAUSE...

I am underwater and need to move.

I want to refinance but I've been turned down before.

I MIGHT BE ELIGIBLE FOR...

A Pre-foreclosure Sale (A Short-Sale Program or Foreclosure Alternative)

A Refinancing Program

HERE'S WHAT TO DO...

- Contact your servicer (to whom you make your monthly mortgage payment).
- Get in touch with a free HUD-certified housing counselor to learn all of your options.
- Find out from your servicer who owns your mortgage.
- Questions? Need a counselor? Call 888-995-HOPE (4673) or visit <http://www.hud.gov/findacounselor>.

