

SCR 171

EDH/CPN

Linda Lingle
GOVERNOR



KAREN SEDDON
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the

**SENATE COMMITTEE ON EDUCATION AND HOUSING
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**

March 23, 2010 10:00 a.m.
Room 229, State Capitol

In consideration of

**S.C.R. 171 REQUESTING A REPORT ON THE FEASIBILITY OF
ESTABLISHING A FORECLOSURE TRUST FUND TO ASSIST HAWAII'S
HOMEOWNERS.**

The HHFDC does not believe the proposed study is necessary, and therefore, **opposes** S.C.R. 171.

The existing federal Making Home Affordable program provides both refinancing and loan modification assistance to homeowners facing possible foreclosure of their home mortgages. A Frequently Asked Questions summary is attached for the Committees' information. Further information about this federal program can be found at <http://www.makinghomeaffordable.gov/>.

Thank you for the opportunity to testify.



BORROWER FREQUENTLY ASKED QUESTIONS

Revised: March 9, 2010

What is "Making Home Affordable" all about?

The Making Home Affordable Program is part of the Obama Administration's broad, comprehensive strategy to get the economy and the housing market back on track. The Making Home Affordable Program offers strong options for homeowners: (1) refinancing mortgage loans through the Home Affordable Refinance Program (HARP), (2) modifying first and second mortgage loans through the Home Affordable Modification Program (HAMP) and the Second Lien Modification Program (2MP) and (3) offering other alternatives to foreclosure through the Home Affordable Foreclosure Alternatives Program (HAFA).

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About Servicers

1. Who is my “servicer?” Is my servicer the same as my lender or investor?

Your loan servicer is the financial institution that collects your monthly mortgage payments and has responsibility for the management and accounting of your loan. It is possible that the owner of your mortgage also services it, however many loans are owned by groups of investors and these investors hire loan servicers to interact with homeowners on their behalf. Many lenders also have the loan servicers handle all contact with homeowners.

Traditionally, banks used money deposited in customers' savings accounts to make loans. They held the loans, earning the interest as homeowners repaid over time. Banks were thus limited in the number of loans they could make because they had to wait to make new ones until savings deposits grew or existing homeowners repaid their loans. Many families who wanted to own a home were unable to do so because there was not a steady supply of money for banks to lend.

Over time, banks started to turn loans into cash by pooling large groups of loans together to create mortgage backed securities that could be sold to investors such as pension funds and hedge funds. The investors get the right to collect future payments and the bank gets cash that it can use to make more loans. Investors hire loan servicers to collect payments and interact with customers.

If you have questions about your loan, or you are behind on your payments, you should call your loan servicer at the number on your payment coupon or monthly mortgage statement.

2. Is my servicer participating in MHA?

All servicers for loans owned or guaranteed by Fannie Mae and Freddie Mac are required to participate. Additional servicers are strongly encouraged to participate. The list of servicer participants will be updated at www.makinghomeaffordable.com/contact_servicer.html. (See “How do I know if my loan is owned or has been guaranteed by Fannie Mae or Freddie Mac?”)

3. What should I do if my servicer tells me that the investor is not participating in the Making Home Affordable Program?

Check to see if your servicer is listed on our servicer participant list at http://www.makinghomeaffordable.com/contact_servicer.html. Keep in mind that all servicers for loans owned or guaranteed by Fannie Mae and Freddie Mac are required to participate with respect to those loans. (See “How do I know if my loan is owned or has been guaranteed by Fannie Mae or Freddie Mac?”)

If your servicer is on our participant list, or your mortgage is owned or guaranteed by Freddie Mac or Fannie Mae, call your servicer back and ask to speak to a supervisor. You may also contact a HUD-approved housing counselor for assistance.

If your servicer is not participating in the Program, ask your servicer or a housing counselor about other options that may be available.

Home Affordable Refinance Program (HARP)

4. I'm current on my mortgage. Will a refinance under the Home Affordable Refinance Program (HARP) help me?

Eligible homeowners who are current on their mortgages but have been unable to take advantage of today's lower interest rates because their homes have decreased in value, may now have the

opportunity to refinance. Through a refinance under HARP, Fannie Mae and Freddie Mac will allow the refinancing of mortgage loans that they own or that they guaranteed in mortgage backed securities.

5. How do I know if I am eligible for a refinance under HARP?

You may be eligible if:

- You are the owner-occupant of a one- to four-unit home.
- The loan on your property is owned or guaranteed by Fannie Mae or Freddie Mac (See "[How do I know if my loan is owned or has been guaranteed by Fannie Mae or Freddie Mac?](#)").
- At the time you apply, you are current on your mortgage payments ("Current" generally means that you have not been more than 30 days late on your mortgage payment in the last 12 months; or, if you have had the loan for less than 12 months, you have never missed a payment).
- The amount you owe on your first lien mortgage does not exceed 125% of the current market value of your property.
- You have a reasonable ability to pay the new mortgage payments.
- The refinance improves the long term affordability or stability of your loan. (See "[Will refinancing lower my payments? How might HARP benefit me?](#)")

6. Will refinancing lower my payments? How might HARP benefit me?

The objective of a refinance under HARP is to provide creditworthy homeowners who have shown a commitment to paying their mortgage the opportunity to get into a new mortgage with better terms.

Homeowners whose mortgage interest rates are much higher than the current market rate should see an immediate reduction in their payments. Homeowners who are paying interest only, who have a low introductory rate that will increase in the future, or who face a balloon payment may not see their current payment go down if they refinance to a fixed rate and payment. These homeowners, however, could save a great deal of money by reducing the amount of interest you pay over the life of the loan.

Refinancing into a more stable fixed-rate loan product and avoiding future mortgage payment increases would likely improve your ability to sustain your mortgage payments over the long-term. When you submit a loan application, your lender will give you a "Good Faith Estimate" and a "Truth in Lending Statement" that includes your new interest rate, mortgage payment, and the amount that you will pay over the life of the loan. Compare this to your current loan terms. If it is not an improvement, a refinancing may not be right for you.

7. Will a refinance under HARP reduce the amount that I owe on my loan?

No. The objective of a refinance under HARP is to help homeowners get into more stable or more affordable loans. Refinancing will not reduce the principal amount you owe to the first lien mortgage holder or any other debt you owe. (See "[How will I know if a refinance under HARP will improve the long-term affordability or stability of my loan?](#)")

8. How will I know if a refinance under HARP will improve the long-term affordability or stability of my loan?

When you submit a loan application, your lender will give you a "Good Faith Estimate" and a "Truth in Lending Statement" that includes your new interest rate, mortgage payment, and the amount that

you will pay over the life of the loan. Compare this to your current loan terms. If it is not an improvement, a refinancing may not be right for you.

9. How do I know if my loan is owned or has been guaranteed by Fannie Mae or Freddie Mac?

Ask your mortgage lender or servicer. Also, both Fannie Mae and Freddie Mac have established toll-free telephone numbers and web submission processes to make this data available. Homeowners can enter information to determine if either agency owns or guaranteed the loan. This information is not a guarantee of eligibility for a refinance under HARP, as other qualifying criteria must also be met.

For Fannie Mae:
1-800-7FANNIE (8am to 8pm EST)
www.fanniemae.com/loanlookup

For Freddie Mac:
1-800-FREDDIE (8am to 8pm EST)
www.freddiemac.com/mymortgage

10. I owe more than my property is worth. Do I still qualify for a refinance under HARP?

Eligible loans will include those where the first lien mortgage does not exceed 125% of the current market value of the property. For example, if your property is worth \$200,000 but you owe \$250,000 or less on your first lien mortgage you may qualify. The current market value of your property will be determined after you apply to refinance.

11. I have both a first lien and a second lien mortgage. Do I still qualify for a refinance under HARP?

As long as the amount due on the first lien mortgage is less than 125% of the value of the property, homeowners with more than one mortgage may be eligible for a refinance under HARP. Your eligibility will depend, in part, on two additional requirements:

- The lender that has your junior lien mortgage must agree to remain in a junior lien position.
- You must be able to demonstrate your ability to meet the new payment terms on the first lien mortgage.

12. What are the interest rate and other terms of a refinance under HARP?

The rate will be based on market rates in effect at the time of the refinance and the homeowner will be subject to any associated points and fees quoted by your lender. Interest rates may vary across lenders and over time as market rates adjust. The refinanced loans must have no prepayment penalties or balloon payments.

13. Can I get cash out to pay other debts?

No. The Home Affordable Refinance will not return cash to the borrower for the purpose of paying other debts.

14. How do I apply for a refinance under HARP?

Call your mortgage lender, or any lender approved to do business with Fannie Mae or Freddie Mac, and ask for a Home Affordable Refinance application. The number is on your monthly mortgage bill

or coupon book. Please be patient yet persistent. Your lender could be handling a large volume of inquiries about the program and it may take some time before they are ready to process your application. In the meantime, it will help your lender and speed up the application process if you gather some information and documents before you call. It will help your lender if you gather some information and documents before you call. Generally, you will need the following:

- Information about the monthly gross (before tax) income of all the homeowners on your loan, including recent pay stubs if you receive them, or documentation of income you receive from other sources
- Your most recent income tax return
- Information about any junior lien mortgage on the house
- Account balances and minimum monthly payments due on all of your credit cards
- Account balances and monthly payments on all your other debts such as student loans and car loans

15. I am delinquent on my mortgage. Will I qualify for a refinance under HARP?

No. Homeowners who are currently delinquent or have been more than 30 days overdue during the past 12 months generally will not qualify. Contact your servicer to see if a modification under the Home Affordable Modification Program is an option for you.

16. Will I need mortgage insurance?

If your existing loan has private mortgage insurance, you will need the same amount of insurance coverage for a refinance under HARP. If your existing loan does not have private mortgage insurance, it will not be required as part of a refinance under HARP.

17. How long will refinances under HARP be available?

The program expires on June 10, 2010. Your refinance under HARP must have a mortgage note date on or before that date.

Home Affordable Modification Program (HAMP)

18. Can the Making Home Affordable Program help me if my loan is not owned or guaranteed by Fannie Mae or Freddie Mac?

Yes. The Program helps homeowners who are struggling to keep their loans current or who are already behind on their mortgage payments. By providing mortgage loan servicers with financial incentives to modify existing first lien mortgages, the Treasury hopes to help homeowners avoid foreclosure regardless of who owns or guarantees the mortgage.

19. How do I know if I am eligible for a modification under the Home Affordable Modification Program (HAMP)?

To apply for a modification under HAMP, you must:

- Be the owner-occupant of a one- to four-unit home.
- Have an unpaid principal balance that is equal to or less than:
 - 1 Unit: \$729,750
 - 2 Units: \$934,200
 - 3 Units: \$1,129,250

- 4 Units: \$1,403,400
- Have a first lien mortgage that was originated on or before January 1, 2009.
- Have a monthly mortgage payment (including taxes, insurance, and home owners association dues) greater than 31% of your monthly gross (pre-tax) income.
- Have a mortgage payment that is not affordable due to a financial hardship that can be documented.

If you answered YES to all of these questions, you may be eligible for a modification under HAMP. Only your servicer will be able to tell you if you qualify.

20. What if I am facing foreclosure?

Participating servicers may not proceed with a foreclosure sale on an eligible loan until the homeowner has been evaluated for HAMP and, if eligible, a trial modification offer has been made. Participating servicers must use reasonable efforts to contact homeowners facing foreclosure to determine their eligibility, including in-person contacts at the servicer's discretion. Foreclosure sales may not be conducted while the loan is being considered for a modification or during the trial period. Additionally, once a homeowner has entered into a trial period plan by submitting the first trial period payment, the servicer may not take the first legal action to initiate a new foreclosure.

21. Do I need to be behind on my mortgage payments to be eligible for a modification under HAMP?

No. Responsible homeowners who are struggling to remain current on their mortgage payments are eligible if they reasonably believe they are very likely to default on their mortgage soon (often referred to by loan servicers as "imminent default"). This might be because a homeowner has had (or will have) a significant increase in the mortgage payment (due to a payment adjustment or rate adjustment upwards); unemployment or some other significant reduction in income; or some other financial hardship that will make the mortgage unaffordable. If you are facing a similar situation, contact your servicer. You will be required to document your income and expenses and provide evidence of the hardship or change in your circumstances

22. I have a junior lien mortgage. Am I still eligible?

Yes, the first lien mortgage is eligible for a modification under HAMP.

23. How do I know if my servicer is participating? Are all servicers required to participate?

Participation in HAMP is mandatory for servicers of loans owned or guaranteed by Fannie Mae or Freddie Mac (Government Sponsored Enterprises or GSEs). Participation in HAMP is voluntary for servicers of non-GSE loans. However, substantial incentives are available to servicers and investors who complete modifications under HAMP, and most major servicers already have committed to the Program. A current list of participating servicers is available at www.MakingHomeAffordable.gov/contact_servicer.html. Servicers not currently listed have until December 31, 2009 to opt into the Program.

Servicers of non-GSE loans sign a contract with Fannie Mae, as Treasury's financial agent, through which they agree to review every potentially eligible homeowner who asks to be considered for the Making Home Affordable Program. To ensure that a homeowner currently at risk of foreclosure has the opportunity to apply for a modification under HAMP, participating servicers may not proceed with a foreclosure sale until the homeowner has been evaluated for a HAMP modification and, if eligible, a trial modification offer has been made.

24. Why does my loan servicer have to ask the lender or investor if they can do a loan modification?

If the organization that services your loan does not own it, your servicer may need to get permission from the owner or investor before they can change any of the terms of your loan. Generally, there is a contract between the servicer and the investor that states what kind of actions the servicer is allowed to take. Most of these contracts, usually called servicing agreements or pooling and servicing agreements (PSAs), give the servicer flexibility to make modification decisions as long as the modification provides a better financial outcome for the lender or investor than not modifying the loan.

25. What will my servicer do to determine if I qualify for HAMP?

- Determine whether your loan meets the minimum eligibility criteria (i.e., owner-occupied; originated on or before January 1, 2009; unpaid principal balance equal to or less the loan limit for the number of units involved, mortgage payment greater than 31% of gross income; and financial hardship).
- If your loan meets the minimum eligibility criteria, the servicer will ask about current income, assets and expenses, as well as any specific hardship circumstances to determine if you are unable to make your mortgage payment. Your servicer may initially accept verbal income and expense information; however, you will need to provide verifying documentation before a final modification is approved.
- Determine if your monthly first lien mortgage payment is greater than 31% of your gross or pre-tax monthly income.
- Apply a Net Present Value (NPV) test to determine whether the value of the loan to the investor will be greater if the loan is modified (factoring in the government's incentive payments). If the modified loan is not of greater value, the investor and servicer may still modify the loan. However, modification in such cases is not required. Please note: Your servicer may re-run the NPV test before the modification becomes official if they receive new information that could affect your NPV score.
- If the modified loan is of greater value, the servicer must offer you a modification under HAMP, and, if you accept the offer, will put you on a trial modification (typically three months) at the new payment level.
- If you successfully make all of the required trial payments during the trial period and the income and expense information you provided is determined to be accurate, your servicer will execute an official modification agreement.
- You will be required to sign the modification agreement and other documents and attest that all of the information you provided to your servicer was true and accurate. Misrepresenting any information required for the Home Affordable Modification is a violation of Federal law and has serious legal consequences.

26. Is the interest rate subject to change during the term of the HAMP modification?

If the modified rate is below the market rate as determined from the Freddie Mac Primary Mortgage Market Survey rate on the date the modification agreement is prepared, the modified rate will be fixed for a minimum of five years as specified in your modification agreement. Beginning in year six, the rate may increase no more than one percentage point per year until it reaches the market rate at the time the modification agreement is prepared. Your rate can never be higher than the market

rate as indicated in your modification agreement. If the modified rate is at or above the market rate at the time the modification agreement is prepared, the modified rate is fixed for the life of the loan.

27. Will a modification under HAMP include property taxes and homeowners insurance?

Yes. All loans modified under HAMP must include an escrow account for payment of future property taxes and hazard insurance, unless prohibited by state law. If your existing loan does not include an escrow account, one will be established. A new escrow account may require collection of a sufficient reserve to pay the taxes and insurance on or before they are next due. The reserve amount cannot be added to the modified loan amount. The servicer may give you the option of paying the reserve amount at the time the loan is modified or the option of spreading the amount over a period of 60 months and including it in the monthly escrow payment.

28. If I don't currently have an escrow account on my mortgage, am I still eligible for a modification under HAMP?

Yes, you are still eligible to apply for a modification under HAMP. Should you qualify for a modification and make all trial payments on time, your modification agreement with your servicer will require the servicer to set aside a portion of your new monthly payment in an escrow account for payment of your property taxes and insurance premiums.

29. If my mortgage qualifies for a modification under HAMP, will my escrow account payment change?

It might. Your escrow payment will adjust if your taxes and insurance premiums change, so the amount of your monthly payment that the servicer must place in escrow will also adjust as permitted by law.

30. What will the servicer do to get my new modified payment down to 31% of my gross income?

- Lower the interest rate. Treasury is providing incentives to your servicer to write the interest down to as low as 2%, if necessary to get to a payment that you can afford. Each homeowner's interest rate will only be reduced to a point sufficient to get the modified payment to equal 31% of the homeowner's gross monthly income. Not all homeowners will need a rate reduction to 2% in order to achieve a monthly mortgage payment that is affordable.
- Extend the term. If a 2% interest rate does not result in a payment that is affordable (no more than 31% of your gross monthly income), your servicer will extend your payment term. At the servicer's option, the term of the loan could be extended up to 40 years.
- Forbear (defer) principal. If your payment is still not low enough, your servicer may defer a portion of the principal amount you owe until the maturity of the loan. This is called a principal forbearance. With a forbearance, you will still owe the principal; but repayment is deferred until a later date.

A portion of the principal could be also be forgiven. This is optional on the part of the servicer. There is no requirement for principal reduction or forgiveness, and there is no guarantee that your servicer will offer principal reduction or forgiveness.

31. I owe more than my house is worth. Will a modification under HAMP reduce what I owe?

The primary objective of the HAMP is to help homeowners avoid foreclosure by modifying troubled loans to achieve a payment the homeowner can afford. Servicers may, but are not required to, offer principal reductions. It is more likely that your servicer will use interest rate reductions and term extensions in order to make your payment more affordable.

32. What is a trial period?

The trial period is typically a three month period to see if the new payment plan will work for you, while providing you immediate relief and preventing any possible foreclosure sales from occurring. You should remember that during the trial, the terms and conditions of your original loan remain unchanged and only after you make all of your trial payments on time and send in all required documentation can your loan be officially modified.

33. Could my payment change in or after the trial period?

Your payment will be based on 31% of your verified income. If the trial period plan was based on stated income, and your verified income is different than what was previously stated, your payment will change to reflect 31% of your actual income. Your monthly payment could also increase if property taxes, homeowner's insurance, or homeowner's association fees increase after the trial period.

34. How will the modification affect my credit?

Accepting a loan modification can affect your credit score, but the actual effect will depend on a variety of factors. For more information about your credit score and how to improve it, visit www.ftc.gov/bcp/edu/pubs/consumer/credit/cre24.shtm.

Each month, servicers must describe to the credit reporting agencies the exact status of each mortgage. If you are current with your mortgage payments prior to the trial period and you make each trial period payment on time, your servicer must report you as current and also identify the loan as "modified under federal government plan."

If you are delinquent (at least 30 days past the due date) prior to the trial period and the reduced payments do not bring the account current, your servicer must report the level of delinquency and also identify the loan as "modified under federal government plan."

35. How will I know if my loan can be modified?

Once your servicer confirms that you are eligible and you make all of your trial period payments on time, you will receive a modification agreement detailing the terms of the modified loan. Any difference between the amount of the trial period payments and your regular mortgage payment will be added to the balance of your loan along with any other past due amounts as permitted by your loan documents. While this will increase the total amount that you owe, it should not significantly change the amount of your modified mortgage payment as that is determined based on your total monthly gross income, not your loan balance.

36. How might the terms and conditions of the trial period differ from the official modification?

Once your loan is modified, your interest rate and monthly principal and interest payment will be fixed for the life of your mortgage unless your initial modified interest rate is below current market interest rates.

If the servicer lowered your mortgage interest rate to make your payments more affordable, your initial modified interest rate could be below current market interest rates. In that case, the initial interest rate will be fixed for five years, and the amount you pay each month for principal and interest will not change for those five years or 60 months.

After five years, your interest rate will increase by 1% per year until it reaches the cap, which would equal the market interest rate being charged by mortgage lenders on the day your official modification agreement was prepared (the Freddie Mac Primary Mortgage Market Survey Rate for 30-year, fixed-rate conforming mortgages).

Once your interest rate reaches that cap, it will be fixed for the life of your loan. Like your trial period payment, your new monthly payment will also include an escrow for property taxes and hazard insurance. (See "[Could my payment change in or after the trial period?](#)")

37. Could I end up with a balloon payment?

Yes. If your servicer determines that a principal forbearance is required to get your monthly mortgage payment to an affordable level, the principal forbearance amount, say for example this was \$20,000, would be subtracted from the amount used to calculate your monthly mortgage payment, but you would still owe the money. You would have a \$20,000 balloon payment that accrues no interest and was not due until you pay off your loan, refinance or sell your house.

38. What happens if I am unable to make payments during the trial period?

Homeowners who are unable to make the required payments by the end of the trial period are not eligible for a permanent modification under HAMP. However, you may be eligible for other foreclosure prevention options offered by your servicer.

39. How much will a modification cost me?

Homeowners who qualify for a modification under HAMP will never be required to pay a modification fee or pay past-due late fees. If there are costs associated with the modification, such as payment of back taxes, your servicer will give you the option of adding them to the amount you owe on your mortgage or paying some or all of the expenses in advance. Paying these expenses in advance will reduce your new monthly payment and save interest costs over the life of your loan.

If you would like assistance from a HUD-approved housing counseling agency or are referred to a HUD-approved counselor as a condition of the modification, you will not be charged a counseling fee. Homeowners should beware of any organization that attempts to charge an upfront fee for housing counseling or modification of a delinquent loan, or any organization that claims to guarantee success.

40. Is housing counseling required for a modification under HAMP?

Homeowners, especially delinquent homeowners, are strongly encouraged to contact a HUD-approved housing counselor to help them understand all of their options and to create a workable budget plan. These services are free. Housing counseling is required, however, for homeowners whose total monthly debts are equal to or greater than 55% of their gross monthly income.

When you apply for a modification under HAMP, your servicer will analyze all of your recurring monthly expenses, including car loans, credit cards, child support, and what you will pay toward your mortgage. If the sum of all of these recurring monthly expenses is equal to or more than 55% of your gross monthly income, you must agree to participate in housing counseling provided by a HUD-approved housing counselor as a condition of getting a modification under HAMP.

41. I heard the government is providing a financial incentive to homeowners. Is that true?

Yes. Homeowners who make timely payments on their modified loans will receive success incentives. For every month you make a payment on time, you will accrue an incentive that reduces the principal balance on your loan. If your loan ceases to be in good standing (three monthly payments are due and unpaid on the last day of the third month), no further success payments will be paid, including accrued but unpaid amounts. The incentive will be applied directly to your loan balance annually—\$1,000 each year—and over five years the total principal reduction could add up to \$5,000. This contribution by the Treasury is designed to help you build equity faster.

42. I do not live in the house that secures the mortgage I'd like to modify. Is this mortgage eligible for a modification under HAMP?

No. If you own a house that you use as a vacation home or that you rent out to tenants, the mortgage on that house is not eligible to be modified under HAMP. If you used to live in the home but you moved out, the mortgage is not eligible. Only the first lien mortgage on your primary residence is eligible. The servicer will check to see if the dwelling is your primary residence. Misrepresenting your occupancy in order to qualify for this program is a violation of Federal law and may have serious legal consequences.

43. I have a mortgage on a duplex. I live in one unit and rent the other unit. Will I still be eligible?

Yes. Mortgages on two, three and four-unit properties are eligible as long as you live in one unit as your primary residence.

44. Can FHA or VA loans be modified under HAMP? Are all loans eligible?

Most conventional loans including prime, subprime and adjustable loans, loans owned by Fannie Mae, Freddie Mac and private investors, and most loans in mortgage backed securities are eligible for a modification under HAMP. The Administration is working with FHA and VA on a program that would provide for modifications consistent with the Making Home Affordable Program. Currently, loans insured or guaranteed by these agencies are being modified under other programs.

45. How do I apply for a modification under HAMP?

If you meet the general eligibility criteria for a modification under HAMP, you should gather the financial documentation that your servicer will need to determine if you qualify (See "[What information and forms will I need in order to be considered for HAMP?](#)"). Once you have this information, you should contact your servicer and ask to be considered for a modification under HAMP. The servicer's phone number and email address is on your monthly mortgage bill or coupon book. Please be patient yet persistent. Your servicer may be handling a large volume of inquiries about the program and it may take some time before your servicer is able to process your application.

If you would like to speak to a housing counselor, call 888-995-HOPE (4673). HUD-approved housing counselors can help you evaluate your income and expenses and understand your options, and apply to your servicer for HAMP. This counseling is FREE.

If you have already missed one or more mortgage payments and have not yet spoken to your servicer, call your servicer immediately.

46. What information and forms will I need in order to be considered for HAMP?

Recently, Treasury announced a more streamlined homeowner evaluation process. Now, in order to apply for a Home Affordable Modification, homeowners can submit proof of income (See [“What proof of income will I be required to provide with my HAMP application?”](#)) plus the following two forms:

- The [MHA Request for Modification and Affidavit Form \(RMA\)](#). This Form captures information on borrower income, expenses, subordinate liens on the property, and liquid assets. It includes a Hardship Affidavit, fraud notice, and information about the Trial Period Plan.
- The [Internal Revenue Service \(IRS\) Form 4506T-EZ \(Short Form Request for Individual Tax Return Transcript\)](#). This form gives permission for your mortgage servicer to request a copy of the most recent tax return you have filed with the IRS. After you have completed the form, print two copies—one for your records and one to send to your mortgage servicer.

Visit the [“Request a Modification”](#) section of [MakingHomeAfordable.gov](#) for more detailed information.

47. What proof of income will I be required to provide with my HAMP application?

Be prepared to submit a copy of your two most recent pay stubs that show year-to-date earnings. If you are self-employed, you must provide your most recent quarterly or year-to-date profit/loss statement. Visit the [“Request a Modification”](#) section of [MakingHomeAfordable.gov](#) for more detailed information. If you cannot find the required documentation, or have questions about the paperwork required, please call 888-995 HOPE (4673) and ask for “MHA HELP.”

48. I’m self-employed. How do I get a copy of my most recent quarterly or year-to-date Profit and Loss Statement?

Contact your CPA (Certified Public Accountant) or the licensed tax professional who assists you in completing your tax documentation.

49. What types of documentation would be considered reliable enough to validate “Other Earned Income”?

Other earned income (bonus, commission, fee, housing allowances, tips, overtime) must be documented by your employer in either your paystubs or other employment paperwork/contracts. Homeowners are encouraged to work with their employers to gather this information to describe the nature of the income and the continuity of the income.

50. How do I get evidence of benefit income (e.g., social security, disability, death benefits, pension, public assistance, adoption assistance)?

You can provide a copy of benefit letters/statements, disability policy, or receipt of payments such as copies of two most recent bank statements showing electronic deposit of benefits. For additional information regarding social security, disability or death benefit income, contact Social Security directly toll-free at 1-800-772-1213 or visit their website at [www.socialsecurity.gov](#). For all other benefits, you must contact the provider directly for additional information.

51. How do I get evidence of unemployment benefits?

This evidence may be obtained through the Department of Labor UI benefit tool, which is available at <http://www.ows.doleta.gov/unemploy/benefitentitle.asp>.

52. My rental income was not reported on last year's tax returns because the property was vacant. What documentation do I need to validate rental income?

In such cases where a property has recently been rented, a signed Rental Agreement contract must be provided to show: the property address, date of contract, lessee's name and address, rental amount and rental period. The contract must be signed by all parties (lessor, lessee, rental agents etc.)

53. How do I get a copy of my Divorce Decree, Separation Agreement or other legal written agreements filed with a court (e.g., alimony or child support)?

Gather the information listed below and contact the Office of Vital Statistics in the state where your divorce occurred. The homepage of the state's website will provide a link/information on how to contact the office of Vital Statistics. Generally, the documentation needed may include, but is not limited to, the following:

- Date of your divorce
- Full name of spouse
- Your driver's license number
- Purpose for which record is needed
- Your name and address, together with a self-addressed, stamped envelope

54. How long will modifications under HAMP be available?

HAMP expires on December 31, 2012. Your trial modification must be in place by that date.

55. My loan is scheduled for foreclosure soon. What should I do?

Contact your servicer immediately and ask to be considered for HAMP. Servicers participating in the HAMP program are not allowed to proceed with a foreclosure sale until you have been evaluated for a modification under HAMP, and, if eligible, offer you a trial modification. You may also contact a HUD-approved housing counselor for help by calling the Homeowner's HOPE™ Hotline at 888-995-HOPE (4673).

Second Lien Modification Program (2MP)

56. How do I get help with my second mortgage?

Treasury recently announced plans to expand MHA to increase affordability for borrowers by providing incentives to servicers to modify second mortgage liens. Under the 2nd Lien Modification Program (2MP), if a borrower's servicer is a program participant, the second lien will automatically be eligible for a modification when the first lien is modified under HAMP. The 2MP program is expected to be fully implemented in the first quarter of 2010 at which time, detailed guidelines regarding the 2nd Lien Modification Program will be available on www.HMPAdmin.com

Home Affordable Foreclosure Alternatives Program (HAFA)

57. What other alternatives to foreclosure exist within the Making Home Affordable Program?

The Making Home Affordable Program will include additional foreclosure avoidance options through the Home Affordable Foreclosure Alternatives (HAFA) Program. While the HAFA Program becomes effective April 2010, servicers may participate immediately, or as soon as is practical. The primary options available through HAFA include Short Sale and Deed-in-Lieu of Foreclosure.

58. How does the HAFA Short Sale work?

In a Short Sale, the homeowner sells the property for less than the full amount due on the mortgage. When a homeowner qualifies for the HAFA Short Sale, the servicer approves the Short Sale terms prior to listing the home and then accepts the payoff in full satisfaction of the mortgage.

59. How does the HAFA Deed-in-Lieu of Foreclosure work?

With the Deed-in-Lieu of Foreclosure, the homeowner voluntarily transfers ownership of the property to the servicer in full satisfaction of the total amount due. The servicer may require that the homeowner list and market the property before they agree to a deed-in-lieu arrangement. In order for the Deed-in-Lieu of Foreclosure to work, the homeowner must provide a marketable title, free and clear of other mortgages, liens, or other encumbrances.

60. How can I be considered for HAFA?

A participating servicer must consider a homeowner for HAFA if the borrower requests a short sale or deed-in-lieu under HAFA, and a servicer will also consider a homeowner for HAFA within 30 days of the date the homeowner:

- does not qualify for HAMP; or
- does not successfully complete a HAMP trial period; or
- misses at least two consecutive payments on a HAMP modification.

However, before evaluating a homeowner for HAFA, a participating servicer must first consider that homeowner for other loan modification or retention programs that they offer. In addition, pursuant to the servicer's policies, every eligible homeowner must be considered for HAFA by a participating servicer before the homeowner's loan is referred to foreclosure and before the servicer may allow a pending foreclosure sale to continue.

Beware of Foreclosure Rescue Scams - Help Is Free!

61. What are some of the warning signs of scams or fraud?

- There should never be a fee for assistance with or information about the Making Home Affordable Program.
- Beware of any person or organization that asks you to pay an upfront fee in exchange for a counseling service or modification of a delinquent loan. *Do not pay – walk away!*
- Beware of anyone who says they can "save" your home if you sign or transfer over the deed to your house. Do not sign over the deed to your property to any organization or individual unless you are working directly with your mortgage company to forgive your debt.
- Never make your mortgage payments to anyone other than your mortgage company without their approval.

- The Obama Administration has launched a coordinated effort across federal and state government and the private sector to target mortgage loan modification fraud and foreclosure rescue scams that threaten to hurt American homeowners and prevent them from getting the help they need during these challenging times.

62. What should I do if I've been scammed?

- First, get the help you need to avoid foreclosure. Contact your servicer immediately.
- Contact a HUD-approved housing counselor through the Homeowner's HOPE™ Hotline at 888-995-HOPE (4673).
- To learn about foreclosure rescue scams, go to www.ftc.gov/MoneyMatters. To file a complaint or to get free information on fraud and other consumer issues, contact the Federal Trade Commission at www.ftc.gov/consumerprotection or 877-FTC-HELP (4357).