

## **MAKING HOME AFFORDABLE**

### **BORROWER Q&AS**

#### **1. What is "Making Home Affordable" all about?**

Making Home Affordable is part of President Obama's comprehensive strategy to get the housing market back on track. Through the Making Home Affordable Program, up to 9 million American families may be eligible to refinance or modify their loans to a payment that is affordable now and into the future.

### **HOME AFFORDABLE REFINANCE**

#### **2. I'm current on my mortgage. Will the Home Affordable Refinance help me?**

Eligible borrowers 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 into a 30 or 15 year, fixed rate loan. Through the Home Affordable Refinance program, Fannie Mae and Freddie Mac will allow the refinancing of mortgage loans that they own or that they placed in mortgage backed securities.

#### **3. How do I know if I am eligible?**

You may be eligible if you:

- Are the owner occupant of a one to four unit home.
- The loan on your home is owned or controlled by Fannie Mae or Freddie Mac (Don't know? See below),
- You are current on your mortgage payments (current means that you haven't been more than 30-days late on your mortgage payment in the last 12 months.)
- You believe that the amount you owe on your first mortgage is about the same or slightly less than the current value of your house, and
- You have a stable income sufficient to support the new mortgage payments.

#### **4. How do I know if my loan is owned or has been securitized by Fannie Mae or Freddie Mac?**

You should call your mortgage servicer or lender (the organization to whom you make your monthly mortgage payments) and ask about the program.

Both Fannie Mae and Freddie Mac have established toll-free telephone numbers and web submission processes to make this data available. Borrowers will provide or enter information to determine if either agency owns or securitized the loan. This information is not a guarantee of eligibility for the refinance program, as other qualifying criteria must also be met.

- For Fannie Mae,
  - 1-800-7FANNIE (8am to 8pm EST).
  - [www.fanniemae.com/homeaffordable](http://www.fanniemae.com/homeaffordable)
- Freddie Mac
  - 1-800-FREDDIE (8am to 8pm EST)
  - [www.freddiemac.com/avoidforeclosure/](http://www.freddiemac.com/avoidforeclosure/)

**5. Who is my “loan servicer? Is that 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. Your servicer may also be your lender, which means they own your loan, however, many loans are owned by groups of investors, such as pension funds or individuals who buy mutual funds. These loans are managed by banks and other firms that specialize in servicing loans. 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.

**6. I owe more than my property is worth. Do I still qualify to refinance under the Making Home Affordable Program?**

Eligible loans will include those where the first mortgage will not exceed 105% of the current market value of the property. For example, if your property is worth \$200,000 but you owe \$210,000 or less you may qualify. The current value of your property will be determined after you apply to refinance.

**7. I have both a first and a second mortgage. Do I still qualify to refinance under Making Home Affordable?**

As long as the amount due on the first mortgage is less than 105% of the value of the property, borrowers with more than one mortgage may be eligible for a Home Affordable Refinance. Your eligibility will depend, in part, on agreement by the lender that has your second mortgage to remain in a second position, and on your ability to meet the new payment terms on the first mortgage.

**8. Will refinancing lower my payments?**

The objective of the Home Affordable Refinance is to provide creditworthy borrowers who have shown a commitment to paying their mortgage, the opportunity to get into a safe fixed rate mortgage with payments that are affordable today and sustainable for the life of the loan. Borrowers whose mortgage interest rates are much higher than the current market rate should see an immediate reduction in their payments. Borrowers who are paying interest only, or who have a low introductory rate that will increase in the future, may not see their current payment go down if they refinance to a fixed rate and avoid future mortgage payment increases. These borrowers, however, could save a great deal over the life of the loan. When you

submit a loan application, your lender will give you a "Good Faith Estimate" 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. What are the interest rate and other terms of this refinance offer?**

The objective of the Home Affordable Refinance is to provide borrowers with a safe loan program with a fixed, affordable payment. All loans refinanced under the plan will have a 30 or 15 year term with a fixed interest rate. The rate will be based on market rates in effect at the time of the refinance and any associated points and fees quoted by the lender. Interest rates may vary across lenders and over time as market rates adjust. The refinanced loans will have no prepayment penalties or balloon notes.

**10. Will refinancing reduce the amount that I owe on my loan?**

No. The objective of the Home Affordable Refinance is to help borrowers get into safer, more affordable fixed rate loans. Refinancing will not reduce the principal amount you owe to the first mortgage holder or any other debt you owe. However, refinancing should save you money by reducing the amount of interest that you repay over the life of the loan.

**11. Can I get cash out to pay other debts?**

No. Only transaction costs, such as the cost of an appraisal or title report may be included in the refinanced amount.

**12. How do I apply for a Home Affordable Refinance?**

You should call your mortgage servicer or lender and ask about the Home Affordable Refinance application process. The number is on your monthly mortgage bill or coupon book. Please be patient. Lenders and servicers first received the detailed program requirements and it may take time before they are ready to accept applications. In the meantime, it will help your lender and speed up the application process if you gather some information and documents before you call.

**13. What documentation will I need?**

It will help your lender if you gather some information and documents before you call. You will need:

- Information about the monthly gross (before tax) income of your household, 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 second 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.

**14. I am delinquent on my mortgage. Will I qualify for a Home Affordable Refinance?**

No. Borrowers who are currently delinquent on their mortgage will not qualify. You should contact your servicer to see if a Home Affordable Modification is an option for you.

**HOME AFFORDABLE MODIFICATIONS**

**15. Can Making Home Affordable help me if my loan is not owned or securitized by Fannie Mae or Freddie Mac?**

Yes. Making Home Affordable offers help to borrowers who are already behind on their mortgage payments or who are struggling to keep their loans current. By providing mortgage servicers with financial incentives to modify existing first mortgages, the Treasury hopes to help as many as 3 to 4 million homeowners avoid foreclosure regardless of who owns or services the mortgage.

**16. How do I know if I qualify for a Home Affordable Modification?**

To apply for a Home Affordable Modification, you must:

- be an owner-occupant in a one to four unit property, and have
- an unpaid principal balance that is equal to or less than \$729,750 (for one unit properties and higher for two to four unit properties (consult your servicer),
- a loan that was originated before January 1, 2009,
- a mortgage payment (including taxes, insurance, and home owners association dues) that is more than 31% of your gross (pre-tax) monthly income, and
- have a mortgage payment that is no longer affordable, perhaps because of a significant change in income or expenses.

If you answered YES to all of these questions, you are eligible to apply for a Home Affordable Modification. Only your servicer will be able to tell you if you qualify.

**17. Do I need to be behind on my mortgage payments to be eligible for a Home Affordable Modification?**

No. Responsible borrowers who are struggling to remain current on their mortgage payments are eligible if they are at risk of imminent default, for example, because they have had or will soon have a significant increase in their mortgage payment that

they cannot afford. If you have had or anticipate a significant increase in your mortgage payment or have had a significant reduction in income, contact your servicer. If you meet the minimum eligibility criteria for a Home Affordable Modification, your servicer is required to evaluate your loan to see if you are at risk of imminent default.

**18. I have missed some mortgage payments am I eligible?**

If you answered yes to the questions above, have missed two or more mortgage payments and your servicer is participating in the Making Home Affordable Program, your servicer must evaluate your loan to determine if you qualify for a modification.

**19. I have a second mortgage. Am I still eligible?**

Yes, but only the first mortgage is eligible for a modification.

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

Servicer participation in the program is voluntary. However, the government is offering substantial incentives to servicers and investors, and it is expected that most major servicers will participate. Participating servicers will sign a contract with Treasury's financial agent, through which they agree to review every potentially eligible borrower who calls or writes asking to be considered for the program.

As contracts are signed, a list of participating servicers will be available on the Internet at [www.FinancialStability.gov](http://www.FinancialStability.gov). Participation will be mandatory for any servicer that accepts future funding from the Treasury's Financial Stability Program.

**21. What will my servicer do to determine if I qualify?**

Your servicer will:

- Determine that your loan meets the minimum eligibility criteria (owner occupied, originated before January 1, 2009, UPB equal to or less than \$729,750). If yes:
- Obtain sufficient income information to determine if your monthly mortgage payment is more than 31% (approximately 1/3) of your gross or pre-tax monthly income. (Your servicer may initially accept verbal information about your income, but eventually you will need to provide proof of income in the form of tax returns and pay stubs). If yes:
- Add past due charges (interest, taxes, insurance and costs that your lender paid to other parties on your behalf – but not late fees, those must be waived) to the loan balance.
- Determine how much of an interest rate reduction will be required to get your mortgage payment down to a point where it is about 31% of your gross monthly income.

- Apply a test to determine if the cost of the modification (including the government's incentive payments) is less costly for the investor than a foreclosure. If yes:
- Put you on a trial modification for three months at the new interest rate and payment.
- If you successfully make the payments and are current at the end of the trial period, your servicer will execute a permanent modification agreement that will lower your interest rate to a fixed rate for five years.
- The modification payment will also include a monthly amount to be set aside (escrowed) to pay taxes and insurance when they become due. This escrow is required even if your prior loan was not escrowed.

## **22. What happens after five years?**

If the modified interest rate is below the market rate, 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 rate cap indicated in your modification agreement. The cap is equal to the prevailing market interest rate on the date the modification is finalized as published by Freddie Mac based on a survey of its customers. This cap means that your rate can never be higher than the market rate on the day your loan was modified. If the modified rate is at or above the prevailing market rate, the modified rate will be fixed for the life of the loan.

## **23. How low can my interest rate go?**

Treasury is providing incentives to your investor to write the interest down as low as 2%, if necessary to get to a payment that you can afford based on your income.

## **24. What happens if that is not enough to get to an affordable payment?**

If a 2% interest rate does not result in a payment that is affordable (31% of your gross monthly income), your servicer will:

- First try to extend your payment term. At the servicer's option your payments could be extended out to 40 years.
- If that is still not sufficient your servicer will defer repayment on a portion of the amount you owe until a later time. This is called a principal forbearance.
- A portion of the debt could also be forgiven. This is optional on the part of the investor. There is no requirement for principal forgiveness.

## **25. Could I end up with a balloon payment?**

Yes. If your servicer determines that a principal forbearance is required to get your monthly payment to an affordable level, the amount of the forbearance. 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 had no interest and was not due until you paid off your loan, refinanced or sold your house.

**26. How much will a modification cost me?**

There is no cost to borrowers for a Home Affordable Modification. Your servicer will not ask you for money. If there are costs associated with the modification, such as payment of back taxes, your servicer will add those costs on to the amount you owe. Your servicer will also forgive any late fees.

If you would like assistance from a HUD-approved housing counseling agency or are referred to a counselor as a condition of the modification, you will not be charged a counseling fee. Borrowers should beware of any organization that attempts to charge a fee for housing counseling or modification of a delinquent loan, especially if they require a fee in advance.

**27. Is housing counseling required under this program?**

Borrowers, especially delinquent borrowers are strongly encouraged to contact a HUD-approved housing counselor to help them understand all of their financial options and to create a workable budget plan. These services are free. However, housing counseling is only required for borrowers whose total monthly debts are very high in relation their incomes, and it is voluntary for others.

When you apply for a Home Affordable Modification, your servicer will analyze your monthly debts, including the amount you will owe on the new mortgage payment after it is modified, as well as payments on a second mortgage, car loans, credit cards or child support. 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 the modification.

**28. I heard the government was providing a financial incentive to borrowers. Is that true?**

Yes. Borrowers who make timely payments on their modified loans will receive success incentives. For every month you make a payment on time, Treasury will pay an incentive that reduces the principal balance on your loan. Over five years the total principal reduction could add up to \$5,000. This contribution by the Treasury will help you build equity faster.

**29. I do not live in the house that secures the mortgage I'd like to modify. Is this mortgage eligible for a Home Affordable Modification?**

No. For example, 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. If you used to live in the

home but you moved out, the mortgage is not eligible. Only the mortgage on your primary residence is eligible. The mortgage servicer will check to see if the dwelling is your primary residence.

**30. I have a mortgage on a duplex. I live in one unit and rent the other. 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.

**31. I have two mortgages. Will a Making Home Affordable Modification reduce the payments on both?**

Only the first mortgage is eligible for a modification.

**32. I owe more than my house is worth. Will a Home Affordable Modification reduce what I owe?**

The primary objective of the Making Home Affordable Program is to help borrowers avoid foreclosure by modifying troubled loans to achieve a payment the borrower can afford. Investors may, but are not required to, offer principal reductions. However, it is more likely that your servicer will use interest rate reductions in order to make your payment affordable.

**33. I have an FHA loan. Can it be modified under the making Home Affordable Program? Are all loans eligible?**

Most conventional loans including prime, subprime, adjustable, loans owned by Fannie Mae, Freddie Mac, private lenders and most loans in mortgage backed securities are eligible for a Home Affordable Modification. The Administration is working with the Congress to enact legislation that will allow FHA, VA and USDA to offer modifications consistent with Making Home Affordable in the near future. Currently loans insured or guaranteed by these agencies are being modified under other programs that also enable borrowers to retain homeownership.

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

As contracts with servicers and investors are signed, the list of participants will be posted at [www.financialstability.gov](http://www.financialstability.gov). Borrowers should first check there to see if their servicer is listed. If so, you should call your servicer back and ask to speak to a supervisor or you may contact a HUD-approved housing counselor for assistance. If your servicer is not participating in the program, you should ask your servicer or a housing counselor about other workout options that may be available.

**35. I'm already working with my servicer or a housing counselor on a loan workout.**



### **Can I still be considered for a Home Affordable Modification?**

Yes. You should ask your servicer or counselor to explain the benefits of all available foreclosure prevention or payment reduction options. A Home Affordable Modification is one of many valuable tools available to your servicer. Other options may be more appropriate for your situation.

### **36. How do I apply for a modification under the Homeowner Affordability and Stability Plan?**

If you meet the general eligibility criteria for the program, you should gather the financial documentation that your servicer will need to determine if you qualify. Once you have this information, you should call your mortgage servicer and ask to be considered for a Home Affordable Modification. The number is on your monthly mortgage bill or coupon book.

If your loan is current, please be patient. Treasury just published detailed program requirements on March 4, 2009 and it will take some time before servicers are fully operational. However, the Treasury has encouraged servicers to immediately begin reviewing the eligibility of delinquent borrowers that are at the greatest risk of foreclosure.

If you would like to speak to a housing counselor you can call **1-888-995-HOPE (4673)**. HUD-approved housing counselors can help you evaluate your income and expenses and understand your options. This counseling is FREE.

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

### **37. What information and documents will I need?**

It will help your servicer and speed processing of your application if you gather the some information and documents before you call. You will need:

- Information about the monthly gross income of your household, 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 your assets
- Information about any second mortgage on your 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.
- A letter describing the circumstances that caused your income to be reduced or expenses to be increased (job loss, divorce, illness, etc.).

### **38. My loan is scheduled for foreclosure soon. What should I do?**

Many servicers have made a commitment to postpone foreclosure sales on all mortgages that meet the minimum eligibility criteria for a Home Affordable Modification until those loans can be fully evaluated.

However, borrowers whose loans have been scheduled for foreclosure or any borrower that has missed one or more mortgage payments and has not yet spoken to their servicer, should contact the servicer immediately. Borrowers may also contact a HUD-approved housing counselor by calling **1-888-995-HOPE (4673)**.

#### **Beware of Foreclosure Rescue Scams – Help Is Free!**

- There should never be a fee for information or assistance about the Making Home Affordable Program.
- Beware of any person or organization that asks you to pay a 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.