

# Making Home Affordable

Act Now to Get the Help you Need



**Help for  
America's  
Homeowners**

  
MAKING HOME AFFORDABLE<sup>SM</sup>.gov



## MAKING HOME AFFORDABLE

The Obama Administration's Making Home Affordable Program is a critical part of the effort to stabilize the housing market and help struggling homeowners get relief and avoid foreclosure.

Making Home Affordable includes opportunities for homeowners to modify or refinance their mortgage to make their payments more affordable. The program has recently been expanded to help homeowners who are unemployed or "underwater" (they owe more on their mortgage than their home is worth). It also provides options for homeowners who can no longer afford their home and are interested in a short sale or deed-in-lieu of foreclosure.

There is no charge to apply for the Making Home Affordable Program. If you are struggling to pay your mortgage, you should contact your mortgage servicer—the company to which you pay your mortgage—to determine if you qualify for the program. A HUD-approved housing counselor can also work with you for free to help you determine if you are eligible and help you apply for the program.

### Beware Of Foreclosure Rescue Scams Help Is Free!

- There is no charge to apply for the Obama Administration's Making Home Affordable Program.
- Assistance from a HUD-approved housing counselor is FREE.
- Beware of anyone who asks you to pay a fee in exchange for counseling or a loan modification.
- Beware of anyone who pressures you to sign papers immediately.
- Do not sign your deed over to anyone or make a mortgage payment to anyone other than your mortgage servicer without seeking your servicer's approval directly.

## Home Affordable Modification Program (HAMP)

Many homeowners are struggling to make their mortgage payments on time perhaps because their interest rate has increased or they have less income. HAMP reduces a homeowner's monthly mortgage payment to 31 percent of their verified gross (pre-tax) income to make their payments more affordable.

### To qualify for HAMP, you must:

- Own a one- to four-unit home that is your primary residence;
- Have received your mortgage on or before January 1, 2009;
- Have a mortgage payment (including principal, interest, taxes, insurance, and homeowners association dues) that is more than 31 percent of your gross (pre-tax) monthly income; and
- Owe an amount that is less than or equal to \$729,750 on your first mortgage for a one-unit property (there are higher limits for two- to four- unit properties).

Homeowners who qualify for HAMP must complete a trial period of three or four months to demonstrate that they will be able to make their reduced payments on time before their mortgage will be permanently modified. To create an affordable payment, your mortgage servicer applies a series of modification steps in the following order:

1. rate reduction to as low as two percent;
2. term extension up to 40 years; and
3. principal forbearance (or deferral).

A portion of the principal can also be forgiven, although that is optional on the part of the servicer.

The modified interest 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 Freddie Mac Primary Mortgage Market Survey rate (essentially the market interest rate) at the time your permanent modification agreement was prepared.

For every month a homeowner makes a payment on their permanent modification on time, they can accrue an incentive of \$1,000 each year to reduce the amount of principal they owe, up to \$5,000.

## Second Lien Modification Program (2MP)

Many homeowners may be struggling to make their monthly mortgage payments because they have a second lien. 2MP offers homeowners a way to lower payments on their second mortgage.

**Under 2MP, if your first-lien mortgage was modified under HAMP and your second-lien mortgage servicer is a participant in 2MP, then your second-lien mortgage servicer may:**

- Reduce the interest rate to one percent for second liens that pay both principal and interest (amortizing);
- Reduce the interest rate to two percent for interest-only second liens;
- Extend the term of the second lien to 40 years;
- If the principal was deferred (through forbearance) on the first lien, a servicer must forbear the same proportion on the second lien;
- If the principal was forgiven on the first lien, a servicer must forgive the same proportion on the second lien; although a servicer may, in its discretion, forgive a larger portion or all of the second lien and will receive incentives for doing so.

As an alternative to a modification of the second lien, a 2MP participating servicer may elect to extinguish (forgive) your second lien in its entirety, in accordance with an investor servicing agreement.

Visit [MakingHomeAffordable.gov](http://MakingHomeAffordable.gov) for a complete list of participating servicers.

## Home Affordable Refinance Program (HARP)

Some homeowners may be able to pay their mortgages on time, but are not able to refinance to take advantage of today's low interest rates perhaps due to a decrease in the value of their home. HARP assists homeowners whose mortgages are current and held by Fannie Mae or Freddie Mac refinance into a more affordable mortgage.

**You may be eligible for HARP if you:**

- Own a one- to four-unit home that is your primary residence;
- Have a mortgage owned or guaranteed by Fannie Mae or Freddie Mac;
- Are current on your mortgage payments and have not been more than 30 days late making a payment within the past 12 months;
- Have a first mortgage not exceeding 125 percent of the current market value of your home;
- Have income sufficient to support the new mortgage payments; and
- Can improve the long-term affordability or stability of your loan with the refinance.

**To find out if you have a mortgage held by Fannie Mae or Freddie Mac:**

- Fannie Mae: [FannieMae.com/loanlookup](http://FannieMae.com/loanlookup) or 1-800-7FANNIE (Monday - Friday, 8 a.m. to 8 p.m. ET)
- Freddie Mac: [FreddieMac.com/mymortgage](http://FreddieMac.com/mymortgage) or 1-800-FREDDIE (Monday - Friday, 8 a.m. to 8 p.m. ET)

## Expanded Help for Homeowners who are Unemployed or Underwater

On March 26, 2010, the Obama Administration announced new program expansions to help homeowners who are struggling to pay their mortgage due to unemployment or because they are “underwater” (they owe more on their mortgage than their home is worth).

### Unemployment Program

Beginning August 1, 2010, all mortgage servicers participating in the Making Home Affordable Program will provide eligible homeowners a forbearance period during which their monthly mortgage payments are reduced or suspended while they seek re-employment. The minimum forbearance period is three months, although a mortgage servicer may extend the term depending on applicable investor and regulatory guidelines.

Unemployed borrowers must be receiving or eligible for unemployment benefits and may not be more than three months past due on their mortgage when they apply for unemployment forbearance.

### Principal Reduction Alternatives for Homeowners who are Underwater

Beginning in the fall of 2010, mortgage servicers are required to evaluate every homeowner with high negative equity (they owe more than 115 percent of the value of their home) to determine if they can reduce the amount a homeowner owes to achieve an affordable monthly mortgage

payment. However, please note that although a servicer is required to evaluate the borrower for a HAMP modification which includes principal reduction, it is not obligated to actually modify the loan with principal reduction. Under this program, homeowners earn principal reduction over a three-year period by successfully making payments in accordance with the modified loan terms.

These programs are not currently available for homeowners with mortgages held by Fannie Mae or Freddie Mac.

For more detailed information about these programs, please visit [MakingHomeAffordable.gov](http://MakingHomeAffordable.gov).

## Home Affordable Foreclosure Alternatives Program (HAFA)

Some homeowners may feel that they can no longer afford their home, but want to avoid the negative effects of foreclosure. The HAFA Program offers homeowners, their mortgage servicers, and investors incentives for completing a short sale or deed-in-lieu of foreclosure. HAFA enables homeowners to transition to more affordable housing while being released from their mortgage debt.

**Short Sale:** In a short sale, the servicer allows the homeowner to list and sell the mortgaged property with the understanding that the net proceeds from the sale may be less than the total amount due on the first mortgage.

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## Home Affordable Foreclosure Alternatives Program (HAFA) (Continued)

**Deed-in-Lieu of Foreclosure:** Generally, if the borrower makes a good faith effort to sell the property but is not successful, a servicer may consider a deed-in-lieu of foreclosure. With a deed-in-lieu, the borrower voluntarily transfers ownership of the property to the servicer—provided the title is free and clear.

### These options are available for homeowners who:

- Do not qualify for a trial payment plan which is required prior to a permanent HAMP modification;
- Do not successfully complete the trial payment plan;
- Miss at least two consecutive payments during HAMP modification; or
- Request a short sale or deed-in-lieu of foreclosure.

Under the program, a homeowner can receive \$3,000 to help with relocation costs after a successful short sale closing or deed-in-lieu. If there are liens and encumbrances in addition to the first mortgage, the borrower must obtain lien releases from those creditors—under HAFA, homeowners can receive up to \$6,000 of assistance to release those liens.

## TAKE ACTION TODAY

- To learn more about the Making Home Affordable Program, visit [MakingHomeAffordable.gov](http://MakingHomeAffordable.gov).
- Contact your mortgage servicer—the company to which you pay your mortgage—to determine if you qualify.
- Call 1-888-995-HOPE (4673) for information about the Making Home Affordable Program and to speak with a HUD-approved housing counselor for free. If you are having difficulties, call the hotline and ask for “MHA Help”.



- Respond quickly to requests for information by your mortgage servicer. They will only be able to help if they have all of the information they need.
- Be cautious of scams. There is no charge to apply for the Making Home Affordable Program. Beware of anyone who asks you to pay a fee in exchange for counseling or a mortgage modification.



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