MAKING HOME AFFORDABLE.GOV[SM]

BORROWER

FREQUENTLY ASKED QUESTIONS

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 two different potential solutions for borrowers: (1) refinancing mortgage loans, through the Home Affordable Refinance Program (HARP), and (2) modifying mortgage loans, through the Home Affordable Modification Program (HAMP).

HOME AFFORDABLE REFINANCE

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

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

You may be eligible if:

- The loan on your property is owned or guaranteed by Fannie Mae or Freddie Mac (*Don't know? See below*);
- 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 percent of the current market value of your property;
- You have a reasonable ability to pay the new mortgage payments; and
- The refinance improves the long term affordability or stability of your loan.

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

Your lender will give you a "Good Faith Estimate" and a Truth in Lending Statement; between the two disclosures you will see your new interest rate, mortgage payment and the amount you will pay over the life of the loan. Compare this to your current loan terms. If the proposed new payment is not an improvement, refinancing may not be right for you. But consider that refinancing from an adjustable rate loan (an ARM) to a fixed rate loan or eliminating higher risk loan terms such as interest only payments or balloon payments may also provide long term stability. For example, refinancing from an ARM with a low introductory teaser rate or from an interest-only mortgage into a fixed-rate loan product may actually increase your payment in the short term, but would improve your ability to sustain mortgage payments over the long-term.

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

You should call your mortgage lender or servicer (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 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 Mon.-Fri.).
  - www.fanniemae.com/loanlookup
- Freddie Mac
  - 1-800-FREDDIE (8am to 8pm EST Mon.-Fri.)
  - www.freddiemac.com/mymortgage

5. **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 percent 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.

6. **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 percent of the value of the property, borrowers with more than one mortgage may be eligible for a refinance under HARP. Your eligibility will depend, in part, on two additional requirements: first, that the lender that has your junior lien mortgage must agree to remain in a junior lien position, and second, on your ability to meet the new payment terms on the first lien mortgage.

7. Will refinancing lower my payments?

The objective of a refinance under HARP is to provide creditworthy borrowers who have shown a commitment to paying their mortgage, the opportunity to get into a new 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 payment. These borrowers, however, could save a great deal over the life of the loan by avoiding future mortgage payment increases. 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.

8. 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 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.

9. 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 borrowers get into more affordable or stable loans. Refinancing will not reduce the principal amount you owe to the first lien mortgage holder or any other debt you owe. However, refinancing should save you money by reducing the amount of interest that you pay over the life of the loan.

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

No. However, borrowers whose loans are owned or guaranteed by Fannie Mae may be eligible to finance all closing costs and obtain a small amount of cash (up to $250) through the refinance if there is sufficient equity. Borrowers whose loans are owned or guaranteed by Freddie Mac may be eligible to finance transaction costs equal to the lesser of 4 percent of the current unpaid principal balance of the loan being refinanced or $5,000. In addition, such borrowers may obtain up to $250 cash.

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

You should call your mortgage lender and ask for a Home Affordable Refinance application. The number is on your monthly mortgage bill or coupon book. Please be patient. Lenders and servicers are implementing the program now and it may take time before they are ready to process all 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.

Alternately, you may apply through a lender approved to do business with Fannie Mae or Freddie Mac. Nearly all major banks and mortgage brokers have this approval.

12. What documentation will I need?

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

- Information about the monthly gross (before tax) income of all the borrowers 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.

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

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

14. 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.

15. **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

1. **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 borrowers 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.

2. **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 percent of your monthly gross (pre-tax) income; and
- 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.

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

No. Responsible borrowers who are struggling to remain current on their mortgage payments are eligible if they are at risk of imminent default. An example of imminent default might be that the borrower had or will 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 if you have had a significant reduction in income or have experienced some other hardship that makes it impossible to pay your mortgage, contact your servicer. You will be required to document your income and expenses and provide evidence of the hardship or change in your circumstances.

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

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

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

Participation 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, investors and borrowers 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. 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 borrower who asks to be considered for the Making Home Affordable Program. To ensure that a borrower 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 borrower has been evaluated for a HAMP modification and, if eligible, a trial modification offer has been made.

6. What will my servicer do to determine if I report a hardship?

If you report a hardship, your servicer will:

- Determine whether your loan meets the minimum eligibility criteria (i.e., owner-occupied; originated on or before January 1, 2009; and unpaid principal balance equal to or less the loan limit for the number of units involved).
- If your loan meets the minimum eligibility criteria, 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 percent (approximately one-third) of your gross or pre-tax monthly income.
- Apply a value 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). For example, loans held by borrowers who have a lot of equity or

whose incomes are very low in relation to the value of their homes probably will not pass this value test. 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.

- 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 a permanent modification agreement.

NOTE: 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.

7. 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, however, the modified rate is fixed for the life of the loan.

8. 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.

9. How low can my interest rate go?

Treasury is providing incentives to your servicer to write the interest down to as low as 2 percent, if necessary to get to a payment that you can afford. Each borrower's interest rate will only be reduced to a point sufficient to get the modified payment to equal 31% of the borrower's gross monthly income. Not all borrowers will need a rate reduction to 2 percent in order to achieve a monthly mortgage payment that is affordable.

10. What happens if that is not enough to get to an affordable payment?

If a 2 percent interest rate does not result in a payment that is affordable (no more than 31 percent of your gross monthly income), your servicer may:

- First try to extend your payment term. At the servicer's option the term of the loan could be extended up to 40 years.
- If that is still not sufficient, your servicer may defer a portion of the principal amount you owe until the maturity of the loan. This is called a principal forbearance. However please note that with a forbearance, you will still owe the principal; but repayment is deferred until a later date. See Question 11 for more information on principal forbearance.
- A portion of the principal could be also be forgiven. This is optional on the part of the servicer. However there is no requirement for principal forgiveness and there is no guarantee that your servicer will offer principal forgiveness.

11. 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 paid off your loan, refinanced or sold your house.

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

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

13. How much will a modification cost me?

Borrowers who are behind on payments or at risk of imminent default often do not have cash to pay for the expenses of a loan modification. Borrowers 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. Borrowers 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.

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

Borrowers, especially delinquent borrowers, 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. However, housing counseling is only required for borrowers whose total monthly debts are very high in relation to their incomes. It is voluntary for other applicants.

When you apply for a modification under HAMP, 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 percent 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.

15. 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, 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 and over five years the total principal reduction could add up to $5,000. This contribution by the Treasury will help you build equity faster.

16. 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. 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 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.

17. 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.

18. I owe more than my house is worth. Will a modification under HAMP 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. 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 affordable.

19. I have an FHA loan. Can it 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 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.

20. 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 Question 21). 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.

If your loan is current, please be patient as it may take some time before servicers are able to process all applications. However, servicers immediately can begin reviewing the eligibility of borrowers.

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.

21. What information and documents will I need?

It will help your servicer and speed processing of your application if you gather some information and documents before you call. For all borrowers on your loan, you will need:

- Information about monthly gross income, including recent pay stubs, if the borrowers are salaried and receive them, and documentation of any income received from other sources.
- Most recent income tax return.
- Information about assets.
- Information about any subordinate lien mortgage on the house.
- Account balances and minimum monthly payments due on all credit cards.
- Account balances and monthly payments on all other debts such as student loans and car loans.
- A letter describing why your mortgage is unaffordable (i.e. what caused your income(s) to be reduced or expenses to be increased).

22. How long will borrowers have to enter into a HAMP modification?

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

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

If you are at risk of foreclosure, participating servicers may not proceed with a foreclosure sale until you have been evaluated for a modification under HAMP, and, if eligible, offer you a trial modification.

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 them immediately. Borrowers may also contact a HUD-approved housing counselor by calling **1-888-995-HOPE (4673).**

WHAT ELSE DO I NEED TO KNOW?

1. 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 could also own your loan; however, many loans are owned by groups of investors and these investors hire loan servicers to interact with borrowers on their behalf. Also, many lenders no longer interact with their borrowers; they too have the loan servicers handle all contact with borrowers.

Traditionally, banks used money deposited in customers' savings accounts to make loans. They held the loans, earning the interest as borrowers 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 borrowers 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. 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 a lot of leeway to make modification decisions, so long as the modification provides a better financial outcome for the lender or investor than not modifying the loan.

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

As contracts with servicers are signed, the list of participants will be posted at http://www.MakingHomeAffordable.gov/. Borrowers should check first 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.

BEWARE OF FORECLOSURE RESCUE SCAMS – HELP IS FREE!

- 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.