

Understanding the Home Affordable Modification Program (HAMP)

Making Home Affordable is a federal program that offers qualified homeowners a loan modification to help make mortgage payments affordable. This modification is known as the Home Affordable Modification Program (HAMP).

HAMP Eligibility

You may be eligible for HAMP if all the following are true:

- You are the owner-occupant of a one- to four-unit home
- Your unpaid first mortgage balance is less than \$729,750 (for one unit, more for 2-4)
- Your loan originated on or before January 1, 2009
- Your mortgage payment (including principal, interest, property taxes, insurance and homeowners association) is more than 31% of your monthly gross income
- You have experienced a hardship (such as a change in income or expenses) that makes your mortgage payment unaffordable
- Your mortgage is owned by Freddie Mac or Fannie Mae OR your servicer is participating in *Making Home Affordable*

To find out if your mortgage servicer is participating, call your servicer or use the online Look-Up Tool at www.makinghomeaffordable.gov

HAMP Application

If you meet all of the above eligibility criteria, you can apply for a HAMP modification by submitting an “Initial Package” to your servicer. The Initial Package must include:

- Completed and signed Request for Modification and Affidavit (RMA) form
- Completed and signed Form 4506-T or form 4506T-EZ
- Income documentation (copies from all income sources)

For more information about applying for HAMP including downloading the forms for the Initial Package and what income documentation to submit, visit www.makinghomeaffordable.gov

Qualification and Trial Period Plan

Your servicer will determine if you meet the HAMP eligibility criteria and review the Initial Package for completeness. Within 30 days of receipt of the Initial Package, the servicer will decide if you qualify for a modification. The servicer will evaluate whether a HAMP modification would be of greater value to the investor than foreclosure. If the modified loan would be of greater value, the servicer must offer you a modification under HAMP. You will then be placed on a Trial Period Plan (typically three months) at the new payment amount.

If you successfully make all Trial Period Plan payments on time (each payment made within the month it is due), your servicer will make the HAMP modification permanent and execute an official modification agreement for you to sign.

HAMP Payment Amount

If your loan is modified under HAMP your new payment amount will be 31% of your monthly gross income. The servicer will take some or all of the following steps to reach the target payment:

- Capitalize any late payments and fees
- Reduce the interest rate as low as 2%
- Extend the mortgage term up to 40 years
- Defer a portion of the unpaid principal balance

Your modified interest rate will be fixed for the life of the loan unless the servicer lowered it below the current market rate¹. In this case, your modified interest rate will be fixed for five years, and then go up 1% each year until it reaches the market rate at the time of your modification agreement.

HAMP includes government incentives for servicers, investors and homeowners. If you make your new mortgage payments on time you may qualify for up to \$1,000 per year for five years towards your principal balance.

Unemployment Program

If you are recently unemployed and qualify for unemployment benefits, you may be able to get forbearance through a subset of HAMP called the Home Affordable Unemployment Program (UP). You may qualify for UP if you meet the basic HAMP eligibility criteria, document that you receive or will receive unemployment benefits, and request the UP forbearance before your mortgage is seriously delinquent (before three or more payments are past due). During the UP forbearance your mortgage payment would be reduced to 31% of your gross income including unemployment. Generally the UP forbearance lasts 3 months. At the end of the forbearance or upon reemployment, you will be evaluated for a HAMP modification.

Foreclosure Alternatives

If you are denied a HAMP modification or you do not successfully complete the Trial Period Plan, your servicer will consider different workout options that may be available. You may also be eligible for the Home Affordable Foreclosure Alternatives (HAFA) program. The HAFA program includes the opportunity to sell your home through a Short Sale agreement or sign a Deed-in-Lieu of foreclosure. Ask your mortgage servicer for additional details.

Contact a housing counselor to help determine if the Home Affordable Modification Program might work for you. To find a Housing Counselor in your area contact the Minnesota Home Ownership Center at 651-659-9336 or 866-462-6466 or www.hocmn.org

¹ HAMP defines the market rate as the Freddie Mac Primary Mortgage Market Survey Rate for 30-year, fixed-rate conforming mortgages