

BORROWER FAQ AND CURRENT GUIDELINES

Revised: March 9, 2010; Overview

What are these new guidelines all about? The new loan modification guidelines for 2010 are part of the Obama Administration's broad, comprehensive strategy to get the economy and the housing market back on track. There are now several strong options for homeowners: (1) modifying first and second mortgage loans through the Home Affordable Modification Program (HAMP) and the Second Lien Modification Program (2MP) and (2) offering other alternatives to foreclosure through the Home Affordable Foreclosure Alternatives Program (HAFA).

About Servicers

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.

Is my servicer participating?

All servicers for loans owned or guaranteed by Fannie Mae and Freddie Mac are required to participate. Additional servicers are strongly encouraged to participate.

What should I do if my servicer tells me that the investor is not participating, or that I don't qualify?

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

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

Home Affordable Modification Program (HAMP)

Can I get help 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.

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 or housing counselor will be able to tell you if you qualify.

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

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

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

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.

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.

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. It is highly recommended that you contact an approved housing counseling agency to assist you in working with your servicer.

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.

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.

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.

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.

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.

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.

How will the modification affect my credit?

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 your servicer confirming eligibility, or you begin your trial period and you make each trial period payment on time, your servicer must report you as current.

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.

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.

Is housing counseling required for a modification under HAMP?

Homeowners, especially delinquent homeowners, are strongly encouraged to contact an approved housing counseling agency to help them understand all of their options and to create a workable solution.

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.

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.

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.

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. 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. 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. Housing counselors can help you evaluate your income and expenses and help you understand your options, and apply to your servicer to see if you are eligible for HAMP. This counseling is FREE.

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. It is recommended that you contact an approved housing counselor to assist with your application.

I'm self employed. How do I get a copy of my most recent quarterly or yeartodate Profit and Loss Statement?

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

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.

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.

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/ben_entitle.asp.

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.

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

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

Contact your servicer or housing counselor immediately and ask to be considered for HAMP or other form of help. You may also contact an approved housing counselor for assistance.

Second Lien Modification Program (2MP)

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.

Home Affordable Foreclosure Alternatives Program (HAFA)

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.

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.

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.

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.

Beware of Foreclosure Rescue Scams Help Is Free!

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

Foreclosure prevention counseling services are not permitted to charge consumers for housing counseling services. Counseling recipients should not pay for these services.

However, housing counseling agencies are permitted to charge reasonable and customary fees for other forms of housing counseling and education services, including pre-purchase, reverse mortgage, rental, and non-delinquency post-purchase counseling services, provided certain conditions are met:

- Agencies must provide counseling without charge to persons who demonstrate they cannot afford the fees;
- Agencies must inform clients of the fee structure in advance of providing services;
- Fees must be commensurate with the level of services provided.

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.