

Helping Homeowners with the Second Lien Program: Two Cases

Family A: Amortizing Second Mortgage

- **In 2006:** Family A took out a 30-year closed-end second mortgage with a balance of \$45,000 and an interest rate of 8.6%.
- **Today:** Family A has an unpaid balance of almost \$44,000 on their second mortgage.
- **Under the Second Lien Program:** The interest rate on Family A's second mortgage will be reduced to 1% for five years. ***This will reduce their annual payments by over \$2,300.***
- After those five years, Family A's mortgage payment will rise again but to a more moderate level.

	Existing Mortgage	Loan Modification
Balance	\$43,942	\$43,942
Remaining Years	27	27
Interest Rate	8.6%	1.0%
Monthly Payment	\$349.48	\$154.81
Savings	<i>\$195 per month, \$2,336 per year for five years</i>	

Family B: Interest-Only Second Mortgage

- **In 2006:** Family B took out an interest-only second mortgage with a balance of \$60,000, an interest rate of 4.4%, and a term of 15 years.
- **Today:** Family B has \$60,000 remaining on their interest-only second mortgage because none of the principal was paid down.
- **Under the Second Lien Program:** The interest rate on Family B's interest-only second mortgage will be reduced to 2% for five years. ***This will reduce their annual interest payments by \$1,440.***
- After those five years, Family B's mortgage payment will adjust back up and the mortgage will amortize over a term equal to the longer of (i) the remaining term of the family's modified first mortgage (e.g. 27 years if the first mortgage had a 30 year term at origination and was three years old at the time of modification) or (ii) the originally scheduled amortization term of the second mortgage.

	Existing Mortgage	Loan Modification
Balance	\$60,000	\$60,000
Remaining Years	12	27 (term reset to the remaining term of the modified first loan)
Interest Rate	4.4%	2.0%
Monthly Interest Payments	\$220	\$100
Savings	<i>\$120 per month, \$1,440 per year for five years</i>	