



MAKING HOME AFFORDABLE PROGRAM: FHA'S HOME AFFORDABLE MODIFICATION LOSS MITIGATION OPTION

The Making Home Affordable Program is designed to help Borrowers retain their homes and to prevent the destructive impact of foreclosures on families and communities. One key component of the Making Home Affordable Program provides Borrowers the opportunity to reduce their mortgage payments by the use of a Loan Modification through the Home Affordable Modification Option. Ref: Mortgagee Letters 2000-05, 2003-19, 2008-21, 2009-23, 2009-35, 2010-04, and <http://portal.hud.gov/hudportal/documents/huddoc?id=hamphardshipaffidavit0809.pdf>.

BASIC PROGRAM GUIDELINES

FHA-Home Affordable Modification Option (FHA-HAMP) – Is an enhanced Loss Mitigation Option that combines a Loan Modification with a Partial Claim.

- **Imminent Default Mortgage** – First four months complete a Trial Payment Plan successfully.
- **Default Mortgage** - First three months complete a Trial Payment Plan successfully.
- Lenders are to advance funds to pay arrearages.
- Defers principal repayment (buy-down) of up to 30% of the unpaid principal balance.
- Arrearage cannot exceed 12 months Principal, Interest, Taxes, and Interest (PITI) (includes previous Partial Claim Dollar Amount).
- Interest Rate shall be set according to the requirements stated within Mortgagee Letter 2009-35.
- Loan Modification must be re-amortized to a 30 year fixed rate mortgage.
- FHA-HAMP is a permanent addition to HUD's Loss Mitigation Program.

Must see Attachment to Mortgagee Letter 2009-23 for a complete listing of Program guidelines, Mortgagee Letter 2009-35 for FHA-HAMP and Mortgagee Letter 2010-04 for Loss Mitigation for Imminent Default.

DEBT TO INCOME RATIOS

- **Front-End Ratio** – defined as the total mortgage payment (PITI) for the first mortgage, shall be 31% of the Borrower's gross monthly income.

- **Back-End Ratio** – defined as the total mortgage payment plus all recurring monthly debt, shall not exceed 55% of the Borrower’s gross monthly income.

CALCULATION OF MAXIMUM PARTIAL CLAIM AMOUNT UNDER FHA-HAMP

- Maximum Partial Claim amount is 30% of the outstanding principal balance.
- Principal deferment on the FHA-HAMP is determined by multiplying the outstanding principal balance by 30% and then reducing that amount by the arrearages advanced to cure the default for up to 12 months PITI (includes previous Partial Claim Dollar Amount) and any foreclosure costs incurred.
- Subject to the requirements of Mortgagee Letter 2008-21.
- Principal deferment amount for a specific case shall be limited to such amount that will bring the Borrower’s PITI to 31% of gross monthly income.

REQUIREMENTS TO USE FHA-HAMP

The priority order that Lenders shall follow is:

Imminent Default Mortgage

- Formal and Informal Agreements
- FHA-HAMP
- Imminent Default Mortgage is NOT eligible for FHA’s Home Retention Loss Mitigation Options – Special Forbearance, Trial Payment Plan, Loan Modification and Partial Claim

Default Mortgage

- Existing FHA Home Retention Loss Mitigation Options – Special Forbearance, Trial Payment Plan, Loan Modification and Partial Claim
- FHA-HAMP

LENDER INCENTIVES

- Borrower must be in imminent default or
- Borrower need only be in default, 30 days past due.
- Two types of Incentive Payments:
 - Upon completion Lender may receive a total of \$1,250:
 - Partial Claim Incentive - \$500
 - Loan Modification Incentive - \$750

PARTIAL CLAIM FILING AND DOCUMENT DELIVERY

- Claim for insurance benefits must be filed within 60 days from the date of execution.
- Any previous outstanding Partial Claims must be subordinated.
- Cancelled foreclosure fees and costs may also be included in the Partial Claim.

MONITORING

- HUD will monitor Lenders for compliance with the terms of Mortgagee Letters 2009-23 and 2009-35.
- HUD will take administrative actions, including sanctions and penalties against all parties for non-compliance.

REMITTANCE

Upon payoff or termination of first mortgage, Lender is required to ensure:

- Amounts due under all Partial Claims are received and remitted to HUD.
- All funds collected must be delivered to HUD's servicing contractor within 24 hours of receipt.
- Repayment Terms, Option Failure and Disclosures described in Mortgagee Letters 2000-05, 2003-19 and 2011-28 apply.

Lenders are to contact HUD's Contractor to inquire as to their process for acceptance of documents and submission of payments on Partial Claims:

**DEVAL LLC
Westpoint 1, Suite 300
1255 Corporate Drive
Irving, TX 75038**

**Telephone No.
Toll Free: (877) 622-8525
Local: (469) 647-4450
Local Fax: (469) 647-4451**

If you have any question you may contact NSC at:

National Servicing Center

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/nschome

NSC's Call Center - 1-877-622-8525

Frequently Asked Questions:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/nsc/faqsctc