

HOPE for Homeowners Act of 2008

What it means for struggling homeowners

The HOPE for Homeowners Act of 2008 is one section of the Housing and Economic Recovery Act of 2008. This section of the Act authorizes FHA (Federal Housing Authority) to insure up to \$300 billion in 30-year fixed mortgages for those at risk of foreclosure. The net result of this is that some loans may be refinanced to an FHA insured loan. The bill goes into effect October 1st, 2008.

WHAT THE ACT OFFERS:

Certain homeowners who are currently in default, or foresee themselves falling behind soon, may be able to refinance an existing unaffordable mortgage for one that is affordable and that will be insured by the FHA. All new loans must be 30-year fixed rate mortgages.

QUALIFICATIONS

Homeowners may qualify if:

- They have a loan that was issued between January 2005 and June 2007; and
- The property is used as their primary residence (Second homes, investment properties and vacation homes are ineligible); and
- The homeowner does not have ownership interest in any other property; and
- They are able to verify income (two years of income tax returns) and prove that they will not be able to continue to pay your mortgage without refinancing the loan; and
- They attest they are not intentionally defaulting on the existing mortgage to qualify for the refinance.

NOTE

The bill does not obligate the existing lender to agree to the concessions required for the homeowner to refinance, even if the homeowner meets all outlined qualifications.

**For important considerations,
see page 2**

IMPORTANT CONSIDERATIONS

- Most importantly, homeowners should understand their existing lender is under *no obligation* to participate. Agreeing to the concessions outlined below is on a strictly voluntary basis.
- Any late fees and penalties from the existing mortgage must be waived by the existing lender.
- The existing lender must be willing to write down the existing loan so that the new loan is no more than 90% of the home's current appraised value.
- There is an FHA insurance premium of 3% of the principal amount that must be paid by a write down of the existing loan.
- There are long-term consequences for homeowners who are able to refinance their existing mortgage debt to an FHA insured loan:
 - Homeowners are prohibited from taking out a home equity loan for five years from the date of closing on the new mortgage.
 - There is an annual fee of 1.5% of the outstanding principal balance of the loan in the form of an annual insurance premium.
 - Homeowners forfeit any profits made on the sale of the property if they sell or refinance during the first year after the refinancing. After one year, homeowners forfeit 90% of any gains/profits on the property if they sell or refinance. This amount decreases by 10% per year until the fifth year, where it reaches 50% of gains – *it remains at 50% from there forward.*

When homeowners are having difficulties paying their monthly mortgage payment, there are many other considerations they should take into account. Homeowners should understand all their options before deciding if refinancing to an FHA loan is best for them. The Minnesota Home Ownership Center and its network of foreclosure counselors can help homeowners understand their options.

For additional information, call today:
(651) 659-9336 or toll free (866) 462 – 6466 or visit www.hocmn.org.