

# UNDERSTANDING THE 'MAKING HOME AFFORDABLE' PROGRAM

*Making Home Affordable* is a federal program that offers qualified homeowners a refinance or loan modification to make mortgage payments affordable now and in the future.

## Home Affordable Refinance

You may qualify for a lower interest, fixed rate, 30 or 15-year mortgage if all the following are true:

- Your loan is owned by Fannie Mae or Freddie Mac;
- You are current on your mortgage payments;
- The amount due on your first mortgage is less than 125% of the value of your home;
- You have a stable income sufficient to make new mortgage payments.

### NOTE

For more information about Making Home Affordable visit [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)

To find out if your loan is owned by Fannie Mae or Freddie Mac:

- Contact Fannie Mae 1-800-7FANNIE (8am to 8pm EST); [www.fanniemae.com/homeaffordable](http://www.fanniemae.com/homeaffordable)
- Contact Freddie Mac 1-800-FREDDIE (8am to 8pm EST); [www.freddiemac.com/avoidforeclosure/](http://www.freddiemac.com/avoidforeclosure/)

## Home Affordable Modification

You are eligible to apply for a Home Affordable Modification of your first mortgage if all the following are true:

- The house has one to four units and one of the units is your primary residence;
- 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 property taxes, insurance and homeowners association) is more than 31% of your gross (before tax) monthly income;
- You have experienced a change in income or expenses to the point that your mortgage payment is no longer affordable.
- Your mortgage servicer chooses to participate in this program. To find out if your mortgage servicer is participating, call your servicer or use the look-up tool online at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).

## Home Affordable Modification (cont.)

To determine if you qualify for a Home Affordable Modification, your mortgage servicer will:

- Determine if your loan meets the minimum eligibility criteria.
- Add past due charges (interest, property taxes, insurance and costs – late fees must be waived) to your loan balance.
- Determine how much your interest rate must be reduced to get your mortgage payment to equal 31% of your gross monthly income.
  - The servicer may also extend the term beyond 30 years or defer some of the mortgage balance to get the payment to 31% of your gross income.

If you meet the above criteria, you will have to complete a three month trial period making payments at the new amount. Upon successfully completing the trial period, the servicer will make a final analysis and apply a test to determine if the modification will be less costly than foreclosure. If the modification is the best option, the servicer will make a permanent modification.

The interest rate on a permanent Home Affordable Modification will remain fixed for five years. If the initial interest rate is below market rate, after five years it will adjust up no more than 1% per year until it reaches the market rate.

If you make your mortgage payments on-time you may qualify for up to \$5,000 towards your mortgage balance.

Contact a Housing Counselor with questions and to help you determine if Making Home Affordable or other options will work for you. Housing Counselors offer free, unbiased advice. To find a Housing Counselor in your area contact the Minnesota Home Ownership Center at 866-462-6466 or [www.hocmn.org](http://www.hocmn.org).