

## Understanding the Home Affordable Modification Program (HAMP)

*Making Home Affordable* is a federal program that offers qualified homeowners a loan modification to help make mortgage payments affordable. This modification is known as the Home Affordable Modification Program or HAMP.

### HAMP Eligibility

You may be eligible for HAMP if all the following are true:

- You own a home (1-4 units)
- Your loan originated on or before January 1, 2009
- Your unpaid first mortgage balance is less than \$729,750 (for one unit, more for 2-4)
- You have experienced a hardship (such as a change in income) that makes your mortgage payment unaffordable
- Your mortgage is owned by Freddie Mac or Fannie Mae OR your servicer is participating in *Making Home Affordable*

To find out if your mortgage servicer is participating, call your servicer or use the online Look-Up Tool at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov). Note that Freddie Mac and Fannie Mae have their own guidance for HAMP.

### HAMP Application

If you meet all of the above eligibility criteria, you can apply for a HAMP modification by submitting an “Initial Package” to your servicer. The Initial Package must include:

- Completed and signed Request for Modification and Affidavit (RMA) form
- Completed and signed Form 4506-T or form 4506T-EZ
- Income documentation (copies from all income sources)

For more information about applying for HAMP, including the Initial Package forms and details about income documentation, visit [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov)

### Qualification and Trial Period Plan

Your servicer will determine whether you meet the HAMP eligibility criteria and review the Initial Package for completeness. Within 30 days of receipt of the Initial Package, the servicer will decide if you qualify for a modification. The servicer will run your loan through a Net Present Value (NPV) model to evaluate whether a HAMP modification would be of greater value to the investor than foreclosure. If the modified loan would be of greater value (i.e. the NPV results are positive), the servicer must offer you a modification under HAMP. You will then be placed on a Trial Period Plan (typically three months) at the new payment amount.

If you successfully make all Trial Period Plan payments on time (each payment made within the month it is due), your servicer will make the HAMP modification permanent and execute an official modification agreement for you to sign.

## **HAMP Payment Amount**

If your loan is modified under HAMP your monthly payment will be lowered to a new, affordable amount. The servicer will take some or all of the following steps to reach the affordable payment target:

- Capitalize any late payments and fees
- Reduce the interest rate
- Extend the mortgage term up to 40 years
- Defer a portion of the unpaid principal balance

Your modified interest rate will be fixed for the life of the loan unless the servicer lowered it below the current market rate<sup>1</sup>. In this case, your modified interest rate will be fixed for five years, and then go up 1% each year until it reaches the market rate at the time of your modification agreement.

HAMP includes government incentives for servicers, investors and homeowners. If you make your new mortgage payments on time you may qualify for up to \$1,000 per year for five years towards your principal balance<sup>2</sup>.

## **Unemployment Program**

If you are recently unemployed and qualify for unemployment benefits, you may be able to get forbearance through a subset of HAMP called the Home Affordable Unemployment Program (UP). You may qualify for UP if you meet the basic HAMP eligibility criteria and can document that you receive or will receive unemployment benefits. During the UP forbearance your mortgage payment would be reduced to 31% of your gross income including unemployment. The UP forbearance period is a minimum of 12 months<sup>3</sup>. At the end of the forbearance or upon reemployment, you will be evaluated for a HAMP modification.

## **Foreclosure Alternatives**

If you are denied a HAMP modification or you do not successfully complete the Trial Period Plan, your servicer will consider different workout options that may be available based on investor guidelines. You may also be eligible for the Home Affordable Foreclosure Alternatives (HAFA) program. The HAFA program includes the opportunity to sell your home through a Short Sale agreement or sign a Deed-in-Lieu of foreclosure. Ask your mortgage servicer for additional details.

For more information contact a Homeownership Advisor in your area by calling the Minnesota Homeownership Center today: 651-659-9336 or 866-462-6466 or [www.hocmn.org](http://www.hocmn.org)

<sup>1</sup> HAMP defines the market rate as the Freddie Mac Primary Mortgage Market Survey Rate for 30-year, fixed-rate conforming mortgages

<sup>2</sup> If your loan is modified under HAMP "Tier 2" you will not qualify for incentive payments towards your principal balance.

<sup>3</sup> Loans owned by Freddie Mac or Fannie Mae have different guidelines for unemployment forbearance