Home Affordable Modification Program (HAMP®)

Training for Servicers
Part 1 of 2
MHA Offers Solutions

MHA and related programs work together to help homeowners avoid foreclosure

AVOIDING FORECLOSURE

- Historically Low Mortgage Interest Rates
- Breathing Room for Unemployed
- More Affordable Payments
- Help When You Owe More Than the Home is Worth
- Transition from Home Ownership

January 2013 | Making Home Affordable
MHA Enhancements to Help More Homeowners

Enhancements designed to provide relief to more homeowners and to accelerate housing market recovery.

- Expansion of Program Eligibility
- Extension of Application Deadlines
- Increase in Investor Incentives for Principal Reduction

MAKING HOME AFFORDABLE
Help for More Homeowners
Agenda

HAMP Part 1

1. Overview
2. Eligibility Criteria
3. Pre-Screening
4. Protections Against Unnecessary Foreclosure
5. Borrower Outreach

HAMP Part 2

6. Verification
7. Modification Underwriting
8. Trial Period Plan
9. Permanent Modification
10. HAMP Supporting Functions
11. Resources

Register at HMPadmin.com
# Agenda

**HAMP Part 1**

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Overview

What Is HAMP?

Home Affordable Modification Program (HAMP)
• Core element of the MHA Program
• Helps financially struggling homeowners avoid foreclosure
• Implemented in 2009 – deadline for application is December 31, 2013
• Participating servicers, borrowers and investors may be eligible for incentives

HAMP Expansion
• Effective Date – June 1, 2012
• Introduction of HAMP Tier 2 – second level review
• Expanded eligibility criteria for borrowers
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## HAMP Part 1

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## HAMP Eligibility Scenarios

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<th>Guideline</th>
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<tr>
<td><strong>Servicer, Investor, Insurer</strong></td>
<td>Guidance applies to MHA-participating servicers of mortgages not owned, guaranteed, or insured by Fannie Mae, Freddie Mac, FHA, VA, or USDA.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Origination</strong></td>
<td>The mortgage loan is a first lien originated on or before January 1, 2009.</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
| **Unpaid Principal Balance Limits** | The unpaid principal balance, prior to capitalization, must be less than or equal to:  
  - $729,750 for a one-unit property  
  - $934,200 for a two-unit property  
  - $1,129,250 for a three-unit property  
  - $1,403,400 for a four-unit property | ✓           | ✓           |
| **Property Condition**        | The property securing the mortgage loan has not been condemned.                                                                                                                                           | ✓           | ✓           |
| **Financial Hardship**        | The borrower must be able to document a financial hardship.                                                                                                                                             | ✓           | ✓           |
**HAMP Eligibility Scenarios (continued)**

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<tr>
<td>“Natural” Persons</td>
<td>The borrower is a “natural” person. Mortgage loans made to business entities are not eligible for assistance under HAMP.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Occupancy</td>
<td>The mortgage loan is secured by a single family property that is occupied by the borrower as his or her principal residence.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Occupancy</td>
<td>The mortgage loan is secured by a single-family property that is used by the borrower for rental purposes only and not occupied by the borrower, whether as a principal residence, second home, or vacation home. Borrower may not own more than five single-family properties in addition to the principal residence.</td>
<td></td>
<td>✓</td>
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## HAMP Eligibility Scenarios (continued)

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<tr>
<td>Delinquency</td>
<td>The mortgage loan securing the principal residence is not delinquent, but default is reasonably foreseeable.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Delinquency</td>
<td>The mortgage loan securing the principal residence is delinquent.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Delinquency</td>
<td>The mortgage loan securing the rental property is delinquent.</td>
<td>⚫</td>
<td>✓</td>
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# HAMP Eligibility Scenarios (continued)

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<tr>
<td>Minimum Payment Ratio</td>
<td>The borrower’s monthly mortgage payment, PITIA, (including principal, interest, taxes, insurance, and when applicable, association fees, existing escrow shortages) is greater than 31 percent of the borrower’s verified monthly gross income.</td>
<td>☑</td>
<td>☑</td>
</tr>
<tr>
<td>Minimum Payment Ratio</td>
<td>The borrower’s monthly mortgage payment, PITIA is less than or equal to 31 percent of the borrower’s verified monthly gross income.</td>
<td>☑</td>
<td>✓</td>
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*Only single family properties occupied by borrowers as principal residences qualify for HAMP Tier 1.*
## HAMP Eligibility Scenarios (continued)

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<tr>
<td>Previous HAMP Trial or Modification</td>
<td>The mortgage loan has never received a Trial Period Plan or (TPP) or been modified under HAMP.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Previous HAMP Tier 1 Trial</td>
<td>The mortgage loan received a HAMP Tier 1 TPP on which the borrower defaulted. (Tier 2 TPP must be at least 10% less than failed Tier 1 TPP.)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Previous HAMP Tier 1 Modification</td>
<td>The mortgage loan received a HAMP Tier 1 permanent modification on which the borrower defaulted. (Additional eligibility criteria include: demonstrable change in circumstance or 12 or more months since effective date of HAMP Tier 1 modification.)</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Previous HAMP Tier 2 Trial or Modification</td>
<td>The mortgage loan received a HAMP Tier 2 TPP or permanent modification on which the borrower defaulted.</td>
<td></td>
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*Only single family properties occupied by borrowers as principal residences qualify for HAMP Tier 1.
HAMP Eligibility

**Limit on Multiple Modifications**

An individual, as a borrower or co-borrower, may receive permanent HAMP modifications on mortgages secured by up to six properties.

- A borrower may receive one permanent modification under HAMP Tier 1 or HAMP Tier 2 for a loan secured by an owner-occupied property.
  
  For example: If the borrower loses good standing on a HAMP Tier 1 modification, the borrower may be considered for HAMP Tier 2 permanent modification on the subject property.

- A borrower or co-borrower may receive one HAMP Tier 2 permanent modification with respect to each of five other properties that meet Tier 2 eligibility requirements.
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Pre-Screening

Identify the Population

Pre-screen all first lien mortgage loans that have two or more payments due and unpaid to determine if they meet the following HAMP criteria:

• One-to-four unit residential property;
• Not condemned or not in such poor physical condition that the property is not habitable, even if not condemned;
• Loan originated on or before January 1, 2009;
• UPB does not exceed HAMP limits; and
• Not previously modified under HAMP

Proactively solicit borrowers unless the investor on the loan has prohibited participation in HAMP (restrictions on waterfall steps do not prohibit investor participation).
Pre-Screening

Exceptions - Post June 1, 2012

Pro-active solicitation is not required for borrowers who, prior to June 1, 2012:

• Were two or more payments delinquent and did not occupy the property as a principal residence;

• Were two or more payments delinquent and were already solicited in accordance with the “Reasonable Effort” requirement;

• Were evaluated and determined to be ineligible for HAMP; or

• Had defaulted on a TPP or lost good standing on a permanent HAMP Tier 1 modification.

Upon request, the borrower MUST be evaluated for HAMP.
Agenda

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5. Borrower Outreach
Preventing untimely and unnecessary foreclosure is imperative. If a borrower submits a request for HAMP consideration after a loan has been referred to foreclosure and has accepted the TPP, appropriate actions are required to halt further activity in the foreclosure process.
Protections Against Unnecessary Foreclosure

Suspension of Referral to Foreclosure

A loan may not be referred to foreclosure and a scheduled foreclosure sale cannot be conducted unless and until at least one of the following circumstances exists.

- Borrower evaluated for HAMP and determined ineligible.
- Borrower is offered and fails a TPP, unless the servicer is in the process of evaluation for HAMP Tier 2.
- Borrower failed to respond to servicer notices after servicer satisfied Reasonable Effort solicitation standard.
- Reasonable Effort solicitation standard has been satisfied without establishing Right Party Contact.
- Borrower or co-borrower states they are not interested in HAMP.
- Any Escalated Case has been resolved.
- Remaining non-borrower occupant was unable to assume the note and re-apply for HAMP timely.
- Borrower is being evaluated for a Federally Declared Disaster (FDD), or during an FDD Forbearance Plan.
Protections Against Unnecessary Foreclosure

Suspension of Scheduled Foreclosure Sale

A scheduled foreclosure sale must be suspended if a borrower submits a request for HAMP no later than midnight of the 7th business day prior to the sale date.
Protections Against Unnecessary Foreclosure

Suspension of Scheduled Foreclosure Sale – HAMP Tier 2

Servicers must suspend a foreclosure sale as necessary to evaluate a borrower’s loan for HAMP if any of the following conditions exist:

1) The borrower lost good standing on a HAMP Tier 1 permanent modification;
2) The borrower defaulted on a HAMP Tier 1 TPP after making one or more payments; or
3) The borrower was determined to be ineligible for HAMP Tier 1.

Note that servicers must re-evaluate borrowers for HAMP on borrower request, where the borrower failed to make the first trial payment on a HAMP Tier 1 TPP and has experienced a change in circumstance.

A servicer is not required to (but may) suspend a foreclosure sale when a request for HAMP Tier 1 or Tier 2 consideration is received after the Deadline.
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Borrower Outreach

Reasonable Effort

Reasonable Effort consists of the following activities, conducted over a 30 calendar day period:

- Four phone calls to the borrower’s last known number of record at varying times throughout the day

- Two letters to the borrower:
  - One must be sent with a return receipt request
  - One may be sent via regular mail

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Borrower Outreach

Right Party Contact

• Successful efforts to communicate with the borrower or co-borrower about resolution of the delinquency is called “Right Party Contact”.

Written Communication

• If Right Party Contact is established and the borrower is interested in HAMP, written communication must be sent to the borrower that includes:
  - Request for Mortgage Assistance or RMA;
  - A description of the income evidence required to be evaluated; and
  - Internal Revenue Service (IRS) Form 4506T-EZ (or IRS Form 4506-T, if necessary).
Borrower Outreach

A Relationship Manager should be assigned when each of the following is met:

- The borrower is delinquent or requests consideration under imminent default;
- Right Party Contact is successfully established; and
- The servicer determines the borrower is potentially eligible for HAMP, UP, or HAFA, based on:
  - Information disclosed during the initial telephone interview or oral communication, or
  - Receipt from the borrower of any completed or partially completed Initial Package (i.e., RMA form, IRS Form 4506-T, evidence of income, Hardship Affidavit or Dodd Frank Certification) signed by the borrower.
- The borrower is being evaluated or re-evaluated for HAMP, UP, HAFA; is participating in a TPP or UP forbearance; or has executed HAFA documents.
Borrower Outreach

**Relationship Manager Responsibilities**

Once Right Party Contact is established, a relationship manager must be assigned to serve as the borrower’s single point of contact.

- Communicate all available options to the borrower for resolving the delinquency including:
  - Actions the borrower must take to be considered for those options
  - Timing requirements
  - Status of available options

- Coordinate with other personnel responsible to ensure that borrower is considered for all other loss mitigation options, if not eligible for MHA.

- Coordinate with the borrower and servicer personnel to promote compliance with MHA program requirements and timelines.

- Being knowledgeable about the borrower’s situation including any home retention or non-foreclosure options.

- Maintain and track all borrower documents to ensure the borrower does not have to resubmit documents.

- Being available to respond to borrower inquiries related to their foreclosure status even after loan is referred to foreclosure.
Borrower Outreach

Timelines for Communication

**Over a period of 30 Calendar days**
Make a “Reasonable Effort” to solicit potentially HAMP-eligible borrowers.

**Reasonable Effort**

**Right Party Contact**

An Additional 15 Calendar days
If the borrower does not return the Initial Package, resend the communication allowing the borrower an additional 15 calendar days to return the Initial Package.

**No Less than 15 Calendar days**
If Right Party Contact is made, send a written communication to the borrower describing the Initial Package and include a date of no less than 15 calendar days to return the Initial Package.

**No Less than 30 Calendar days**
If the borrower returns the RMA, but not other Initial Package documents, send the borrower an Incomplete Information Notice and include a date of no less than 30 calendar days to return the documentation.

An Additional 15 Calendar days
If the documents are not received within the initial 30 calendar day period, send a second Incomplete Information Notice allowing an additional 15 calendar days.

**Acknowledgement of Initial Package**

Within 10 Business days
Acknowledge receipt of the Initial Package.

**Incomplete Information Notice**

After 45 Calendar days
If the borrower is unresponsive to the written requests, send the borrower a Non-Approval Notice.
Resources

Additional Resources

Servicer Integration Team
HAMP_Integration_Team
@fanniemae.com

HAMP Solution Center
support@hmpadmin.com

www.HMPadmin.com

- MHA Programs
- Learning Center
- Resources
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## Conclusion

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Discussion/Questions

Thank You