

Attachment – Guidelines for the FHA-Home Affordable Modification Program

These guidelines supplement requirements outlined in Mortgagee Letter 2009-23

Guidance	FHA-Home Affordable Modification Program
Eligibility – Mortgagee	The Servicer of the modified FHA-HAMP mortgage must be FHA-Approved.
Eligibility – Mortgagors	<p>The current mortgagor(s) on the existing FHA-insured single family mortgage must be identical to the mortgagor(s) on the HAMP mortgage, except as provided below.</p> <p>All changes in ownership due to death or divorce of the current owners must be supported by legal documentation.</p> <p>The existing FHA-insured mortgage is in default, but is not more than 12 full mortgage payments past due. A default is defined as 1 payment past due more than 30 days. For default calculation purposes, all months are determined to have 30 days. For example, a mortgage due for the July payment is in default on August 1st.</p> <p>The mortgagor(s) must be an owner occupant, have sufficient resources to make the payment on the HAMP mortgage and continue to occupy the home.</p> <p>A new mortgagor may be added to the HAMP mortgage, provided at least one existing mortgagor(s) is retained.</p> <p>The mortgagor must not have intentionally defaulted on their existing mortgage. (Note: Intentionally defaulted means the mortgagor had available funds that could pay their mortgage and other debts without hardship, but failed to pay).</p>
Eligibility – Existing Mortgage	<p>Must be a FHA-insured single family mortgage (1-4 units).</p> <p>Mortgages previously modified under HAMP are ineligible.</p> <p>There is no net present value (NPV) test for eligibility.</p>
Eligibility – Maximum Mortgage Amounts	Not applicable.
Eligibility – Modified Mortgage	The existing FHA-insured mortgage must be re-amortized to a 30-year fixed rate mortgage, and must be modified in compliance with all FHA Mortgage Modification requirements, except those specifically modified under the FHA-HAMP program.
Property Eligibility	The property securing the FHA-insured property must be the mortgagor’s primary and only residence; and only single family (1 to 4 unit) properties are eligible.
Interest Rate – Modified New Mortgage	The interest rate must be fixed and meet the guidelines in Mortgagee Letter 2008-21.
Current Loan to Value	None.

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Requirements Mortgage	
Loan Purpose	<p>FHA-HAMP mortgages are required to have a lower monthly principal and interest payment than the unmodified FHA-insured mortgage and are made without an appraisal.</p> <p>All existing subordinate financing must be subordinated to maintain the first lien priority of the HAMP mortgage. For more information, please see ML 2003-19.</p>
Credit History	No minimum credit score required. (Credit report is only used to verify recurring debts.)
Seasoning Requirements on the Existing Mortgage	The first payment due date must be at least 12 months in the past, and at least 4 full mortgage payments must have been paid.
Property Valuation	No appraisal required.
Trial Modification	The Mortgagee must place the mortgagor(s) under a trial modification payment plan for the modified mortgage payment prior to completing the FHA-HAMP. The mortgagor(s) must have made the first three consecutive trial monthly mortgage payments on time before the FHA-HAMP can be completed, and a partial claim filed.
Documentation Requirements	<p>The Mortgagee must obtain the following additional documentation:</p> <p>To be considered for any of the loss mitigation options, the mortgagor must provide detailed financial information to the Mortgagee.</p> <p>Every borrower and co-borrower must sign a hardship affidavit attesting to and describing the hardship. The document to be used is available for download at: https://www.hmpadmin.com/portal/docs/mod_docs/hamphardshipaffidavit.pdf</p> <p>The Department has no objection to situations where a cooperative mortgagor provides complete financial information either written or during a telephone interview. Regardless of how the mortgagor’s financial information was secured, the Mortgagee must independently verify the financial information by obtaining a credit report (the credit report is not used for credit qualification but Mortgagees are to use for determining indebtedness), and any other forms of verification the Mortgagee deems appropriate.</p>

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<p>Underwriting Requirements - General</p>	<p>No Credit Alert Interactive Voice Response System (CAIVRS) review is required, but HUD’s Limited Denial of Participation (LDP) and General Services Administration (GSA) exclusion lists are still required checks for all mortgagees.</p> <p>FHA-HAMP processing and underwriting instructions are described below.</p> <ul style="list-style-type: none"> • Where the mortgage is in default and no more than 12 full payments delinquent the Mortgagee combines a partial claim for up to 12 months of arrearages, foreclosure costs, and principal reduction with a modification. • Except for the new maximum partial claim amount calculation, the partial claim must meet the requirements of Mortgagee Letters 2000-05, 2003-19 and 2008-21. <p>The mortgagor may not be charged any additional costs for receiving this loss mitigation workout option. On a cancelled foreclosure, Mortgagees are reminded that all such costs must reflect work actually completed to the date of the foreclosure cancellation and the attorney fees may not be in excess of the fees that HUD has identified as customary and reasonable for claim purposes.</p> <p>The financial analysis, Hardship Affidavit, and documentation supporting the decision to provide partial claim relief must be maintained in the mortgagee’s claim review file.</p>
<p>Loss Mitigation – Priority Order</p>	<p>FHA-HAMP can only be utilized if the mortgagor(s) does not qualify for current loss mitigation home retention options (FHA Special Forbearance, Loan Modification and Partial Claim) under existing guidelines (ML 2008-21, 2003-19, 2002-17, 2000-05). To qualify for the FHA-HAMP, Mortgagees must utilize its loss mitigation actions using the aforementioned priority order.</p>
<p>Underwriting – Monthly Gross Income</p>	<p>The mortgagor’s Monthly Gross Income amount before any payroll deductions includes wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, other compensation for personal services, Social Security payments, including Social Security received by adults on behalf of minors or by minors intended for their own support, annuities, insurance policies, retirement funds, pensions, disability or death benefits, unemployment benefits, rental income and other income.</p>
<p>Underwriting – Front End Debt to Income Ratio</p>	<p>Front-End ratio is the ratio of PITI to Monthly Gross Income. PITI is defined as principal, interest, taxes and insurance.</p> <p>The Front-End ratio must be as close as possible to, but not less than, 31%.</p>
<p>Underwriting - Back End Debt to Income Ratio</p>	<p>The Back-End ratio is the ratio of the mortgagor’s total recurring monthly debts (such as Front-End PITI, payments on all installment debts, monthly payments on all junior liens, alimony, car lease payments, aggregate negative net rental income from all investment properties owned, and monthly mortgage payments for second homes) to the mortgagor’s Monthly Gross Income. This ratio must not exceed 55%.</p> <p>The Mortgagee must validate monthly installment, revolving debt and secondary mortgage debt by pulling a credit report for each mortgagor or a joint report for a married</p>

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	couple. The Mortgagee must also consider information obtained from the mortgagor orally or in writing concerning incremental monthly obligations.
Underwriting – Subordinate Financing	Subordinate liens are not included in the Front-End ratio, but they are included in the Back-End ratio.
Underwriting – Upfront Mortgage Insurance Premium	Not applicable.
Underwriting – Annual Premium	Remains the same.
Underwriting - Calculation of Maximum Partial Claim Amount	The maximum one-time only principal reduction on the modification is determined by multiplying the outstanding principal balance of the existing mortgage as of the date of default by 30 percent reduced by (i) arrearage amounts advanced to cure the default for up to 12 months PITI and (ii) allowable foreclosure costs. However, the actual principal reduction amount for a specific case shall be limited to such amount that will bring the mortgagor(s) PITI to an amount not to exceed 31 percent of gross monthly income. Whether or not there are previous Partial Claims for a given case number, the arrearage component of this and any previous Partial Claims cannot exceed the equivalent of 12 months PITI and allowable foreclosure costs. This 12 month PITI maximum is NOT affected by any payments that may have been made to reduce the partial claim mortgage balance.
Partial Claim Guidelines	No interest will accrue on the partial claim. The payment of the partial claim is not due until (i) the maturity of the HAMP mortgage, (ii) a sale of the property, or (iii) a pay-off or refinancing of the HAMP mortgage.
In Foreclosure Process	To ensure that a mortgagor currently in the process of foreclosure has the opportunity to apply, Mortgagees shall not proceed with the foreclosure sale until the mortgagor has been evaluated for the program and, if eligible, an offer to participate in the FHA-HAMP has been made. In the event that the mortgagor does not participate in FHA-HAMP, the Mortgagee must consider the priority order, outlined in “Requirements to Use FHA-HAMP” section of this Mortgagee Letter, prior to proceeding to foreclosure.
90 days Past Due	Ninety day past due mortgages must have been considered for all loss mitigation programs prior to being referred to foreclosure.
Escrows	Mortgagees are required to escrow for mortgagors’ real estate taxes and mortgage-related insurance payments.

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Unpaid Late Fees Waived	The Mortgagee will waive all late fees.
Credit Report	The Mortgagee will cover the cost of the credit report.
Mortgagee Incentives	Under FHA-HAMP, the Mortgagee may receive an incentive fee of up to \$1,250. This total includes \$500 for the partial claim and \$750 for the loan modification. To receive the incentive payments, the Partial Claim and Loan Modification must meet the requirements of Mortgagee Letters 2008-21, 2003-19, 2002-17, 2000-05, and comply with instructions and requirements in this Mortgagee Letter and Attachment. Mortgagees may also claim up to \$250 for reimbursement of title search and/or recording fees.
Mortgagor Cash Contribution	The Mortgagee may not require the mortgagor to contribute cash.
Disclosure	<p>When promoting or describing FHA mortgage options Mortgagees should provide mortgagors with information designed to help them understand the mortgage terms that are being offered. Mortgagees also must provide mortgagors with clear and understandable written information about the terms, costs, and risks of the mortgage in a timely manner to enable mortgagors to make informed decisions.</p> <p>FHA requires Mortgagees to comply with any disclosure or notice requirements applicable under FHA regulations and state or federal law.</p>
Fair Lending	Mortgagees under this program must comply with the Equal Credit Opportunity Act and the Fair Housing Act, which prohibit discrimination on a prohibited basis in connection with mortgage transactions. FHA mortgage programs are subject to the fair lending laws, and Mortgagees should ensure that they do not treat a mortgagor less favorably than other mortgagors on grounds such as race, religion, national origin, sex, marital or familial status (i.e., families with children under age 18 and pregnant women), age, disability, or receipt of public assistance income in connection with any loan modification. These laws also prohibit redlining.
Consumer Inquiries and Complaints	Mortgagees should have procedures and systems in place to be able to respond to inquiries and complaints relating to loan modifications. Mortgagees should ensure that such inquiries and complaints are provided fair consideration, and timely and appropriate responses and resolution.
Case/Mortgage Documentation	<p>Mortgagees will be required to maintain records of key data points for verification/compliance reviews, in accordance with Handbook 4000.2 Rev-3, Paragraph 5-8 and Handbook 4155.2, Paragraph 8.B.7.c. Servicing files must be retained for a minimum of the life of the mortgage plus three years, per Handbook 4330.1 Rev-5, paragraph 1-3 E. These documents may include, but are not limited to, mortgagor eligibility, Hardship Affidavit, and qualification and underwriting.</p> <p>Mortgagors will be required to provide declarations under penalty of perjury attesting to the truth of the information that they have provided to the Mortgagee to allow the Mortgagee to</p>

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	determine the mortgagor's eligibility for entry into the FHA-HAMP program.
Anti-Fraud Measures	<p>Measures to prevent and detect fraud, such as documentation and audit requirements are described in Handbook 4060.1, Rev-2.</p> <p>Participating Mortgagees and Mortgagees/investors are not required to modify the mortgage if there is reasonable evidence indicating the mortgagor submitted false or misleading information or otherwise engaged in fraud in connection with the modification. Mortgagees should employ reasonable policies and/or procedures to identify fraud in the modification process.</p>
Data Collection	Mortgagees will continue to be required to collect and transmit mortgagor and property data in order to ensure compliance with the program as well as to measure its effectiveness. Data elements may include data needed to perform underwriting analysis and mortgage terms, and loan level data in order to establish loans for processing during the trial period, to record modification details, and monthly loan activity reports.