



Another attempt to see if HUD can convince lenders to implement this program. The higher LTV may help but it still requires an upfront principal balance write-down that lenders are not going to want to do first without trying their own in-house attempt of modification on their own. The only lender we know about that is actually going to try and use this program is Countrywide only because they are forced to do so because of a class action lawsuit settlement. Again it will be difficult to qualify with the debt-ratio requirements they are using here. The differences in loan-to-value versus debt-ratio options below are also unfair to those who do qualify. Why would someone want to carry a larger mortgage balance in a declining market if they have better debt ratios than someone who does not? Our advice is to hire an attorney if you need to negotiate with your bank or mortgage lender. Every bank has a different idea of who they will work with and who they will not. Attorneys can find leverage that may help you convince them to play ball.

Editor: National Mortgage Network

HUD Modifies HOPE Program to Assist More Borrowers

On Wednesday the Department of Housing and Urban Development (HUD) announced changes to the **HOPE for Homeowners Program (H4H)** to help more distressed homeowners refinance into affordable, government-backed mortgages. HUD hopes that the changes will enable more borrowers to afford monthly mortgage payments and reduce the program's costs for both consumers and lenders.

According to HUD, the revisions will take full advantage of the new authority provided it under the Emergency Economic Stabilization Act of 2008. **Program modifications include:**

- Increasing the loan to value ratio (LTV) to 96.5 percent for some H4H loans. Raising the loan-to-value ratio reduces the gap between the existing loan balances and the new H4H loan and decrease losses to the existing primary lien holders.
- Eligible borrowers are those whose mortgage payments represent no more than 31 percent of their monthly gross income and household debt no more than 43 percent. Alternatively, the program will continue to offer borrowers with higher debt loads a 90 percent loan-to-value ratio on their H4H loans. This LTV ratio will include borrowers with debt-to-income ratios as high as 38 and 50 percent.
- The changes will also eliminate the trial modification that was previously required. This measure was too complicated and required delicate negotiations among the existing lien holders, the new H4H lender, and the borrower.
- Simplifying the process to remove subordinate liens by permitting upfront payments to lien holders;

The H4H program will offer subordinate lien holders (i.e. second or third mortgagees) an immediate payment in exchange for releasing their liens. Previously, subordinate lien holders who released their liens were only eligible to receive a small recovery payment when the home owned by the H4H borrower was sold. Given the amount of time that would pass between the creation of the H4H and the ultimate sale of the home, as well as the tremendous

market uncertainties, subordinate lien holders were not guaranteed any return at all. Subordinate lien holders may now receive an immediate payment at the time the H4H loan is originated.

Consistent with **statutory and regulatory requirements**, borrowers must continue to meet the following criteria:

- Allowing lenders to extend mortgage terms from 30 to 40 years.
- For borrowers with very high mortgage and household debt loads, extending out the amortization period may reduce their monthly payments enough to make it possible for them to qualify for this rescue product and save their homes.
- Their mortgage must have originated on or before January 1, 2008.
- They cannot afford their current loan.
- They must have made a minimum of six full payments on their existing first mortgage and did not intentionally miss mortgage payments.
- The loan amount may not exceed a maximum of \$550,440.
- The Upfront Mortgage Insurance Premium is 3 percent and the Annual Mortgage Insurance Premium is 1.5 percent.
- The holders of existing mortgage liens must waive all prepayment penalties and late payment fees.
- Borrowers do not own a second home.
- They did not knowingly or willfully provide false information to obtain the existing mortgage, and they have not been convicted of fraud in the last 10 years.
- They must follow FHA's long-standing and strict policy of fully documented income and employment.

In announcing the program changes HUD Secretary Steve Preston, "Clearly, meaningful changes were needed. These modifications should increase lender participation and help more families who are having difficulty paying their existing mortgages, but can afford a new affordable loan insured by HUD's Federal Housing Administration."

