



This information is straight from the FHFA Meeting on November 11, 2008. This new program, the “Streamlined Modification” will be released on December 15’ 2008 and again is voluntary for participation by the banks and servicers. Although it is expected to have more acceptances in principle, we are concerned it will make about as much splash as the FHA “Hope for Homeowners” did when it was released a few weeks ago. The problem with all of these government assistance programs is that they have too many specific requirements and unrealistic goals to significantly help the housing crisis. The foreclosure epidemic is extremely wide spread, and comprised of many different types of financial hardships. Programs like these will be successful in helping a small portion of distressed homeowners, but sadly will only provide false hope for the others who do not fit in this proverbial “box” of hardship guidelines. We suggest that borrowers seek help from experienced professionals or preferably Real Estate Attorneys whenever available. When faced with this crisis, it is going to be a very difficult challenge to save your home, but the efforts are well worth the investment...especially when you consider the alternatives.

*Editor: National Mortgage Network*

## **QUESTIONS AND ANSWERS ON THE STREAMLINED MODIFICATION PROGRAM**

***Q: What is a modification?***

A: A modification is a change to the original mortgage terms. It may include a change to the product (an ARM to a fixed rate mortgage), interest rate, amortization term and maturity date, and/or unpaid principal balance. The change/s is made to create a more affordable payment for the borrower.

***Q: What is a streamlined modification?***

A: A streamlined modification is a modification that requires less documentation and less processing. In this case, the streamlined modification seeks to create a monthly mortgage payment that is sustainable for troubled borrowers by targeting a benchmark ratio of housing payment to monthly gross household income.

***Q: What is the benchmark ratio?***

A: This is the first time the industry has agreed on an industry standard. The benchmark ratio for calculating the affordable payment is 38 percent of monthly gross household income. Once the affordable payment is determined, there are several steps the servicer can take to create that payment – extending the term, reducing the interest rate, and forbearing interest. In the event that the affordable payment is still beyond the borrower's means, the borrower's situation will be reviewed on a case-by-case basis using a cash flow budget.

***Q: Who participated in creating the Streamlined Modification Program? Is this identical to the FDIC's IndyMac protocol?***

A: This program resulted from a unified effort among the Enterprises, Hope Now and its twenty-seven servicer partners, Treasury, the Federal Housing Administration (FHA) and FHFA. In addition, we've drawn on the FDIC's experience and assistance from developing the IndyMac streamlined approach and have greatly benefited from the FDIC's input and example. To accommodate the need for more flexibility among a larger number of servicers, the Streamlined Modification Program does differ from the IndyMac model in a few areas. However, it uses the same fundamental tools to achieve the same affordability target.

***Q: How is this different from Citi's announcement today?***

A: This effort compliments efforts of those banks that have mortgage portfolios and can reach out directly to borrowers for loans they own and service. This is a significant announcement in that Fannie Mae, Freddie Mac and FHFA have mutually agreed as major investors to a single streamlined modification program with a common affordability standard. The majority of HOPE NOW banks who own portfolio mortgages will adopt or offer programs as or more aggressive than what's being announced.

***Q: What is the role of HOPE NOW?***

A: HOPE NOW has the leading servicers as members. HOPE NOW collaborated with Fannie Mae, Freddie Mac and FHFA on arriving at a standard that is consistent and addresses the capacity challenge for servicers dealing with increased delinquencies. This will take on-going work to implement for servicers. We anticipate this being implemented by December 15<sup>th</sup>.

***Q: Why is there not a foreclosure moratorium?***

A: Any borrower who qualifies and responds to the servicer will be given the opportunity to provide the required information for consideration. If necessary, the scheduling of a foreclosure sale will be suspended. A suspension requires that the borrower maintain contact, desires to keep his or her home, has the ability to make the affordable payment offered, and promptly respond to requests for information and signed documents.

***Q: Why is it necessary?***

A: With the rise in serious delinquencies and increasing number of loans in foreclosure, this program will help borrowers who have missed three or more payments, but want to keep their homes. Because the eligibility requirements and process are streamlined and consistent, the program will allow servicers to reach more borrowers more quickly.

***Q: Who is eligible?***

A: The highest risk borrower, who has missed three payments or more, owns and occupies the property as a primary residence, and has not filed bankruptcy. The loan is a Freddie Mac, Fannie Mae or portfolio loan with participating investors. To qualify for the streamlined modification, the borrower must certify that he or she experienced a hardship or change in financial circumstances, and did not purposely default to obtain a modification.

***Q: Why must the borrower be 90 days delinquent? Why not earlier in the delinquency cycle?***

A: This is a streamlined solution targeted to reach the most at risk borrower. For borrowers who do not qualify, other solutions are available. This in no way substitutes for the meaningful efforts by all servicers and investors that are currently in place. The 212,000 workouts reported by HOPE NOIW in September are testimony to that fact. We will continue to see those efforts produce meaningful results.

***Q: How many people will this help?***

A: While difficult to assess, it is clear delinquencies are predicted to continue well into 2009. Foreclosure estimates are significant. Having a streamlined approach will assist many borrowers who default and more quickly. We estimate this will ultimately help thousands of borrowers.

***Q: What if a borrower is not eligible but still wants to save his/her home?***

A: If the servicer is unable to create an affordable payment with this streamlined program, it will further evaluate the borrower's situation via the standard process. The standard modification program requires a personal cash-flow budget customized to the borrower's situation.

***Q: How do borrowers apply?***

A: To be considered for the program, a seriously delinquent borrower should contact his or her servicer and provide the requested information – monthly gross household income, association dues and fees, and a hardship statement.

***Q: How do borrowers complete the modification process?***

A: Upon receiving the Modification Agreement from the servicer, the borrower signs it and returns it with the 1<sup>st</sup> payment at the modified terms along with income verification. Once the borrower makes three payments at the modified terms and the account is current as of day 90 of the modified plan, the modification is complete.

***Q: What are the goals of the program?***

First, we hope that other industry participants -- portfolio lenders and representatives of private label security investors – readily and rapidly adopt this program as the industry standard. Second, the program could increase the number of modifications significantly. Third, broad acceptance and effective implementation could stabilize communities and property values.

***Q: When will servicers start offering this program?***

A: We expect that by December 15th, servicers will be positioned to work with eligible borrowers.

***Q: Will servicers get more details on this program?***

A: Both Fannie Mae and Freddie Mac will be communicating directly with their approved servicers through an announcement, letter or bulletin.

**Links:**

Hope Now <http://www.hopenow.com/>

HUD <http://www.hud.gov/foreclosure/>

