

FHA – Home Affordable Mortgage Program (FHA-HAMP)

August 12, 2009

The FHA-HAMP is HUD's newest loss mitigation tool. The FHA-HAMP helps eligible homeowners by lowering their mortgage payments to an affordable amount. This is accomplished by deferring up to 30% of the borrower's unpaid principal balance and modifying the remaining unpaid principal into a thirty year fixed rate mortgage.

How It Works:

- The FHA-HAMP combines two existing loss mitigation tools – the Partial Claim and the loan modification – in a very specific way to reduce the monthly obligations of the borrower.
- A partial claim is used to defer up to 30% of the outstanding principal balance. A loan modification is then used to modify the remaining principal balance into a 30 year loan with a fixed interest rate.
- The FHA-HAMP is available to borrowers with FHA-insured mortgages who are at least one month-but not more than 12 months- delinquent on their payments, can meet qualifying debt to income ratios, and who are not eligible for any other loss mitigation home retention option.
- Borrowers must complete a three month trial payment plan where they must make their new monthly payment on time for three months prior to the HAMP being completed.
- Upon successful completion of the three month trial payment plan, the partial claim and loan modification are executed, completing the FHA-HAMP. The lender then submits their claim to HUD for the amount of the partial claim and an incentive fee of up to \$1,250.
- If the trial payment plan is not completed successfully, the borrower is no longer eligible for the FHA-HAMP, but the lender must consider the borrower for all other loss mitigation options at this point.

The Partial Claim:

- Maximum amount of 30% of the outstanding principal balance as of the date of default
- Includes arrearages, legal fees and foreclosure costs related to a cancelled foreclosure, and the principal reduction. The principal reduction is the amount that must be deferred in order to result in a loan balance with a monthly payment of 31% of a borrower's gross monthly income.
- Arrearages included in the partial claim from this delinquency and any previous partial claims can not exceed 12 months PITI.
- Lender may receive an incentive of \$500.

The Loan Modification:

- Must result in a 30 year mortgage
- Mortgage must have a fixed interest rate
- Must be executed or borrower no longer eligible for the FHA-HAMP
- Lender may receive an incentive of \$750.

For more information regarding the FHA-HAMP, see Mortgagee Letter 2009-23, visit the National Servicing Center's website at www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm, or call the National Servicing Center at 888-297-8685.