

UNDERSTANDING THE 'MAKING HOME AFFORDABLE' PROGRAM

Making Home Affordable is a federal program that offers qualified homeowners a refinance or loan modification to make mortgage payments affordable now and in the future.

Home Affordable Refinance

You may qualify for a lower interest, fixed rate, 30 or 15-year mortgage if all the following are true:

- Your loan is owned by Fannie Mae or Freddie Mac;
- You are current on your mortgage payments;
- The amount due on your first mortgage is less than 125% of the value of your home;
- You have a stable income sufficient to make new mortgage payments.

NOTE

For more information about Making Home Affordable visit www.makinghomeaffordable.gov

To find out if your loan is owned by Fannie Mae or Freddie Mac:

- Contact Fannie Mae 1-800-7FANNIE (8am to 8pm EST); www.fanniemae.com/homeaffordable
- Contact Freddie Mac 1-800-FREDDIE (8am to 8pm EST); www.freddiemac.com/avoidforeclosure/

Home Affordable Modification

You are eligible to apply for a Home Affordable Modification of your first mortgage if all the following are true:

- The house has one to four units and one of the units is your primary residence;
- Your unpaid first mortgage balance is less than \$729,750 (for one unit, more for 2-4);
- Your loan originated on or before January 1, 2009;
- Your mortgage payment (including property taxes, insurance and homeowners association) is more than 31% of your gross (before tax) monthly income;
- You have experienced a change in income or expenses to the point that your mortgage payment is no longer affordable.
- Your mortgage servicer chooses to participate in this program. To find out if your mortgage servicer is participating, call your servicer or use the look-up tool online at www.makinghomeaffordable.gov.

Home Affordable Modification (cont.)

To determine if you qualify for a Home Affordable Modification, your mortgage servicer will:

- Determine if your loan meets the minimum eligibility criteria.
- Add past due charges (interest, property taxes, insurance and costs – late fees must be waived) to your loan balance.
- Determine how much your interest rate must be reduced to get your mortgage payment to equal 31% of your gross monthly income.
 - The servicer may also extend the term beyond 30 years or defer some of the mortgage balance to get the payment to 31% of your gross income.

If you meet the above criteria, you will have to complete a three month trial period making payments at the new amount. Upon successfully completing the trial period, the servicer will make a final analysis and apply a test to determine if the modification will be less costly than foreclosure. If the modification is the best option, the servicer will make a permanent modification.

The interest rate on a permanent Home Affordable Modification will remain fixed for five years. If the initial interest rate is below market rate, after five years it will adjust up no more than 1% per year until it reaches the market rate.

If you make your mortgage payments on-time you may qualify for up to \$5,000 towards your mortgage balance.

Contact a Housing Counselor with questions and to help you determine if Making Home Affordable or other options will work for you. Housing Counselors offer free, unbiased advice. To find a Housing Counselor in your area contact the Minnesota Home Ownership Center at 866-462-6466 or www.hocmn.org.