MAKING HOME AFFORDABLE

BORROWER FREQUENTLY ASKED QUESTIONS

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What is "Making Home Affordable" all about?

Making Home Affordable is part of President Obama's comprehensive strategy to get the housing market back on track. Through the Making Home Affordable Program, up to 9 million American families may be eligible to refinance or modify their loans to a payment that is affordable now and into the future.

HOME AFFORDABLE REFINANCE

1. I'm current on my mortgage. Will the Home Affordable Refinance help me?

Eligible borrowers who are current on their mortgages but have been unable to take advantage of today's lower interest rates because their homes have decreased in value, may now have the opportunity to refinance. Through the Home Affordable Refinance Program, Fannie Mae and Freddie Mac will allow the refinancing of mortgage loans that they own or that they placed in mortgage backed securities.

2. How do I know if I am eligible?

You may be eligible if:

- You are the owner occupant of a one to four unit home,
- The loan on your property is owned or securitized by Fannie Mae or Freddie Mac (Don't know? See below),
- At the time you apply, you are current on your mortgage payments (current means that you haven't been more than 30-days late on your mortgage payment in the last 12 months or, if you have had the loan for less than 12 months, you have never missed a payment),
- You believe that the amount you owe on your first mortgage is about the same or slightly less than the current value of your house,
- You have income sufficient to support the new mortgage payments, and
- The refinance improves the long term affordability or stability of your loan.

3. How do I know if the refinance will improve the long term affordability or stability of my loan?

Your lender will give you a "Good Faith Estimate" that includes your new interest rate, mortgage payment and the amount you will pay over the life of the loan. Compare this to your current loan terms. If it is not an improvement, refinancing may not be right for you. Also consider that refinancing from an adjustable rate to a fixed rate loan or eliminating higher risk loan terms such as interest only payments or balloon payments may also provide long term stability.

4. **How do I know if my loan is owned or has been securitized by Fannie Mae or Freddie Mac?**

You should call your mortgage lender or servicer (the organization to whom you make your monthly mortgage payments) and ask about the program.

Both Fannie Mae and Freddie Mac have established toll-free telephone numbers and web submission processes to make this data available. Borrowers will provide or enter information to determine if either agency owns or securitized the loan. This information is not a guarantee of eligibility for the refinance program, as other qualifying criteria must also be met.

- For Fannie Mae,
    - 1-800-7FANNIE (8am to 8pm EST).
    - www.fanniemae.com/loanlookup
- Freddie Mac
    - 1-800-FREDDIE (8am to 8pm EST)
    - www.freddiemac.com/mymortgage

5. **I owe more than my property is worth. Do I still qualify to refinance under the Making Home Affordable Program?**

Eligible loans will include those where the first mortgage will not exceed 105% of the current market value of the property. For example, if your property is worth $200,000 but you owe $210,000 or less on your first mortgage you may qualify. The current value of your property will be determined after you apply to refinance.

6. **I have both a first and a second mortgage. Do I still qualify to refinance under Making Home Affordable?**

As long as the amount due on the first mortgage is less than 105% of the value of the property, borrowers with more than one mortgage may be eligible for a Home Affordable Refinance. Your eligibility will depend, in part, on agreement by the lender that has your second mortgage remain in a second position, and on your ability to meet the new payment terms on the first mortgage.

7. **Will refinancing lower my payments?**

The objective of the Home Affordable Refinance is to provide creditworthy borrowers who have shown a commitment to paying their mortgage, the opportunity to get into a mortgage with payments that are affordable today and sustainable for the life of the loan. Borrowers whose mortgage interest rates are much higher than the current market rate should see an immediate reduction in their payments.

Borrowers who are paying interest only, or who have a low introductory rate that will increase in the future, may not see their current payment go down if they refinance to a fixed rate and payment. These borrowers, however, could save a great deal over the life of the loan by avoiding future mortgage payment increases. When you submit a loan application, your lender will give you a "Good Faith Estimate" that includes your new interest rate, mortgage payment and the amount that you will pay over the life of the loan. Compare this to your current loan terms. If it is not an improvement, a refinancing may not be right for you.

8. What are the interest rate and other terms of this refinance offer?

The rate will be based on market rates in effect at the time of the refinance and any associated points and fees quoted by the lender. Interest rates may vary across lenders and over time as market rates adjust. The refinanced loans will have no prepayment penalties or balloon payments.

9. Will refinancing reduce the amount that I owe on my loan?

No. The objective of the Home Affordable Refinance is to help borrowers get into more affordable loans. Refinancing will not reduce the principal amount you owe to the first mortgage holder or any other debt you owe. However, refinancing should save you money by reducing the amount of interest that you pay over the life of the loan.

10. Can I get cash out to pay other debts?

No. However, borrowers whose loans are owned or securitized by Fannie Mae may be eligible to finance all closing costs and obtain a small amount of cash (2% of the mortgage amount not to exceed $2,000) through the refinance if there is sufficient equity. For borrowers whose loans are owned or securitized by Freddie Mac, transaction costs (not to exceed $2,500) such as the cost of an appraisal or title report, may be included in the refinanced amount.

11. How do I apply for a Home Affordable Refinance?

You should call your mortgage servicer or lender and ask about the Home Affordable Refinance application process. The number is on your monthly mortgage bill or coupon book. Please be patient. Lenders and servicers are implementing the program now and it may take time before they are ready to process all applications. In the meantime, it will help your lender and speed up the application process if you gather some information and documents before you call.

Additionally, beginning April 4, 2009, borrowers whose loans are owned or securitized by Fannie Mae may also apply through any Fannie Mae approved lender.

Nearly all major banks and mortgage brokers are approved to work with Fannie Me. Ask the lender you choose if it is authorized to provide a Home Affordable Refinance.

12. What documentation will I need?

It will help your lender if you gather some information and documents before you call. You will need:

- Information about the monthly gross (before tax) income of all the borrowers on your loan, including recent pay stubs if you receive them or documentation of income you receive from other sources.
- Your most recent income tax return.
- Information about any second mortgage on the house.
- Account balances and minimum monthly payments due on all of your credit cards.
- Account balances and monthly payments on all your other debts such as student loans and car loans.

13. I am delinquent on my mortgage. Will I qualify for a Home Affordable Refinance?

No. Borrowers who are currently delinquent or have been 30 days overdue more than once during the past 12 months will not qualify. You should contact your servicer to see if a Home Affordable Modification is an option for you.

14. Will I need mortgage insurance?

If your existing loan has private mortgage insurance, you will need the same amount of insurance coverage for the refinanced loan. If your existing loan does not have private mortgage insurance it will not be required as part of the Home Affordable Refinance.

15. How long will the Home Affordable Refinance be available?

The program expires on June 10, 2010. Your refinance transaction must be closed and funded on or before that date.

HOME AFFORDABLE MODIFICATIONS

1. Can Making Home Affordable help me if my loan is not owned or securitized by Fannie Mae or Freddie Mac?

Yes. Making Home Affordable offers help to borrowers who are struggling to keep their loans current or who are already behind on their mortgage payments. By providing mortgage servicers with financial incentives to modify existing first mortgages, the Treasury hopes to help as many as 3 to 4 million homeowners avoid foreclosure regardless of who owns or services the mortgage.

2. How do I know if I qualify for a Home Affordable Modification?

To apply for a Home Affordable Modification, you must:

- Be an owner-occupant in a one to four unit property,
- Have an unpaid principal balance that is equal to or less than $729,750 for one unit properties (there is a higher limit for two to four unit properties - consult your servicer),
- Have a loan that was originated on or before January 1, 2009,
- Have a mortgage payment (including taxes, insurance, and home owners association dues) that is more than 31% of your gross (pre-tax) monthly income, and
- Have a mortgage payment that is not affordable, perhaps because of a significant change in income or expenses.

If you answered YES to all of these questions, you may be eligible to apply for a Home Affordable Modification. Only your servicer will be able to tell you if you qualify.

3. Do I need to be behind on my mortgage payments to be eligible for a Home Affordable Modification?

No. Responsible borrowers who are struggling to remain current on their mortgage payments are eligible if they are at risk of imminent default, for example, because their mortgage payment has recently increased to a level that is not affordable. If you have had or anticipate a significant increase in your mortgage payment or you have had a significant reduction in income or have experienced some other hardship that makes you unable to pay your mortgage, contact your servicer. You will be required to document your income and expenses and provide evidence of the hardship or change in your circumstances.

4. I have a second mortgage. Am I still eligible?

Yes, but only the first mortgage is eligible for a modification.

5. How do I know if my servicer is participating? Are all servicers required to participate?

Servicer participation in the program is voluntary. However, the government is offering substantial incentives to servicers and investors, and it is expected that most major servicers will participate. Participating servicers will sign a contract with Treasury's financial agent, through which they agree to review every potentially eligible borrower who calls or writes asking to be considered for the program.

As contracts are signed, a list of participating servicers will be available on the Internet at www.makinghomeaffordable.gov.

6. What will my servicer do to determine if I qualify?

If you report a hardship, your servicer will:

- Determine whether your loan meets the minimum eligibility criteria (owner occupied, originated on or before January 1, 2009, unpaid principal balance equal to or less than $729,750). If yes
- Ask about current income, assets and expenses as well as the specific circumstances relating to the hardship to determine if you will be unable to make your mortgage payment. (Your servicer may initially accept verbal information about your income and expenses, but eventually you will need to provide proof in the form of tax returns, pay stubs and other evidence).
- Determine if your monthly first lien mortgage payment is more than 31% (approximately 1/3) of your gross or pre-tax monthly income. If yes:
- Add past due charges (interest, taxes, insurance and costs that your lender paid to other parties on your behalf – but not late fees, those must be waived) to the loan balance.
- Determine how much of an interest rate reduction will be required to get your first mortgage payment down to a point where it is no more than 31% of your gross monthly income.
- Apply a value test to determine if the cost of the modification (including the government's incentive payments) is less costly for the investor than not modifying the loan (loans held by borrowers who have a lot of equity or whose incomes are very low in relation to the value of their homes probably will not pass this value test). If yes:
- Put you on a trial modification for three months at the new interest rate and payment level.
- If you successfully make the payments and are current at the end of the trial period, your servicer will execute a permanent modification agreement that will lower your interest rate to a fixed rate for five years, and then capped at a low rate for the remaining life of the loan.

NOTE: You will be required to sign the modification agreement and other documents and attest that all of the information you provided to your servicer was true and accurate. Misrepresenting any information required for the Home Affordable Modification is a violation of Federal Law and has serious consequences.

7. What happens after five years?

If the modified interest rate is below the market rate, the modified rate will be fixed for a minimum of five years as specified in your modification agreement. Beginning in year six, the rate may increase no more than one percentage point per year until it reaches the rate cap indicated in your modification agreement. The cap is equal to the prevailing market interest rate on the date the modification is finalized as published by Freddie Mac based on a survey of its customers. This cap means that your rate can never be higher than the market rate on the day your loan was modified. If the modified rate is at or above the prevailing market rate, as defined above, the modified rate will be fixed for the life of the loan.

8. Will the modified loan include property taxes and homeowners insurance?

Yes. The modification payment will include a monthly amount to be set aside (escrowed) to pay taxes and insurance when they become due. This escrow is required even if your prior loan did not include an escrow.

9. How low can my interest rate go?

Treasury is providing incentives to your investor to write the interest down to as low as 2%, if necessary to get to a payment that you can afford based on your income.

10. What happens if that is not enough to get to an affordable payment?

If a 2% interest rate does not result in a payment that is affordable (no more than 31% of your gross monthly income), your servicer will:

- First try to extend your payment term. At the servicer's option your payments could be extended out to 40 years.
- If that is still not sufficient your servicer may defer repayment on a portion of the amount you owe until a later time. This is called a principal forbearance.
- A portion of the debt could be also be forgiven. This is optional on the part of the investor. There is no requirement for principal forgiveness.

11. Could I end up with a balloon payment?

Yes. If your servicer determines that a principal forbearance is required to get your monthly payment to an affordable level, the amount of the forbearance, say for example this was $20,000, would be subtracted from the amount used to calculate your monthly mortgage payment, but you would still owe the money. You would have a $20,000 balloon payment that had no interest and was not due until you paid off your loan, refinanced or sold your house.

12. What happens if I am unable to make payments during the trial period?

Borrowers who are unable to make three payments by the end of the trial period are not eligible for a Home Affordable Modification. However, you may be eligible for other foreclosure prevention options offered by your servicer.

13. How much will a modification cost me?

Borrowers who are behind on payments or at risk of imminent default often do not have cash to pay for the expenses of a loan modification. Borrowers who qualify for a Home Affordable Modification will never be required to pay a modification fee or pay past due late fees. If there are costs associated with the modification, such as payment of back taxes, your servicer will give you the option of adding them to the amount you owe on your mortgage or paying some or all of the expenses in advance. Paying these expenses in advance will reduce your new monthly payment and save interest costs over the life of your loan.

If you would like assistance from a HUD-approved housing counseling agency or are referred to a counselor as a condition of the modification, you will not be charged a counseling fee. Borrowers should beware of any organization that attempts to charge an upfront fee for housing counseling or modification of a delinquent loan, or any organization that claims to guarantee success.

14. Is housing counseling required under this program?

Borrowers, especially delinquent borrowers, are strongly encouraged to contact a HUD-approved housing counselor to help them understand all of their financial options and to create a workable budget plan. These services are free. However, housing counseling is only required for borrowers whose total monthly debts are very high in relation their incomes. It is voluntary for other applicants.

When you apply for a Home Affordable Modification, your servicer will analyze your monthly debts, including the amount you will owe on the new mortgage payment after it is modified, as well as payments on a second mortgage, car loans, credit cards or child support. If the sum of all of these recurring monthly expenses is equal to or more than 55% of your gross monthly income, you must agree to participate in housing counseling provided by a HUD-approved housing counselor as a condition of getting the modification.

15. I heard the government was providing a financial incentive to borrowers. Is that true?

Yes. Borrowers who make timely payments on their modified loans will receive success incentives. For every month you make a payment on time, Treasury will pay an incentive that reduces the principal balance on your loan. The incentive will be applied directly to your loan balance annually and over five years the total principal reduction could add up to $5,000. This contribution by the Treasury will help you build equity faster.

16. I do not live in the house that secures the mortgage I'd like to modify. Is this mortgage eligible for a Home Affordable Modification?

No. For example, if you own a house that you use as a vacation home or that you rent out to tenants, the mortgage on that house is not eligible. If you used to live in the home but you moved out, the mortgage is not eligible. Only the mortgage on your primary residence is eligible. The mortgage servicer will check to see if the dwelling is your primary residence. Misrepresenting your occupancy in order to qualify for this program is a violation of Federal law and may have serious consequences.

17. I have a mortgage on a duplex. I live in one unit and rent the other. Will I still be eligible?

Yes. Mortgages on two, three and four unit properties are eligible as long as you live in one unit as your primary residence.

18. I owe more than my house is worth. Will a Home Affordable Modification reduce what I owe?

The primary objective of the Making Home Affordable Program is to help borrowers avoid foreclosure by modifying troubled loans to achieve a payment the borrower can afford. Investors may, but are not required to, offer principal reductions. It is more likely that your servicer will use interest rate reductions in order to make your payment affordable.

19. I have an FHA loan. Can it be modified under the making Home Affordable Program? Are all loans eligible?

Most conventional loans including prime, subprime and adjustable loans, loans owned by Fannie Mae, Freddie Mac and private lenders and most loans in mortgage backed securities are eligible for a Home Affordable Modification. The Administration is working with the Congress to enact legislation that will allow FHA and VA to offer modifications consistent with Making Home Affordable in the near future. Currently loans insured or guaranteed by these agencies are being modified under other programs that also enable borrowers to retain homeownership.

20. How do I apply for a modification under the Making Home Affordable Plan?

If you meet the general eligibility criteria for the program, you should gather the financial documentation that your servicer will need to determine if you qualify. Once you have this information, you should call your mortgage servicer and ask to be considered for a

Home Affordable Modification. The number is on your monthly mortgage bill or coupon book.

If your loan is current, please be patient as it may take some time before servicers are able to process all applications. However, servicers immediately can begin reviewing the eligibility of borrowers.

If you would like to speak to a housing counselor you can call **1-888-995-HOPE (4673).** HUD-approved housing counselors can help you evaluate your income and expenses and understand your options. This counseling is FREE.

If you have already missed one or more mortgage payments and have not yet spoken to your servicer call them immediately.

21. What information and documents will I need?

It will help your servicer and speed processing of your application if you gather some information and documents before you call. For all borrowers on your loan, you will need:

- Information about monthly gross income, including recent pay stubs if the borrowers are salaried and receive them and documentation of any income received from other sources.
- Most recent income tax return.
- Information about assets.
- Information about any second mortgage on the house.
- Account balances and minimum monthly payments due on all credit cards.
- Account balances and monthly payments on all other debts such as student loans and car loans.
- A letter describing why your mortgage is unaffordable (i.e. what caused your income(s) to be reduced or expenses to be increased).

22. How long will the Home Affordable Modification Program be available?

The program expires on December 31, 2012. Your trial modification must be in place by that date.

23. My loan is scheduled for foreclosure soon. What should I do?

Many servicers have made a commitment to postpone foreclosure sales on all mortgages that meet the minimum eligibility criteria for a Home Affordable Modification until those loans can be fully evaluated.

However, borrowers whose loans have been scheduled for foreclosure or any borrower that has missed one or more mortgage payments and has not yet spoken to their servicer should contact the servicer immediately. Borrowers may also contact a HUD-approved housing counselor by calling **1-888-995-HOPE (4673).**

WHAT ELSE DO I NEED TO KNOW?

1. Who is my "loan servicer? Is that the same as my lender or investor?

Your loan servicer is the financial institution that collects your monthly mortgage payments and has responsibility for the management and accounting of your loan. Your servicer may also be your lender, which means they own your loan, however, many loans are owned by groups of investors.

Traditionally, banks used money deposited in customers' savings accounts to make loans. They held the loans, earning the interest as borrowers repaid over time. Banks were thus limited in the number of loans they could make because they had to wait to make new ones until savings deposits grew or existing borrowers repaid their loans. Many families who wanted to own a home were unable to do so because there was not a steady supply of money to lend.

Over time, banks started to turn loans into cash by pooling large groups of loans together to create mortgage backed securities that could be sold to investors such as pension funds and hedge funds. The investors get the right to collect future payments and the bank gets cash that it can use to make more loans. Investors hire loan servicers to collect payments and interact with customers.

If you have questions about your loan or you are behind on your payments you should call your loan servicer at the number on your payment coupon or monthly mortgage statement.

2. Why does my loan servicer have to ask the investor if they can do a loan modification?

If the organization that services your loan does not own it, your servicer may need to get permission from the owner or investor before they can change any of the terms of your loan. Generally, there is a contract between the servicer and the investor that states what kind of actions the servicer is allowed to take. Most of these contracts, called pooling and servicing agreements (PSAs), give the servicer a lot of leeway to make modification decisions, so long as the modification provides a better financial outcome for the investor than not modifying the loan.

3. What should I do if my servicer tells me that the investor is not participating in Making Home Affordable?

As contracts with servicers and investors are signed, the list of participants will be posted at http://www.makinghomeaffordable.gov/. Borrowers should check first to see if their servicer is listed. If so, you should call your servicer back and ask to speak to a supervisor or you may contact a HUD-approved housing counselor for assistance. If your servicer or investor is not participating in the program, you should ask your servicer or a housing counselor about other workout options that may be available.

BEWARE OF FORECLOSURE RESCUE SCAMS – HELP IS FREE!

- There should never be a fee for assistance with or information about the Making Home Affordable Program.
- Beware of any person or organization that asks you to pay an upfront fee in exchange for a counseling service or modification of a delinquent loan. <u>Do not pay – walk away!</u>
- Beware of anyone who says they can "save" your home if you sign or transfer over the deed to your house. Do not sign over the deed to your property to any organization or individual unless you are working directly with your mortgage company to forgive your debt.
- Never make your mortgage payments to anyone other than your mortgage company without their approval.