## Hope for Homeowners program

The Hope for Homeowers (H4H) program has been launched and EZ Home Modifications, Inc. is looking at this new government led foreclosure initiative that was launched October 1st, very closely.

Will homeowners on Main Street finally get hope they need and deserve or is this just another foreclosure flop like the FHA Secureor Project LifeLine? Is the H4H the real deal or will Washington continue to tie the noose even tighter around homeowners necks as they approach the foreclosure gallows?

The Housing and Economic Recovery Act of 2008 amends the National Housing Act to authorize a new temporary FHA mortgage insurance program called the Hope for Homeowners (H4H) Program. Under this Program, certain borrowers facing difficulty in paying their mortgages will be eligible to refinance into affordable FHA-insured mortgages. The H4H Program effective for endorsements on or after October 1, 2008 through September 30, 2011.

While underwriting mortgages for the H4H Program presents unique challenges for the industry, FHA has confidence in its approved mortgagees to exercise their ingenuity in meeting these challenges, while adhering fully to this mortgagee letter, without compromising their ability to make and support sound underwriting decisions. The information, directions, and guidance provided in this mortgagee letter reflect statutory requirements as well as the standards, policies and regulations adopted by the Board of Directors (Board) for the H4H Program.

### I. Determining Eligibility : Borrower Eligibility

- Borrowers who are current or delinquent on their mortgage at the time of the refinance are eligible for this Program, if they:
- Have not intentionally defaulted on their mortgage or any other debt (Intentionally defaulted means the borrower had available funds that could pay the mortgage and other debts without hardship. Debts subject to a documented bona fide dispute may be excluded.) AND
- Have made a minimum of six (6) full payments during the life of the existing senior mortgage (full payment is defined as what was acceptable to the lender for meeting the monthly payment obligation under the terms and conditions of the mortgage).
- Borrowers must reside in the property securing the loan being refinanced, and may not have an ownership interest in other residential real estate, including second homes and/or rental properties.
- Borrowers cannot have been convicted of fraud under state and Federal laws in the last 10 years.

Similar to its validation tool for social security numbers, FHA will use an automated tool at the time of case number assignment that will check the borrower's name against several databases for convictions of fraud and an ownership interest in other residential properties. In the event that the lender receives a warning at case number assignment and believes it is in error, it must provide evidence to the appropriate Homeownership Center documenting that the borrower has not been convicted of fraud or does not have an ownership interest in other residential properties. Once the Homeownership Center evaluates the documentation, it will determine whether to lift the warning.

Borrowers must certify that they did not knowingly or willfully provide material false information to obtain the existing mortgages being refinanced under the H4H Program.

As of March 1, 2008, the borrower's aggregate total monthly mortgage payment debt-to-income ratio (DTI) on all existing mortgages must be greater than 31 percent of the borrower's gross monthly income. The total monthly mortgage payment is defined as the fully-indexed and fully amortized Principal, Interest, Taxes and Insurance (PITI) payment (this includes principal and interest, taxes and insurances, homeowner's association fees, ground rents, special assessments and all subordinate liens).

FHA recognizes that reconstructing the borrower's prior total monthly mortgage payment DTI as of March 1, 2008 may be difficult, especially as the H4H Program nears its sunset date. To comply with this eligibility requirement, lenders must obtain:

1. From the borrower, evidence that the prior mortgage DTI was more than 31 percent on March 1, 2008, such as pay stubs for March 2008, or a signed and dated copy of the individual 2008 Federal tax return, when available, to determine gross monthly income for that month (earnings divided by 12), or W-2s, financial records, or verification of employment from the borrower's employer.

2. Lenders may also rely on the borrower's signed and dated 2007 Federal tax return if the lender has no reason to believe that the borrower's income in March 2008 was materially different than the income reported on the 2007 Federal tax return.

To determine March 2008 income for self-employed borrowers, obtain a copy of the quarterly tax return that contains income stream information for March 2008 or a signed and dated Profit and Loss Statement and balance sheet that contains income stream information for March 2008 or a signed and dated copy of the individual 2008 Federal tax return, when available, (earnings divided by 12).

From the servicer of the mortgage, the borrower's total monthly mortgage payment due for March 2008, including any amounts due on subordinate liens. For mortgages without escrow accounts, the lender should obtain tax and insurance information from the borrower. If the borrower does not provide insurance information, then the servicer of the mortgage should estimate the monthly cost of hazard insurance (and flood insurance, if applicable) based on the property's location and the rates in effect for 2008. If the borrower does not provide real estate tax information, the lender should obtain it from public records.

## Mortgage Eligibility

1. The mortgage being refinanced must have been originated on or before January 1, 2008;
   - Each holder of an existing senior mortgage being refinanced must:
     1. Waive all prepayment penalties and late payment fees (including insufficient funds fees) on the mortgage. Prepayment penalties are defined in the Federal Reserve Board's Regulation Z (Truth in Lending), 12 CFR 226.32(d)(6);
     2. Agree to accept the proceeds of the new H4H mortgage as payment in full, and se their outstanding mortgage liens.
   - Each holder of an existing subordinate mortgage must:
     1. Waive all prepayment penalties and late payment fees (including insufficient funds fees) on the mortgage. Prepayment penalties are defined in the Federal Reserve Board's Regulation Z (Truth in Lending), 12 CFR 226.32(d)(6); and
     2. Release their outstanding mortgage liens.

Any type of mortgage is eligible for refinancing under the H4H Program, including conventional (prime, Alt-A, subprime) or government-backed (FHA, VA, or Rural Development), fixed-rate or an adjustable rate mortgage; and

The mortgage being refinanced may have a variety of payment characteristics, including interest only, payment option, negative amortization and/or any other exotic features.

Property Eligibility

1. The property must be the borrower's primary and only residence in which they have an ownership interest (if there are non-occupant co-borrowers, they will need to quit claim their interest in the property prior to the occupying co-borrowers applying for the H4H Program);
2. . Only 1 unit properties are eligible, including condominium units, cooperative units and manufactured housing permanently affixed to realty.

## I. Consumer Protections and Disclosures

Although counseling is not required as a condition of insurance endorsement, borrowers should be strongly encouraged to contact and work with a housing counseling agency. The lender must provide to the borrower(s) the Hope for Homeowners Consumer Disclosure and Certification Form at the time of initial loan application for the Program. This disclosure form must be signed and dated by the borrower at least one day prior to execution of the initial Universal Residential Loan Application (URLA) and HUD/VA Addendum to the URLA [see Exhibit A].

Typically, borrowers execute a final URLA and a final Addendum to the URLA at the time of closing. Borrowers will also need to sign and date the Hope for Homeowners Consumer Disclosure and Certification Form at the time of closing.