



# FHA's Office of Single Family Housing

Foreclosure Prevention After HAMP

## FHA Loss Mitigation Updates and Continuity

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Presented by:

**Mike Levine**

FHA Philadelphia Homeownership Center

Office of Single Family Housing

Department of Housing and Urban Development





# FHA Loss Mitigation Program Continuity

- Unlike the Conventional HAMP Program, which was temporary, FHA-HAMP is permanent.
- We will talk today about some recent changes to the FHA Loss Mitigation program.
- We will also describe the FHA Loss Mitigation Waterfall and how Loss Mitigation Retention Options are structured.



# Recent Changes to HUD's Loss Mitigation Requirements – Mortgagee Letter 2016-14

- Previously FHA had two types of loan modifications, now there's only one.
  - Previously, we had a Standard Loan Modification that targeted a 10% reduction in PITI.
  - We also had FHA-HAMP Modifications that targeted a 20% reduction in PITI.
  - Because the 10% Standard Modification re-defaulted at more than twice the rate for FHA-HAMP, we eliminated the Standard Loan Modification that targets a 10% PITI reduction.
- Borrowers needed more payment relief to have sustainable loan modifications.



# Recent Changes to HUD's Loss Mitigation Requirements – Mortgagee Letter 2016-14 (cont.)

- Although HUD always required documentation of income and expenses, OIG findings on lenders required us to be more specific on expense and income documentation for:
  - Determination of Financial Hardship.
  - Determination of Surplus Income to distinguish delinquencies that can be reasonably expected to be cured with Formal Forbearances from those needing the 20% reduction provided with FHA- HAMP.
- Eliminated Requirement that Special Forbearances be for a minimum of 12 months. Special Forbearances cannot exceed 12 months PITI.

# Loss Mitigation Option Priority

- Reference: *Single Family Housing Policy Handbook* 4000.1, Section III.A.2.i.iii; Mortgagee Letter 2016-14

## Repayment Plan/Workout Tools

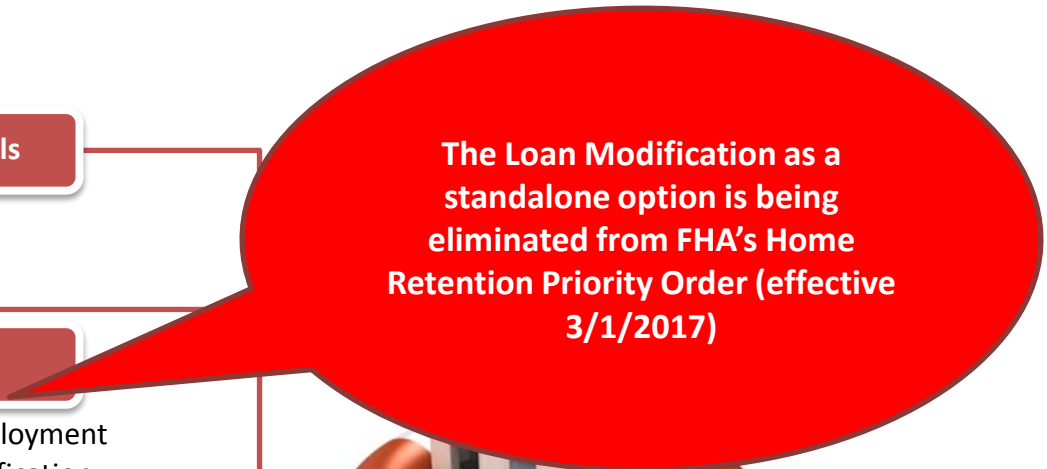
- Informal Forbearance
- Formal Forbearance

## Home Retention Options:

- Special Forbearance - Unemployment
- FHA's Home Affordable Modification Program (FHA-HAMP)

## Home Disposition Options:

- Preforeclosure Sale (PFS)
- Deed-In-Lieu of Foreclosure



**The Loan Modification as a standalone option is being eliminated from FHA's Home Retention Priority Order (effective 3/1/2017)**





# FHA Loss Mitigation Home Retention Option Priority Order Waterfall – Initial Assistance

Step	Decision Point	Yes	No
1	Household or Borrower(s) has experienced a verifiable loss of income or increase in living expenses.	Step 2	Informal or Formal Forbearance/Repayment Plan Workout tools
2	One or more Borrowers receives continuous income?	Step 3	Special Forbearance
3	Front-end ratio is at or less than 31%	Step 4	FHA-HAMP (Step 5)
4	85% of Surplus Income is sufficient to cure arrears within 6 months?	Formal Forbearance/Repayment Plan for 6 months	FHA-HAMP (Step 5)

Ref: HUD Handbook 4000.1, Sec.III.A.2.j.i.iii, ML 16-14





# Special Forbearance (SFB) – Unemployment Option Written Agreement

## Requirements:

- Agreement must identify the specific months for which the account is delinquent and include the total arrearage amount.
- Suspends and/or reduces the current monthly mortgage payment.
- Forbearance Payment must be based on the borrower's ability to pay.
- No late fees may be assessed during the SFB period.
- If Borrower's financial circumstances change, Mortgagee may adjust monthly payment based on new financial information.
- Accrued Arrearage not to exceed 12 months PITI.
- Must specify the date that the SFB will expire if it is not earlier revised or terminated because of a change in the borrower's financial circumstances.
- Borrower may pre-pay.



# FHA Loss Mitigation Home Retention Option Priority Order Waterfall – FHA HAMP

## Step 5 - FHA HAMP

Part 1: FHA-HAMP Partial Claim	STEP	Part 2: FHA-HAMP Loan Modification
<p>Total amount available is the lesser of:</p> <ol style="list-style-type: none"><li>1. The unpaid principal balance as of the date of Default associated with the initial Partial Claim, if applicable, multiplied by 30%, less any previous Partial Claim(s) paid on this Mortgage; or if no previous Partial Claim(s), the unpaid principal balance as of the date of the current Default multiplied by 30%; or</li><li>2. Total amount required to meet the Target Payment. This amount may include:<ol style="list-style-type: none"><li>1. Arrearages; and/or</li><li>2. Legal fees and foreclosure costs related to a canceled foreclosure action; and/or</li><li>3. Principal deferment (if required) <b>No Portion of the Partial Claim may be used to bring the modified PITI monthly payment below the targeted payment</b></li></ol></li></ol>		<ol style="list-style-type: none"><li>5.1. Calculate the target monthly payment:<ol style="list-style-type: none"><li>A. Calculate 31% of gross income</li><li>B. Calculate 80% of current mortgage payment</li><li>C. Calculate 25% of gross income</li><li>D. Take the greater of B and C</li><li>E. Take the lesser of A and D</li></ol></li><li>5.2. Calculate monthly payment on the total outstanding debt to be resolved at the market interest rate and 360 months' term</li></ol>

Ref: HUD Handbook 4000.1, Sec.III.A.2.j.i.iii, ML 16-14







# FHA Loss Mitigation Home Retention Option Priority Order Waterfall – FHA HAMP (cont.)

## Step 5

## Continued

- 5.3. If result of Step 5.2 FHA-HAMP Loan Modification (PITI) is lower than result from Step 5.1.E. (Target Payment), Borrower is eligible for a FHA-HAMP Standalone Loan Modification **only** at the market interest rate. Borrower is not eligible for a FHA-HAMP Partial Claim.
- If result of Step 5.2 Loan Modification (PITI) is greater than result from Step 5.1.E. (Target Payment), review for a FHA-HAMP Standalone PC prior to proceeding to Step 4. If borrower does not meet the requirements for a FHA-HAMP Standalone PC, continue to Step 4.
- 5.4. Calculate amount required to meet Target Payment
- A. Reduce loan balance used in Step 5.2 (Total Amount to be resolved) until calculated mortgage payment reaches target payment amount from Step 5.1.E or the maximum allowable principal deferment is reached per amount available as calculated above under FHA-HAMP Partial Claim Part 1.
  - B. If the final mortgage payment is greater than 40% of current gross income, and there is verifiable unemployment status, Borrower(s) is eligible for reduced payment option under Special Forbearance. If there is no verifiable unemployment status, and Borrower does not qualify for retention options, Borrower should be reviewed FHA's non-retention options.

• Ref: HUD Handbook 4000.1, Sec.III.A.2.j.i.iii, ML 16-14





# FHA-HAMP Option

## Borrower Qualifications:

- Borrower has experienced a verifiable loss of income or increase in living expenses.
- All Borrowers must execute Hardship Affidavit.
- One or more Borrowers must have verified continuous income
- Final modified mortgage payment may not exceed 40% of the Borrower's gross monthly income provided that either:
  - The borrower(s) Front-end ratio is greater than 31%, or
  - 85% of the borrower's surplus income is insufficient to cure arrears within six months.
  - Must successfully complete a 3-month or (4-month for Imminent Default) Trial payment plan.
- Borrower may not have executed a Loan Modification or FHA-HAMP within the past 24 months.
- Must be Owner-Occupant.



# FHA-HAMP Loan Modification Provisions

- FHA-HAMP Loan Modification must fully reinstate the Mortgage.
- Mortgagee must complete an escrow analysis of the Mortgage.
- Must result in a fixed interest rate to the current market rate.
- Maximum allowable rate increase is 25 basis points above the current Freddie Mac Weekly Primary Mortgage Market Survey Rate for 30-year fixed-rate or the Federal Reserve Board Weekly Rate rounded to nearest 1/8th of 1%.
  - <http://www.freddiemac.com/pmms/>



## FHA-HAMP Loan Modification Provisions (cont.)

- Must re-amortize total unpaid amount due over 360 months from the due date of the first installment required under the modified FHA-insured mortgage.
- HUD will extend FHA mortgage insurance coverage to the new principal balance and modified maturity date.
  - FHA insurance will remain in force until the mortgage has been paid in full or otherwise terminated.



# FHA-HAMP Option: FHA-HAMP Stand-Alone Partial Claim

An FHA-HAMP Stand-Alone Partial Claim is the appropriate Loss Mitigation Option if:

- The current interest rate is at or below the current market rate.
- The current mortgage payment with re-analyzed escrow is at or below the established targeted payment.
- A mortgage payment at or below the targeted monthly payment cannot be achieved by re-amortizing the mortgage/outstanding debt for 360 months at the Market Rate.
- FHA-HAMP Partial Claim will not exceed the 30% maximum statutory limit for all Partial Claims combined.
- Borrower must meet all other FHA-HAMP guidelines.
- Three or more full monthly payments are due and unpaid when the Partial Claim Promissory Note is executed.

# FHA-HAMP Option: FHA-HAMP Loan Modification/Partial Claim Combination

*An FHA-HAMP Loan Modification/FHA-HAMP Partial Claim combination is the appropriate Loss Mitigation Option if:*

- A mortgage payment at or below the targeted monthly payment cannot be achieved by re-amortizing the mortgage/outstanding debt for 360 months at the Market Rate.
- Borrower does not meet the qualifications for a FHA-HAMP Standalone Partial Claim.
- The maximum allowable Partial Claim (amount required to meet the Borrower's targeted payment) does not exceed the 30% Statutory Limit.
- If the maximum allowable Partial Claim exceeds the 30% Statutory Limit, the final loan modification amount may include capitalization of the remaining arrearage and foreclosure costs if the front-end ratio is **not** greater than 40% of the Borrower's gross income .
- The borrower must meet all other FHA-HAMP guidelines.



# Online FHA Resources

- **National Servicing Center (NSC) Training:** Includes information and training schedules for ECLASS, Classroom Training, and the Loss Mitigation Webinar Series
- NSC Loan Servicing Guidance
  - Loss Mitigation Mortgagee Letters
  - HUD-Approved Housing Counseling Agencies
  - Extension and Variance Automated Requests System (EVARS)
  - Tier Ranking System
- **FHA INFO Announcements Archives**
- **Single Family Delinquency/Default Reporting:**
  - Neighborhood Watch
  - Single Family Default Monitoring System (SFDMS) Reporting Codes
  - FHA Connection
  - EDI Webpage
- **Code of Federal Regulations:** 24 CFR 202.2, 203.331, 203.355, 203.356, 203.502, 203.600, 203.606, and 203.608
- **Single Family Housing Handbook 4000.1 (SF Handbook)**
- **SF Handbook Supplemental Documents**





# NSC Contact Information

U.S. Department of Housing and Urban Development

FHA National Servicing Center

301 NW 6<sup>th</sup> Street

Oklahoma City, OK 73102

**1-877-622-8525**

## QUESTIONS:

- Secretary Held Servicing Contractor: (877) 622-8525
- Home Equity Conversion Mortgage (HECM) Servicing: [hecm.servicing@novadconsulting.com](mailto:hecm.servicing@novadconsulting.com)
- Requests for Extensions: [extensionrequests@hud.gov](mailto:extensionrequests@hud.gov)
- Training issues: [eclass@hud.gov](mailto:eclass@hud.gov)
- TRS, Data, SFDMS Reporting: [sfdatarequests@hud.gov](mailto:sfdatarequests@hud.gov)
- Single Family FHA - Claims Processing: [Claims Help Desk](#) (FHA\_SFClaims@hud.gov)





# Resources

- **FHA Resource Center**

- **Frequently Asked Questions:** [www.hud.gov/answers](http://www.hud.gov/answers)
  - *Qs and As* addressing 90 percent of our phone calls and announcements of policy changes and training opportunities.
- **Email:** [answers@hud.gov](mailto:answers@hud.gov)
- **Phone:** Monday-Friday, 8:00 AM to 8:00 PM, Eastern, Toll Free: (800) CALL-FHA or (800) 225-5342

- ***Single Family Housing News (FHA INFO):***

- E-mail notifications of new policies and training opportunities for anyone who signs up.  
[http://portal.hud.gov/hudportal/HUD?src+/program/offices/housing/sfh/FHA INFO subscribe](http://portal.hud.gov/hudportal/HUD?src+/program/offices/housing/sfh/FHA%20INFO%20subscribe)

