

Home Affordable Modification Program (HAMP)

Overview

Basic requirements

- mortgage on 1- to 4-unit owner-occupied property
- mortgage originated on or before January 1, 2009
- unpaid principal balance (UPB) \leq \$729,750 (1-unit), \leq \$934,200 (2 -unit), etc.
- homeowner behind or in threat of falling behind on mortgage
- monthly mortgage payment ratio (PITIA) $>$ 31% gross monthly income
- only one bite at the apple
- must be participating servicer (44 as of 09/28/09, covering most loans)
- must successfully complete 3-month trial period, then gets permanent modification
- must qualify under waterfall analysis

Incentives


- borrower gets lower payment for 5 yrs, then stepped up interest rate capped at market rate
- borrower gets \$1,000 knocked off principal per year for 5 yrs
- servicer gets \$1,000 for doing mod (\$1,500 for borrower who was current)
- servicer gets \$1,000 for each of 3 yrs under performing mod
- investor gets \$1,500 for borrower who was current
- investor gets (for 5 yrs) $\frac{1}{2}$ difference b/t monthly payments at 31% DTI and 38% DTI

Web sites

See www.hmpadmin.com for program documents

See www.financialstability.gov/impact/contracts_list.htm for list of participating servicers

Home Affordable Modification Program (HAMP) Waterfall Analysis

Steps	Description	Issues	Terms	Example 1	Example 2	Example 3	Example 4
1	capitalize all principal, interest, escrow, reasonable servicing costs	reasonable; no late fees; no lump-sum	balance int rate PITIA income value	200k 7% 1630 3500 (47) 200k	200k 7% 1630 3000 (54) 200k	200k 7% 1630 2500 (65) 150k	200k 7% 1630 2500 (65) 200k
2	reduce interest rate in .125% increments to as low as 2% (1% for junior	junior liens	balance int rate PITIA income value	200k 2% 1039 3500 (30)	200k 2% 1039 3000 (35)	200k 2% 1039 2500 (42)	200k 2% 1039 2500 (42)
3	amortize for 40 years		balance int rate PITIA income value		200k 2% 905 3000 (30) 200k	200k 2% 905 2500 (36) 150k	200k 2% 905 2500 (36) 200k
4	defer portion of	how much?	balance			150k	150k
5	forgive portion of principal						
NPV	projected monthly income stream w/o HAMP mod	inscrutable; private; home value key		passes	passes	passes	fails
6	consider other loss mitigation	