

 <p>PINE TREE LEGAL ASSISTANCE</p>	<h2 style="text-align: center;">Will the Obama Plan Help Me?</h2> <h3 style="text-align: center;">Making Home Affordable Program</h3> <p style="text-align: right;">Find more easy-to-read legal information at www.ptla.org</p>
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The Obama Administration started this program in early 2009 to help people with mortgages avoid foreclosure. As of October 31, 2009, 71% of loan servicers are working in this program. This covers 85% of all home loans.

The program might help you in one of two ways:

1. Loan Refinancing (HARP) is for people with mortgages owned or securitized by Fannie Mae and Freddie Mac. You may be eligible to refinance at a lower rate if you:

- are not currently overdue on a monthly payment,
- have not been more than 30 days overdue in the past year, or have never been overdue if you have owned your house for less than a year, and
- earn enough money to make your payments.

You must owe less than 125% of your house's market value. To find out if your mortgage is held by Fannie or Freddie contact:

Fannie Mae, 1-800-7FANNIE or www.fanniemae.com/loanlookup

Freddie Mac, 1-800-FREDDIE or www.freddiemac.com/mymortgage

2. Loan Modification (HAMP) is for people who have missed payments on their mortgages or need immediate help to avoid default and foreclosure. Here are the basic rules.

What is the Loan Modification Program?

Loan modification offers incentives to your lender or servicer to modify the terms of your mortgage and make it more affordable. Your servicer is the company that collects your monthly payments and can be different than the lender or investor.

Advantages of the program:

- You do not have to be behind in your mortgage payments to qualify. You must only be at "imminent risk" of loan default.
- There is no upfront fee for the modification.
- The program offers "incentives for principal reductions," as part of the modification.
- If you make your modified loan payments on time, the government will help you pay the principle (up to \$5,000 over 5 years).

Limitations of the program:

As with earlier failed programs, servicers participate voluntarily. (Only those servicing Fannie Mae and Freddie Mac loans are required to be in the program. Also, FHA loans now fall under a similar modification program.) However, servicers are being offered more incentives to participate. A servicer still has a lot of discretion over which of its loans are eligible – depending, in part, on who owns your mortgage.

Get list of participating loan servicers here:

[www.makinghomeaffordable.gov/
contact_servicer.html](http://www.makinghomeaffordable.gov/contact_servicer.html)

You still have to be careful; make sure that you understand and can afford any proposed modifications. The program rules allow only one modification.

What is the Making Home Affordable Program?

Who qualifies for this program?

To be considered for a loan modification, you must:

- Own and currently live on the property with the mortgage. Your home may not be larger than four units (i.e. four separate apartments).
- Have signed for your loan before January 2, 2009.
- Have a monthly mortgage payment (including taxes, insurance, and home owners association dues) that is more than 31% of your pre-tax monthly income.
- Be unable to afford your current mortgage payment; this could be due to significant changes in your income or expenses. AND
- Owe \$729,750 or less for one unit homes. (There is a higher limit for two to four unit properties - consult your servicer.)

If you answered YES to all of these questions, you may be eligible to apply for a loan modification. Only your servicer can tell you if you qualify.

How can my loan be modified?

If you qualify **and your servicer has agreed to participate**, he or she will attempt to reduce your monthly loan payments to a more affordable amount (down to 31% of your monthly income). This may be done in the following ways:

- Reduce the monthly interest rates on your loan. Your servicer may decide to reduce your interest rates to as low as 2% or until your payment is affordable.
- If this isn't enough to make your payment affordable, your servicer may extend the repayment period for your loan up to 40 years.
- If this still isn't enough, your servicer can defer part of the amount you owe and ask you to repay it later. This is called principle forbearance.
- Finally, your servicer may forgive a portion of your debt, but is not required to do so.

There is no guarantee that the servicer will offer you a modification that you think you can afford. This is the goal of the program, but not everyone will get good results.

I think I qualify for a loan modification, what do I do now?

1. For more information and to discuss your options, you may want to talk with a HUD approved housing counselor. **This service is free; don't pay for it.** See listing of Maine counselors at:
www.ptla.org/PDF/foreclose_counselors.pdf

2. Once you understand your options, call your mortgage servicer. Ask if your servicer is participating in the Home Affordable Modification program. If so, ask to be considered for a loan modification. You will be asked about:

- your monthly income and expenses,
- other property you own,
- a recent tax return,
- any second mortgages,
- your other debts and bank accounts
- a "hardship" letter explaining why you can't afford your mortgage.

Have these documents ready. You may be required to provide a new set of documents, even if you have already provided them in the past.

What is the "trial period?"

There are two steps to this program. If you are approved for a modification, you will go into a 3 month trial period. After that, your modification should become permanent. As of December 2009, most people who are on temporary modifications are stuck there. **Be persistent** about being converted to the permanent program.

How soon will I find out if I qualify?

After you file your application, your servicer is required to get back to you within 30 days. This notice should tell you whether or not you have qualified.

Can my interest rate go up after the modification?

Your new interest rate may not be increased for five years after the modification. For each year after that, it may be increased by a maximum of 1% a year. It can never rise above the current market rate at the time of your initial modification.

What if I have more than one mortgage?

A related program handles second, or "junior," liens. This can help you **if** the servicer on your junior lien has signed up for that separate program. As of December 2009 only a few servicers have signed up for this program. But you can check to see if your junior mortgage servicer is doing these modifications. If so, you will need to file two HAMP applications – one with each servicer.

Will I need to attend housing counseling?

Housing counseling is only required if your debts cost you more than 55% of your income each month. This 55% includes your mortgage after the modification and other expenses such as child-support, credit cards, and other loans. If you spend less than 55% of your monthly income on these debts, it is encouraged, but not required, that you meet with a housing counselor.

Beware of scams!

Beware of scammers who contact you (by phone, e-mail, or advertising - including google ads). They'll offer to save your home, or get you a great modification **for a fee**. Under the federal guidelines, **this service is supposed to be free**, with no up-front fees.

Be sure that you understand any loan modification, or refinance, and that you can afford it. Make sure you are getting information from reliable sources.

We advise you not to sign away your right to challenge the loan in court later on.

Get advice from a **free**, qualified housing counselor in Maine, if you can, **before** you sign.

For more information visit these websites:

www.makinghomeaffordable.gov
www.ptla.org/cliented/foreclosure

Notice

Pine Tree Legal Assistance
March 2010

We are providing this information as a public service. We have tried to make it accurate as of the above date. Sometimes the laws change. We cannot promise that this information is always up-to-date and correct. If the above date is not this year, call us at 942-8241 to see if we have an update.

This information is not legal advice. By sending you this, we are not acting as your lawyer. Always consult with a lawyer, if you can, before taking legal action.



