MAKING HOME AFFORDABLE.GOV[SM]

HOUSING COUNSELOR

FREQUENTLY ASKED QUESTIONS

1. What is the Making Home Affordable (MHA) Program?

The Making Home Affordable Program is part of the Obama Administration's broad, comprehensive strategy to get the economy and the housing market back on track.

The key components of the Making Home Affordable Program are:

- Refinancing for borrowers previously unable to take advantage of lower interest rates or a more stable mortgage product because of falling home values.
- $75 billion in incentives to provide loan modifications and other foreclosure alternatives, bringing monthly payments to levels which borrowers can afford today and in the future.

2. What are the Home Affordable Refinance Program (HARP) and Home Affordable Modification Program (HAMP)?

HARP and HAMP are the two principal components of MHA that use refinancing and loan modifications, respectively, to reduce monthly mortgage payments to affordable levels or move borrowers to more stable mortgage products.

3. How does the Home Affordable Modification Program work? Do servicers work directly with Treasury?

The U.S. Department of the Treasury (Treasury) retained Fannie Mae as its financial agent to administer the HAMP and retained Freddie Mac to serve as the Program's compliance agent. Participating servicers will follow the program guidelines and supplemental directives to modify residential loans. (The guidelines are available for viewing on the Financial Stability website, www.FinancialStability.gov. Supplemental directives and other related program information (including frequently asked questions) are posted on the Making Home Affordable Program's administrative website for servicers, www.HMPadmin.com.) Following modification of a qualified mortgage, the servicer will submit a request to Fannie Mae for payment of any incentives and reimbursements due in accordance with the guidelines and directives. Freddie Mac will oversee servicer compliance with the supplemental guidelines and directives.

4. **Are all loan types eligible for the Home Affordable Refinance and Home Affordable Modification Programs? What about FHA/VA/USDA loans?**

   The HARP option is currently available only for loans owned or guaranteed by Fannie Mae and Freddie Mac. However, any loan type may be considered for a FHA Hope for Homeowners (H4H) refinance. Treasury requires servicers to consider H4H at the same time they are evaluating a borrower for HAMP.

   Most conventional mortgages, including those owned by lenders or in securities, are eligible for a HAMP. Loans insured or guaranteed by FHA, VA and USDA are currently being modified under guidelines similar to HAMP, and may soon be eligible for the same borrower and servicer incentives.

5. **Is participation in the Home Affordable Modification Program mandatory for servicers and investors?**

   Servicer participation is mandatory for all loans owned or guaranteed by Fannie Mae or Freddie Mac (Government Sponsored Enterprises or GSEs). Participation in the modification program is voluntary for servicers and investors of non-GSE loans. However, substantial incentives are available to servicers, investors and borrowers who complete modifications under HAMP with most major servicers already committed to the Program. A current list of participating servicers is available at www.MakingHomeAffordable.gov. Servicers not currently listed have until December 31, 2009 to opt into the program.

   Participating servicers sign a contract with Fannie Mae, as Treasury's financial agent, through which they agree to review every potentially eligible borrower who asks to be considered for the Making Home Affordable Program. To ensure that a borrower currently at risk of foreclosure has the opportunity to apply for a modification under HAMP, participating servicers may not proceed with a foreclosure sale on an eligible loan until the borrower has been evaluated for HAMP and, if eligible, a trial modification offer has been made.

6. **What should a counselor do if a servicer says an investor is not participating in the Making Home Affordable Program?**

   To confirm the accuracy of the statement, a counselor should first determine if the loan is owned or guaranteed by one of the GSEs. If so, the servicer is required to consider all borrowers who meet the minimum eligibility criteria for a refinance under HARP or a modification under HAMP based on the borrower's circumstances.

   With respect to modifications under HAMP, if the loan is not owned or guaranteed by one of the GSEs, the counselor should consult the current list of participating HAMP servicers posted at www.MakingHomeAffordable.gov.

   In the course of working with a borrower, if the counselor believes the borrower's servicer is not complying with these requirements, the counselor should elevate his or her request to a senior manager within the servicer's organization using the contact information available on the website. If that does not resolve the problem, the counselor may report the issue using the following contacts:

	HARP	HAMP
Fannie Mae	1-800-7FANNIE	1-800-7FANNIE
Freddie Mac	1-800-FREDDIE	1-800-FREDDIE
Non-GSE		**Email:** support@hmpadmin.com **Phone:** (866) 939–4469

7. How does the counselor determine if a borrower's loan is owned or guaranteed by Fannie Mae or Freddie Mac?

The data is available from both Fannie Mae and Freddie Mac by phone or online. Counselors (or borrowers) will provide information to determine whether either agency owns or guarantees the loan. The process must be completed for both Fannie Mae and Freddie Mac; the systems are not integrated.

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

8. Are any other programs available under Making Home Affordable, beyond the Home Affordable Refinance and Home Affordable Modification Programs?

Treasury recently announced four additional programs, addressing a range of affordability issues:

- Second Lien Program – to create a comprehensive affordability solution for homeowners
- Support for Hope for Homeowners – to allow for more principal write-downs to help underwater borrowers
- Short Sales / Deeds-in-Lieu Program – to facilitate foreclosure alternatives
- Home Price Decline Protection – to support modifications in markets hardest hit by falling home prices

Outlines of each of these programs are available at www.FinancialStability.gov. Forthcoming guidelines will be posted on the same site.

HOME AFFORDABLE REFINANCE PROGRAM

1. What are the minimum eligibility criteria for a Home Affordable Refinance?

- The loan is owned or guaranteed by Fannie Mae or Freddie Mac.
- The property is a one- to four-unit home.
- The borrower is current on the mortgage payments. "Current" means the borrower has not been more than 30 days late in the last 12 months or, if the loan is less than 12 months old, the borrower has never missed a payment.
- The unpaid principal balance of the first lien mortgage does not exceed 125 percent of the current market value of the property. (For example, if the property is worth $200,000, the borrower must owe $250,000 or less on that first lien mortgage).
- The borrower has a reasonable ability to pay the new mortgage payment.
- The refinance improves the long-term affordability or stability of the loan.

2. What is meant by "improving long-term affordability or stability"?

A refinance under HARP must either reduce the borrower's monthly payments or put the borrower into a more stable loan product. For example, refinancing from an ARM with a low introductory teaser rate or from an interest-only mortgage into a fixed-rate loan product may actually increase the borrower's payment in the short term, but would improve the borrower's ability to sustain mortgage payments over the long term. Counselors should review the Good Faith Estimate provided by the servicer or new lender to help the borrower determine if a refinance under HARP will put the borrower in a more secure financial position.

3. What are the rates and terms of the refinanced loans?

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.

4. What if a borrower has a second lien and the total debt on the property exceeds 125 percent?

There is no combined loan-to-value cap on a refinance under HARP, so a borrower may still be eligible for a refinance, provided (1) the first lien mortgage does not exceed 125 percent of the current value of the property and (2) all junior lien holders agree to subordinate to the new first lien mortgage.

5. **May borrowers take cash out to pay other debts?**

   No. However, borrowers whose loans are owned or guaranteed by Fannie Mae may be eligible to finance all closing costs and obtain a small amount of cash (up to $250) through the refinance if there is sufficient equity. Borrowers whose loans are owned or guaranteed by Freddie Mac may be eligible to finance transaction costs equal to the lesser of 4 percent of the current unpaid principal balance of the loan being refinanced or $5,000. In addition, such borrowers may obtain up to $250 cash.

6. **Will borrowers be required to get private mortgage insurance?**

   Any existing private mortgage insurance will transfer to the new loan. If the existing loan does not have private mortgage insurance, it is not required as part of a refinance under HARP.

7. **Can delinquent borrowers apply for a Home Affordable Refinance?**

   No. Only current borrowers qualify for refinancing. “Current” means the borrower has not been more than 30 days late in the last 12 months or, if the loan is less than 12 months old, the borrower has never missed a payment.

8. **How does a borrower apply for a Home Affordable Refinance?**

   Borrowers, whose loans are owned or guaranteed by one of the GSEs, should call their mortgage servicer and ask for a Home Affordable Refinance application. Alternately, they may apply through a lender approved to do business with Fannie Mae or Freddie Mac. Nearly all major banks and mortgage brokers have this approval.

9. **Does the program require full underwriting?**

   In some instances, servicers may be able to waive certain underwriting requirements and documentation.

10. **How long will the Home Affordable Refinance Program be available?**

    The program expires on June 10, 2010. All refinances under HARP must have mortgage note dates on or before that date.

HOME AFFORDABLE MODIFICATION PROGRAM

1. What are the minimum eligibility criteria for a Home Affordable Modification?

A mortgage loan may be eligible for Home Affordable Modification if:

- The mortgage is a first lien conventional mortgage originated on or before January 1, 2009.
- The unpaid principal balance is equal to or less than:
  - 1 Unit: $729,750
  - 2 Units: $934,200
  - 3 Units: $1,129,250
  - 4 Units: $1,403,400
- The property is occupied by the borrower as a primary residence (the property may not be vacant or condemned).
- The borrower has a mortgage payment that is not affordable due to a financial hardship that can be documented.
- The borrower has a monthly mortgage payment greater than 31 percent of monthly gross income.

2. Do borrowers need to be delinquent in order to qualify 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. An example of an imminent default might be that the borrower had or will soon have a significant increase in their mortgage payment that they cannot afford. A servicer participating in the HAMP must screen every current borrower who contacts the servicer to discuss a financial hardship if the borrower meets the minimum eligibility criteria to determine if they are at risk of imminent default.

3. Will Home Affordable Modifications help borrowers who can easily afford their current payment but whose property value is now less than the amount they owe?

No. Modifications under HAMP are designed to prevent foreclosures by making mortgage payments affordable for working homeowners struggling to retain their homes. HAMP is not intended to replace equity lost by home price depreciation. However, by preventing avoidable foreclosures, HAMP is expected to stabilize and eventually strengthen property values, which will benefit all homeowners.

4. Are borrowers in bankruptcy eligible?

A borrower actively involved in a bankruptcy proceeding is eligible at the servicer's discretion; however, any modification under HAMP entered into while the borrower is in bankruptcy proceedings must be approved by the bankruptcy court before the borrower is allowed to exit the trial modification period and become permanent. Borrowers who have previously received a Chapter 7 bankruptcy discharge in a case involving the first lien mortgage, who did not reaffirm the mortgage debt under applicable law, are also eligible.

5. Are any property types excluded?

Nearly every residential property type is eligible, including:

- Single family homes
- Two- to four-unit dwellings, as long as one unit is occupied by the borrower as a primary residence
- Condominiums
- Cooperatives
- Manufactured housing secured by real estate.

Treasury expects that manufactured housing secured by chattel mortgages will be eligible for modifications under HAMP in the near future.

6. How does the modification work?

Full details are provided in Supplemental Directive 09-01, dated April 6, 2009, which is available for viewing on www.HMPadmin.com. In summary, participating servicers will (in order):

- Determine whether the loan meets the minimum eligibility criteria (i.e., owner-occupied; originated on or before January 1, 2009; and unpaid principal balance equal to or less than the loan limit for the number of units involved).

- If the loan meets the minimum eligibility criteria, ask the borrower and all co-borrowers about current income, assets and expenses, as well as any specific hardship circumstances to determine if they are unable to make the mortgage payment. (Servicers may initially accept verbal income and expense information. However, borrowers will need to provide verifying documentation before a final modification is approved.)

- Determine if the borrower's front-end debt-to-income ("DTI") ratio is greater than 31 percent. If so, apply the standard modification waterfall steps to reduce the borrower's monthly mortgage payment to a point that it represents no more than 31 percent of the borrower's gross monthly income.

- Apply a Net Present Value ("NPV") test to determine whether the value of the loan to the investor will be greater if the loan is modified (factoring in the government's incentive payments). If the modified loan is not of greater value, the investor and servicer may still modify the loan. However, modification in such cases is not required. If yes, the servicer must offer a HAMP modification to the borrower, and, if the borrower accepts the offer, the servicer will put the borrower on a trial modification (typically three months) at the new payment level.

- If the borrower makes all of the required trial payments during the trial period and the income and expense information provided by the borrower is determined to be accurate, the servicer will execute a permanent modification agreement.

7. What is included in the front-end mortgage DTI ratio?

The front-end mortgage DTI ratio is explained in detail in Supplemental Directive 09-01. Generally, the front-end ratio is the ratio of PITIA to monthly gross income. PITIA includes principal, interest, property taxes, all property-related insurance (hazard, flood, earthquake, etc.) and any required homeowners' association dues or similar assessments which could create a lien on the property, but excludes mortgage insurance premiums. Monthly gross income is the total of the borrower's and all co-borrowers' income before any payroll deductions, including base pay, commissions, fees, tips, bonuses, housing allowances, and any other compensation. Alimony and child support are considered only if the borrower chooses to include such income. In some cases, non-borrower household income can be included, at the borrower's discretion, if said income can be supported by documentation that it has and will continue to be relied upon to support the mortgage payment. If a borrower is relying on income from an individual that is not a co-borrower, they may request, but are not required, to have that individual added to the note as a co-borrower.

All borrowers will be required to provide a signed Form 4506 T (Request for Transcript of Tax Return) and a signed copy of their most recent tax return if it is available. If the borrower filed his or her taxes electronically, an unsigned copy and evidence of electronic filing will be accepted. Income for wage earners will be verified by the two most-recent pay stubs. For self-employed borrowers, or for those with non-wage income, the borrower's income must be verified by third party documents providing reasonably reliable evidence. The income documentation may not be more than 90 days old.

Borrowers must also attest that they do not have sufficient liquid assets to make their monthly mortgage payments.

8. Is there a total DTI ratio limit on eligibility?

No. A high total DTI (back-end) ratio will not prohibit a borrower from getting a modification. However, as a condition of the modification, borrowers whose back-end ratio equals or exceeds 55 percent must agree to participate in a housing counseling program to help them create a sustainable financial plan. The back-end ratio is described in detail in Supplemental Directive 09-01. Generally, it is the ratio of the borrower's total monthly debt payments (such as PITIA, mortgage insurance premiums, junior or secondary lien payments, and payments on other debts, i.e. credit cards, auto and student loans) to the borrower's gross monthly income.

9. Is there a standard Net Present Value (NPV) model?

Treasury developed a base NPV model that servicers must use to determine whether a Home Affordable Modification provides the investor with a better financial result than if the modification had not occurred. If the NPV test is positive, the servicer must modify the loan. If the NPV test is negative, the servicer has the option of modifying the loan, but is not required to do so. While most assumptions in the model will be the same for all users, each servicer has limited discretion to use a discount rate that is appropriate for their portfolio not to exceed 250 basis points above the Freddie Mac Primary Mortgage Market Survey rate. Additionally, servicers that have at least a $40 billion servicing book have the option to use estimated cure rates and re-default rates based on their own experience, rather than using the rates in the base NPV model. A plain English description of the NPV model can be found at www.HMPadmin.com.

10. Is there a hardship requirement?

Yes. Every borrower and co-borrower, whether in default or not, must complete a Home Affordable Modification Program Hardship Affidavit. This document can be found at www.HMPadmin.com, in the "Modification Documents" section.

11. Is the modified interest rate permanent?

If the modified rate is below the market rate as determined from the Freddie Mac Primary Mortgage Market Survey rate on the date the modification agreement is prepared, the modified rate will be fixed for a minimum of five years as specified in the modification agreement. Beginning in year six, the rate may increase no more than one percentage point per annum until the note rate reaches the market rate at the time of the modification. If the modified rate exceeds the market rate at the time the modification agreement is prepared, however, the rate for the remaining term of the loan is the modified rate.

12. What if reducing the interest rate is not enough to get the borrower's front-end DTI down to 31 percent?

If the rate is reduced to as low as the 2 percent floor and the DTI is still above 31 percent, Supplemental Directive 09-01 specifies that the servicer may next extend the term and reamortize the mortgage loan by up to 40 years. If the DTI still exceeds 31 percent, then the servicer must forbear (defer) a portion of the principal. The deferred amount does not accrue interest, but will result in a balloon payment at the maturity of the loan. Servicers and investors should carefully review the section of Supplemental Directive 09-01 titled "Standard Modification Waterfall" and should seek approval from Fannie Mae, as Treasury's Financial Agent, before deviating from the standard payment reduction guidance.

13. Could the borrower face a balloon payment?

Yes. If the servicer forbears principal, the amount of the deferred principal will be owed when the loan is paid off or refinanced, or when the house is sold. Any balloon payment will be in the amount of the deferred principal, with no interest accrued. If the servicer extends the amortization period but not the term, the size of the balloon will be increased. Clear disclosure to borrowers about the balloon payment is important.

14. Are servicers required to offer permanent principal reductions?

No. At their option, servicers or investors may forgive principal to achieve the affordability target of 31 percent front-end DTI. The servicer may forgive principal on a standalone basis or before any step in the process described above. The Program will reimburse servicers who offer principal reduction to achieve an affordable payment in an amount comparable to the reimbursement the lender or investor would have earned had they followed the standard modification waterfall to achieve affordability.

15. What if the borrower has a second lien mortgage and would like to apply for a Home Affordable Modification?

Only first lien mortgages are eligible for modifications under HAMP. If a borrower has a junior lien, the servicer may, based on the requirements of the investor or the terms of the applicable servicing agreement, need to obtain subordination agreements from the junior lien holder.

Treasury recently announced an expansion to MHA that would increase affordability for borrowers whose servicers are participating in the program. Under the 2nd Lien Modification Program (2MP), if a borrower's servicer is a program participant, the second lien will automatically be eligible for a modification when the first lien is modified under HAMP. A detailed outline of the 2nd Lien Modification Program is available on www.FinancialStability.gov.

16. Is there an escrow requirement?

Yes. All loans modified under HAMP must include an escrow account for payment of future property taxes and hazard insurance, unless prohibited by state law. If the existing loan does not include an escrow account, one will be established. A new escrow account may require collection of a sufficient reserve to pay the taxes and insurance on or before they are next due. The reserve amount cannot be capitalized into the modified loan amount. The servicer may give the borrower the option of paying the reserve amount at the time the loan is modified or the option of spreading the amount over a period of 60 months and including it in the monthly escrow payment.

17. Will delinquency status be reported to credit bureaus during the trial period?

Yes. Servicers will continue to report a "full file" status report to the four major credit repositories for each loan in accordance with the Fair Credit Reporting Act. For borrowers who are current when they enter the trial period, the servicer will report the borrower as current, but on a modified payment, if the borrower makes a trial period payment by the last day of the month in which the trial payment is due. If the borrower is delinquent when the trial period begins, the servicer will continue to report the account as delinquent until the modification is complete, at which point the servicer will report payments received on time as current under a modified plan. Counselors should discuss the potential impact of this reporting with borrowers who are considering HAMP, especially borrowers who are current on their payments, but believe they are at imminent risk of default.

18. What incentives does HAMP provide for borrowers, servicers and investors?

Borrowers, servicers and investors are all eligible to receive financial incentives for successful modifications under HAMP. No incentives are available to any party, however, until after successful completion of the trial period.

- Borrowers whose monthly payment for principal, interest, taxes and insurance is reduced through the modification by six percent or more will receive success incentives for making timely payments on their modified loans, including timely payments made during the trial period. For every month the borrower is current and makes a timely payment, the borrower will accrue a principal balance reduction payment equal to the lesser of $83.33 or 50 percent of the reduction in the monthly payment. A borrower can earn up to $1,000 per year in mortgage principal reduction for each of the first five years of the modification. Success payments will accrue monthly, but will only be applied to the borrower's account annually. If a loan ceases to be in good standing, no further success payments will be paid, including accrued but unpaid amounts. (Refer to Question 20 below for the definition of "good standing".)

- Servicers will receive a one-time incentive payment of $1,000 for each modification of a delinquent loan, plus an additional $500 incentive payment if the modified loan is current when the borrower enters the trial period. The servicer also is eligible for success incentives if the borrower's monthly payment is reduced through the modification by six percent or more. For each month a borrower remains in good standing, the servicer earns a "success payment" equal to the lesser of $83.33 or 50 percent of the reduction in the monthly payment. The servicer can earn success payments for 3 years after the modification. The success payments accrue monthly and are paid annually. If a loan ceases to be in good standing, no further success payments will be paid, including accrued but unpaid amounts.

- Investors will receive a subsidy equal to one half of the difference between the borrower's monthly payment at a 31 percent DTI ratio and the lesser of (1) the payment at a 38 percent DTI ratio or (2) the borrower's current monthly payment. This subsidy will continue for 5 years after the modification (or until the loan is paid off), so long as the loan is in good standing. The investor also will receive a one-time incentive payment of $1,500 if the modified loan is current when the trial period begins.

- Incentive payments and interest reimbursements are only earned and payable when the borrower has successfully completed the trial period and the modification agreement has been signed by the borrower and the servicer.

19. What if the borrower does not make all the payments during the trial period?

A borrower must be current at the end of the trial period in order to get a modification under HAMP. "Current" is defined as the borrower having made all required trial period payments no later than 30 days from the date the final payment is due. A borrower could, for example, make the first trial period payment on time, miss the second month's payment, make two payments in the third month of the trial period and still be considered current. However, if a borrower is not current at the end of the trial period, the borrower will not be eligible for the permanent modification.

In the event a borrower defaults during the trial period, the servicer must evaluate the borrower for any other available loss mitigation alternatives prior to commencing or restarting foreclosure proceedings.

Treasury recently announced an expansion to MHA that includes incentives for short sales and deeds in lieu of foreclosure. The Foreclosure Alternatives Program encourages servicers to work with borrowers to avoid an often difficult legal foreclosure process by encouraging short sales and deeds-in-lieu of foreclosure. The program provides servicers with financial incentives to participate in foreclosure alternatives and will provide borrowers with $1,500 to help with relocation to more affordable housing. A program outline is available on www.FinancialStability.gov.

20. What if the borrower defaults after the modification becomes permanent?

If, following a successful trial period, a borrower defaults on a modification under HAMP (three monthly payments are due and unpaid on the 90th day from the last paid installment date), the loan is no longer considered to be in "good standing". A loan that is not in good standing is not eligible to receive borrower, servicer or investor incentives and reimbursements. Once lost, good standing can never be reinstated, even if the borrower brings the loan payments current.

Good standing, however, only applies to incentive payments. The modification is not impacted and the borrower still has the benefits and responsibilities of the modified loan terms. The servicer must work with the borrower to attempt to reinstate the loan using all available loss mitigation options. If reinstatement is not feasible, the servicer must evaluate the borrower for any other alternatives prior to commencing foreclosure proceedings, including the Foreclosure Alternatives Program described in Question 19.

21. Is there a modification fee for this HAMP?

No. Borrowers who qualify for a modification under HAMP 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, the servicer will give borrowers the option of capitalizing them onto the mortgage or paying some or all of the expenses in advance.

22. Is a loan eligible for more than one Home Affordable Modification?

No. Each loan can only be modified once under HAMP, even if the borrower encounters a change in circumstances after the loan is modified.

23. What if a borrower is in foreclosure?

To ensure that a borrower currently at risk of foreclosure has the opportunity to apply for a modification under HAMP, participating servicers may not proceed with a foreclosure sale on an eligible loan until the borrower has been evaluated for HAMP and, if eligible, a trial modification offer has been made. Participating servicers must use reasonable efforts to contact borrowers facing foreclosure to determine their eligibility, including in-person contacts at the servicer's discretion. Generally, foreclosure sales will be suspended while the loan is being considered for a modification, as well as for the duration of the trial period.

24. If a servicer tells the counselor that a loan cannot be modified because the eligibility requirements were not met, or the investor is not participating in HAMP, what should the counselor do?

If modification under the plan is not an option because the borrower does not meet the eligibility criteria, or because the investor is not participating in HAMP, the counselor should discuss all loss mitigation options with the borrower, including loan modification scenarios outside this program, opportunities to refinance, or the availability of local resources such as rescue grants and loans. If homeownership retention is not possible, the counselor should discuss foreclosure alternatives including the short sales and deed-in-lieu of foreclosure options described in Question 19 as ways to help a borrower transition to more affordable housing.

25. How long will Home Affordable Modifications be available?

The program closes to new participants on December 31, 2012. Trial modifications in place by that date can later be converted to permanent modifications. However, no new trial modifications will be made after that date.

COUNSELING

1. Is there a mandatory counseling requirement for Home Affordable Modifications?

All delinquent borrowers are encouraged to seek the advice of a HUD-approved housing counselor. Borrowers with a back-end DTI ratio at or above 55 percent must agree to participate in counseling as a condition of receiving a modification under HAMP.

2. **What level of counseling is required for borrowers with over 55 percent DTI?**

   Borrowers with back-end ratios at or above 55 percent must agree to meet with a counselor from a HUD-approved housing counseling agency or a National Foreclosure Mitigation Counseling (NFMC) participating agency to create an action plan that includes steps and a timeline to eliminate unnecessary debt, minimize expenses, increase income and create savings. The action plan will also establish a follow-up schedule with the counselor. A detailed protocol describing the required components of this new "Level Four" counseling within the NFMC program is posted on the Internet at http://www.hud.gov/offices/hsg/sfh/hcc/hcprotocol.pdf**.**

3. **How will servicers make counseling referrals?**

   Servicers may provide a website (http://www.hud.gov/offices/hsg/sfh/hcc/fc/) for the borrower to use to find a counselor, may refer borrowers to the nationwide Hope Hotline at 1-888-995-HOPE (4673), or make a referral to a specific counseling agency providing counseling services under the NFMC or HUD Counseling grant programs.

   For borrowers with back-end ratios at or above 55 percent, the servicer must provide said borrowers with a letter stating that counseling is a requirement of the modification. This letter may be required by counselors in order to begin counseling. The modification will not take effect until the borrower represents in writing that he or she will obtain counseling.

4. **Can our agency refer eligible borrowers to servicers for a Home Affordable Modification?**

   Yes. If a borrower contacts a counseling agency without being referred by a servicer and it is determined the borrower may be eligible for a Home Affordable Modification, the counselor will work with the borrower to submit an intake package to the servicer. To be eligible for compensation, the counseling must conform to Level Two or Level Three counseling requirements as established under the NFMC program, plus a few additional requirements as detailed in the counseling protocol available http://www.hud.gov/offices/hsg/sfh/hcc/hcprotocol.pdf.

5. **If a counseling agency provides counseling to a borrower who is participating in HAMP, will the agency be paid a counseling fee? If so, how much?**

   NFMC program funds and HUD Housing Counseling grant funds can be used to pay counseling agencies for counseling provided to borrowers with back-end DTI ratios equal to or greater than 55 percent and for counseling borrowers who are referred to servicers. NFMC program reimbursement for the required counseling will be set at a new "Level Four" fixed price of $450 pending available resources. Other counseling will be reimbursed at the current fixed price for Level 2 or Level 3 counseling as established in each organization's existing NFMC program grant agreement.

HUD Housing Counseling grant recipients may request reimbursement for the actual, documented cost of counseling up to the amount available under the grantee's counseling award. If a portion of the counseling has been reimbursed by NFMC, HUD Housing Counseling grant recipients may bill against their HUD Housing Counseling grant actual costs not covered by the fixed price NFMC reimbursement, up to the amount available under the grantee's counseling award.

Housing counseling agencies that do not receive NFMC program funding or HUD Housing Counseling grant funding are encouraged to provide counseling through other funding sources. For example, servicers can pay for this counseling. If a housing counseling agency participating in HUD's Housing Counseling program or the NFMC program does not have sufficient resources, they are not required to provide this counseling, but must make a reasonable effort to refer borrowers to counseling agencies that can assist them.

6. How and when will counseling fees be paid?

Assuming available resources, both the NFMC program and HUD will reimburse for this counseling in a manner consistent with their respective reimbursement policies. For those receiving HUD Housing Counseling grants, since the mandatory counseling will involve a minimum of two sessions, counseling agencies can request reimbursement for each session separately through HUD. HUD Housing Counseling grants are typically drawn down quarterly. Reimbursement for this counseling would occur through the same standard process for all other types of counseling. The NFMC program draw-downs would occur consistent with NFMC program rules and procedures.

7. Will counseling agencies receive regular reports from servicers or the GSEs about the success or re-default status of borrowers they have counseled?

A process is being developed to attach a unique housing counseling agency identifier to the file of any borrower that has received counseling. It is hoped that outcome reports by agency will be available from Fannie Mae and Freddie Mac.

8. What other resources are available for borrowers?

Treasury has established a borrower website, www.MakingHomeAffordable.gov, to provide an abundance of information for borrowers, including a self-assessment tool that helps borrowers determine if they meet the minimum eligibility criteria for a refinance or a modification. Borrowers can also calculate their front-end DTI ratio and get a general idea of how much of a payment reduction they may be eligible for under the program. This website will be updated regularly with borrower-friendly content.

9. How can my agency obtain more information and program updates?

Detailed Making Home Affordable Program guidance and updates are available at www.FinancialStability.gov. Additionally, servicer documents are posted on the Program's administrative website for servicers, www.HMPadmin.com.