



CENTER for NYC
NEIGHBORHOODS

Life After HAMP Update

October 27, 2016

HAMP Sunsetting in 2016

Be aware of timelines and procedures for winding down HAMP.

SOME IMPORTANT HIGHLIGHTS:

For timelines and details of the wind down, refer to MHA slides in materials.

- ◆ **December 31, 2016:** last day to submit initial packages (does not have to be complete, but include income documentation)
- ◆ **December 1, 2017:** trial plans need to convert to permanent mods
- ◆ **FHA HAMP:** won't expire, so keep applying
- ◆ **Adhere to CFPB Rules:** make sure you avoid delays when possible by using the CFPB required timelines and Escalating if they violate them

HAMP Sunsetting in 2016 Continued

WHAT CAN HOUSING COUNSELORS DO?

Until this December, there are steps you can take to make sure homeowners are aware:

- ◆ **Outreach important:** HUD or the Treasury is not doing any mass outreach or publicity campaigns to drive people to apply. They are relying on advocates like us to do it!
- ◆ Tell your **community partners and local leaders**
- ◆ **Incorporate** into events, marketing, mailings, etc.

Guidelines and Proposals

The following institutions have released proposals and reports on what the post-HAMP loss mitigation environment would look like:

- ◆ Treasury, HUD, and FHFA's [White Paper](#)
- ◆ CFPB's [Principles](#)
- ◆ MBA's Proposal
- ◆ Advocates: focus on affordability assessment, not just payment reduction
- ◆ Fannie and Freddie?

Core Principles for Loss Mitigation

The following institutions have released proposals and reports on what the post-HAMP loss mitigation environment would look like:

- ◆ **Affordability**
- ◆ **Sustainability**
- ◆ **Transparency/Data**
- ◆ **Equity**
- ◆ **Accountability (CFPB)**

MBA's One Mod Proposal

Find the full proposal at <https://www.mba.org/issues/residential-issues/one-mod-a-post-hamp-loan-modification>.

HIGHLIGHTS

- ◆ Less documentation requirement and minimal to no underwriting
- ◆ Proposing standardized waterfall focusing primarily on payment reduction with additional option for front end DTI test
- ◆ Applying the waterfall against HAMP, advocates have seen a split benefit to homeowners, but most homeowners need more than just a 20% payment reduction

MBA's One Mod Waterfall

Find the full proposal at <https://www.mba.org/issues/residential-issues/one-mod-a-post-hamp-loan-modification>.

SUMMARY

- ◆ Capitalize arrearage
- ◆ Lower of market or current interest rate
- ◆ Extend term to 480 months
- ◆ Forbear to lesser of 100% LTV or 30% UPB reduction
- ◆ If payment reduction is less than 20% or HTI is at least 40%, then forbear or forgive until one of the following is reached: 80% LTV, 30% UPB, or both HTI below 40% AND payment reduced by 20%
- ◆ DTI/HTI Step 5 is only available for before 90 day delinquency

MBA's One Mod Proposal: Waterfall

TARGET	The largest economically positive payment reduction. OCC Data suggests that 20% is an appropriate benchmark.
STEP 1	Capitalize arrearages.
STEP 2	Reduce interest rate to the lower of market rate or current rate. For ARMs, convert to a 30 year term at market rate. For step-rate modifications, convert to the lower of the prior rate cap or the market rate.
STEP 3	Extend term to 480 months. ¹ Provide consumer with amortization tables demonstrating how to payoff mortgage in different amounts of time.
STEP 4	Provide principal forbearance / forgiveness to 100% LTV (with a cap at 30% of UPB). ²
	Offer modification if the P&I payment reduction is 20% or greater and HTI is less than 40%.
STEP 5 (if necessary)	If payment reduction is less than 20%³ or HTI is greater than 40% , provide principal forbearance / forgiveness until either 80% LTV, 30% of UPB or the payment reduction of 20% and <40% HTI requirement is achieved.
STEP 6 (if necessary)	Offer modification as long as post-modification payment is less than or equal to pre-modification payment.

■ Pre 90+ DQ Steps
 ■ Pre 90+ DQ Steps and Post 90+ Streamline Steps

1. This presumes that 480 months is available as the maximum term. In situations where that is not currently available as a maximum term, a 360 month term should be utilized.
2. As noted above, forbearance **could be replaced** by principal forgiveness should an investor choose to do so. MBA would not suggest using principal forgiveness in instances where an investor or guarantor will not provide reimbursement.
3. Step 5 may also be offered in the streamlined waterfall, but only with regards to the 20% payment reduction target.

What Counselors Need to Do

If a streamlined payment reduction is what will predominantly be offered, counselors may need to:

- ◆ Assess affordability because servicers won't (people who can't afford it may still get it)
 - ◆ Budgeting is crucial!
- ◆ Run the waterfalls and propose a HAMP-like modification showing the waterfall if that is what works for your client
- ◆ Develop stronger relationships with smaller servicers like Bayview and Nationstar

Questions?

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