Making Home Affordable Can Help Reduce Mortgage Payments

The Obama administration has introduced a comprehensive financial stability plan to address the key problems at the heart of the current crisis and get our economy back on track. A critical piece of that effort is Making Home Affordable, a plan to stabilize our housing market and help up to 9 million Americans reduce their monthly mortgage payments to more affordable levels.

The Home Affordable Refinance Program gives up to 5 million homeowners with loans owned or guaranteed by Fannie Mae or Freddie Mac an opportunity to refinance into more affordable monthly payments. The Home Affordable Modification Program commits $75 billion to keep up to 4 million Americans in their homes by preventing avoidable foreclosures.

Our consumer website, www.MakingHomeAffordable.gov, provides homeowners with detailed information about these programs along with self-assessment tools and calculators to give borrowers the resources they need to determine whether they might be eligible for a modification or a refinance under the administration's program.

Through this website, borrowers also can connect with free counseling resources to help with outstanding questions, locate homeowner events in their communities, find a handy checklist of key documents and materials to have ready when making that important call to their servicer as well as FAQs from borrowers in similar circumstances.

Beware of Foreclosure Rescue Scams – Help Is Free!

- There is never a fee to get assistance or information about Making Home Affordable from your lender or a HUD-approved housing counselor.
- Beware of any person or organization that asks you to pay a fee in exchange for housing counseling services or modification of a delinquent loan. Do not pay – walk away!
- Beware of anyone who says they can "save" your home if you sign or transfer over the deed to your house. Do not sign over the deed to your property to any organization or individual unless you are working directly with your mortgage company to forgive your debt.
- Never submit your mortgage payments to anyone other than your mortgage company without their approval.
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Borrower Frequently Asked Questions What is "Making Home Affordable" All About?

Making Home Affordable is part of President Obama's comprehensive strategy to get the housing market back on track. Through the Making Home Affordable Program, up to 9 million American families may be eligible to refinance or modify their loans to a payment that is affordable now and into the future.

Home Affordable Refinance

1. I'm current on my mortgage. Will the Home Affordable Refinance help me?

Eligible borrowers who are current on their mortgages but have been unable to take advantage of today's lower interest rates because their homes have decreased in value may now have the opportunity to refinance. Through the Home Affordable Refinance Program, Fannie Mae and Freddie Mac will allow the refinancing of mortgage loans they own or placed in mortgage-backed securities.

2. How do I know if I am eligible?

You may be eligible if:

- You are the owner occupant of a one- to four-unit home.
- The loan on your property is owned or securitized by Fannie Mae or Freddie Mac. (Don't know? See below.)
- At the time you apply, you are current on your mortgage payments (current means you haven't been more than 30 days late on your mortgage payment in the last 12 months or if you have had the loan for less than 12 months, you have never missed a payment).
- You believe that the amount you owe on your first mortgage is about the same or slightly less than the current value of your house.
- You have income sufficient to support the new mortgage payments.
- The refinance improves the long-term affordability or stability of your loan.

3. How do I know if the refinance will improve the long term affordability or stability of my loan?

Your lender will give you a "Good Faith Estimate" that includes your new interest rate, mortgage payment and the amount you will pay over the life of the loan. Compare this to your current loan terms. If it's not an improvement, refinancing may not be right for you. Also consider that refinancing from an adjustable rate to a fixed-rate loan or eliminating higher-risk loan terms such as interest-only payments or balloon payments also can provide long-term stability.

4. How do I know if my loan is owned or has been securitized by Fannie Mae or Freddie Mac?

You should call your mortgage lender or servicer (the organization to whom you make your monthly mortgage payments) and ask about the program.

Both Fannie Mae and Freddie Mac have established toll-free telephone numbers and web submission processes to make this data available. Borrowers will provide or enter information to determine if either agency owns or securitized the loan. This information is not a guarantee of eligibility for the refinance program as other qualifying criteria also must be met.

- Fannie Mae – 800-7FANNIE (8 a.m.-8 p.m. EST) or www.fanniemae.com/loanlookup
- Freddie Mac – 800-FREDDIE (8 a.m.-8 p.m. EST) or www.freddiemac.com/mymortgage

5. I owe more than my property is worth. Do I still qualify to refinance under the Making Home Affordable Program?

Eligible loans include those where the first mortgage will not exceed 105 percent of the current market value of the property. For example, if your property is worth $200,000 but you owe $210,000 or less on your first mortgage, you may qualify. The current value of your property will be determined after you apply to refinance.

6. I have both a first and a second mortgage. Do I still qualify to refinance under Making Home Affordable?

As long as the amount due on the first mortgage is less than 105 percent of the value of the property, borrowers with more than one mortgage may be eligible for a Home Affordable Refinance. Your eligibility will depend, in part, on agreement by the lender who has your second mortgage to remain in a second position and on your ability to meet the new payment terms on the first mortgage.

7. Will refinancing lower my payments?

The objective of the Home Affordable Refinance is to provide creditworthy borrowers who have shown a commitment to paying their mortgage with the opportunity to get into a mortgage with payments that are affordable today and sustainable for the life of the loan. Borrowers whose mortgage interest rates are much higher than the current market rate should see an immediate reduction in their payments.

Borrowers who are paying interest only or who have a low introductory rate that will increase in the future may not see their current payment go down if they refinance to a fixed rate and payment. These borrowers, however, could save a great deal over the life of the loan by avoiding future mortgage payment increases.

When you submit a loan application, your lender will give you a "Good Faith Estimate" that includes your new interest rate, mortgage payment and the amount you will pay over the life of the loan. Compare this to your current loan terms. If it's not an improvement, refinancing may not be right for you.

8. What are the interest rate and other terms of this refinance offer?

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 can vary across lenders and over time as market rates adjust. The refinanced loans will have no prepayment penalties or balloon payments.

9. Will refinancing reduce the amount I owe on my loan?

No. The objective of the Home Affordable Refinance is to help borrowers get into more-affordable loans. Refinancing will not reduce the principal amount you owe to the first mortgage holder or any other debt you owe. Refinancing, however, should save you money by reducing the amount of interest you pay over the life of the loan.

10. Can I get cash out to pay other debts?

No. Borrowers whose loans are owned or securitized by Fannie Mae, however, may be eligible to finance all closing costs and obtain a small amount of cash (2 percent of the mortgage amount not to exceed $2,000) through the refinance if there is sufficient equity. For borrowers whose loans are owned or securitized by Freddie Mac, transaction costs (not to exceed $2,500) such as the cost of an appraisal or title report, may be included in the refinanced amount.

11. How do I apply for a Home Affordable Refinance?

You should call your mortgage servicer or lender and ask about the Home Affordable Refinance application process. The number is on your monthly mortgage bill or coupon book.

Please be patient. Lenders and servicers are implementing the program now and it may take time before they are ready to process all applications. In the meantime, it will help your lender and speed up the application process if you gather some information and documents before you call.

Additionally, borrowers whose loans are owned or securitized by Fannie Mae also can apply through any Fannie Mae-approved lender. Nearly all major banks and mortgage brokers are approved to work with Fannie Mae. Ask the lender you choose if it is authorized to provide a Home Affordable Refinance.

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