

Foreclosure Avoidance Programs get Facelift

By: Jann Swanson | Fri, Dec 5 2014, 2:11 PM

Three foreclosure prevention initiatives begun in the early years of the housing crisis will receive updates to better reflect the changing needs of distressed homeowners and motivate their continued on-time mortgage payments. The U.S. Departments of Treasury and Housing and Urban Development (HUD) announced the revisions to the three, all of which operate under the joint HUD/Treasury Making Home Affordable (MHA) program.

"While the housing sector has strengthened in recent years, there are still many homeowners struggling to make their mortgage payments," said Secretary of the Treasury Jacob J. Lew. "The changes we are announcing today offer **meaningful incentives** for borrowers to stay current in their modifications, increase their opportunity to build equity in their homes, and provide vital safety nets for those facing greater financial strains."

The Home Affordable Modification Program (HAMP), established in 2009, offers homeowners loan modifications with lower monthly payments achieved through lowered interest rates and modified loan terms. Many homeowners with HAMP modifications have been eligible to earn **up to \$5,000** if they adhere to modification terms for five years. The amount is applied to their outstanding principal balance.

Under the revisions an **additional \$5,000** will be available to homeowners after a sixth year of on-time payments and they will then have the opportunity to re-amortize the reduced mortgage balance, thus further lowering their monthly payment. HUD/Treasury estimate some one million borrowers with HAMP modifications may be eligible for the new incentive.

HAMP Tier 2 was developed as an alternative for homeowners who can't qualify or are unable to sustain a HAMP Tier 1 modifications. It provides modifications with a low fixed rate for the life of the loan. The revision announced this week will include **reducing the interest rate** for these modified loans by 50 basis points which will also make more borrowers eligible for the program. It also extends the sixth year \$5,000 pay-for-performance incentive to Tier Two borrowers.

The Home Affordable Foreclosure Alternatives (HAFA) program allows homeowners who cannot qualify or sustain a modification a way to exit homeownership without going through foreclosure. This is usually done through a short sale to a third party or, more rarely, a deed-in-lieu of foreclosure. Exiting homeowners are provided with financial assistance to help them with the expenses of moving and establishing a new residence. The enhancement announced this week will increase the amount of this assistance to a maximum of \$10,000 "to better reflect increased rents and the cost of moving in many parts of the country."

"Today's announcement signals our commitment to helping more hardworking families continue the American dream of homeownership," said Secretary of Housing and Urban Development Julián Castro. "These enhancements will expand the opportunity for more folks to stay in their home, stabilizing local communities and continuing our nation's positive economic momentum."

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