



HUD SECRETARY DONOVAN ANNOUNCES NEW FHA-MAKING HOME AFFORDABLE LOAN MODIFICATION GUIDELINES

New FHA guidelines projected to help thousands avoid foreclosure per year

WASHINGTON - U.S. Department of Housing and Urban Development Secretary Shaun Donovan today announced the Federal Housing Administration (FHA) has implemented changes to its loan modification program to ensure consistency with the Obama Administration's [Home Affordable Modification Program](#). By August 15, FHA borrowers will be able to significantly reduce their monthly mortgage payments by seeking a loan modification through their current mortgage company or loan servicer under the new *FHA-Home Affordable Modification Program (FHA-HAMP)*.

"Today, we're bringing another important tool to the table to help struggling families who are desperate to keep their homes," said Donovan. "Tens of thousands of FHA borrowers will now be able to modify their mortgages in the same manner as so many others who are taking advantage of the Administration's *Making Home Affordable* program. This is just the latest tool we are providing to help homeowners prevent foreclosures through the *Making Home Affordable* program. Earlier this month we announced an expansion of the *Home Affordable Refinance Program* to borrowers who are up to 125 percent underwater. Together, these actions will significantly increase the help available to homeowners."

The Helping Families Save Their Homes Act of 2009, signed into law on May 20, allows FHA to give qualified FHA-insured borrowers the opportunity to reduce their monthly mortgage payment by modifying the mortgage through FHA-HAMP. FHA released the program's implementation guidelines today. FHA expects all servicers to implement the changes by August 15. The program permanently reduces a family's monthly mortgage payment through the use of a partial claim, which defers the repayment of mortgage principal through an interest-free subordinate mortgage that is not due until the first mortgage is paid off.

FHA has used the partial claim option in the past, which allows a lender to advance funds on behalf of a borrower, to reinstate a delinquent loan that was up to 12 months delinquent. Now, this program will allow HUD to bring the borrower's payment down to an affordable level. This will be accomplished by bringing the mortgage current, buying down the loan by up to 30 percent of the unpaid principal balance and deferring these amounts in a partial claim.

FHA will pay an incentive to loan servicers for each FHA loan modified under this program. A Mortgagee Letter, along with detailed requirements for the *FHA-Home Affordable Modification Program*, was distributed to all FHA lenders today. The implementation of this program will further the Obama Administration's efforts to stabilize the housing market by helping homeowners to stay current on their mortgages and stay in their homes, therefore preventing the destructive impact of foreclosures on families and communities.

Making Home Affordable, a comprehensive plan to stabilize the U.S. housing market, was first announced by the Obama Administration on February 18. More than 200,000 trial loan modifications are already underway, tens of thousands of refinancings have closed, and informational mailings about the program have been sent to more than one million borrowers who may be eligible.

FHA borrowers who are experiencing difficulty making their mortgage payments should contact their loan servicer or HUD's National Servicing Center at 1-888-297-8685 to determine if they qualify for the *FHA-Home Affordable Modification Program*. The Mortgagee Letter, with detailed information about the program, is available on the [HUD website](#). Non-FHA borrowers can find information about the Obama Administration's *Making Home Affordable* program at www.makinghomeaffordable.gov