



HCRC is the new name for the home-ownership services offered by

METEC

Housing Counseling Resource Center

## DO-IT-YOURSELF KIT

for

PRESIDENT OBAMA'S HOME AFFORDABLE MODIFICATION PROGRAM

The Program helps homeowners who are struggling to keep their loans current or who are already behind on their mortgage payments. By providing mortgage loan servicers with financial incentives to modify existing first mortgages, the government will help homeowners avoid foreclosure regardless of who their lender is.

**How does it work?** The Plan works by reducing your monthly mortgage payment (*including* principal, interest, monthly property tax and homeowner's insurance escrow, and condo assessments) on your 1st mortgage to 31% of your household's gross monthly income. If you are approved, you will be placed on a 3-month trial plan. If you make each payment on time, the modification will be extended for 5 years. At the end of the 5 years, your interest rate can go up 1% per year until it reaches the market rate at the time you got the modification. A few other terms apply:

- 1) Your taxes and insurance will be escrowed;
- 2) Accrued interest and lender expenses (attorney fees, etc.) will be added to your outstanding principal balance, all late fees will be waived;
- 3) There is no fee for getting the modification;
- 4) Pending foreclosures must be postponed during the evaluation and trial period; and
- 5) If, after the modification, your mortgage payment and other credit report debt exceed 55% of your gross monthly income, you must agree to credit counseling with a HUD-Certified Housing Counseling Agency.

**How Will My Payments Get Lowered?** Your lender can lower your mortgage payment to 31% of gross monthly income by taking 3 steps. Remember that your lender will only do what is necessary to make your payment equal to 31% of gross monthly income and no more.

- 1) Lowering your interest rate to as low as 2%;
- 2) Extending the length of the loan to as long as 40 years; and then
- 3) Reducing or deferring principal if you have substantial negative equity.

**Do I qualify?** To determine if you qualify under the Plan, ask yourself the following questions:

- 1) Is the property owner-occupied, 1-4 units?
- 2) Is the 1st mortgage loan balance under \$729,750 (1 unit), \$934,200 (2 units), \$1,129,250 (3 units), \$1,403,400 (4 units)?
- 3) Was the loan originated on or before January 1, 2009?
- 4) Do I have income that will support monthly mortgage payments at 31% of gross monthly income?
- 5) The loan is not VA-insured?
- 6) Do I have a hardship such as a loss of income, change in circumstances (such as divorce), or increase in expenses?  
*and*
- 7) Is my current 1st mortgage PITIA payment over 31% of my gross monthly income?

If you answered "yes" to each of these questions, it looks like you probably qualify for President Obama's Loan Modification Program. Your next step is to determine if you have sufficient income to support your mortgage payment at 31% of your gross monthly income.

**Next**, to determine if you have enough income to support the monthly mortgage payment at 31% of gross monthly income, do the following basic math:

Step 1: Calculate 31% of GMI (Gross Monthly Income)

\$ \_\_\_\_\_

Step 2: Subtract monthly property tax payments

\$ \_\_\_\_\_

Step 3: Subtract monthly homeowner's insurance payment

\$ \_\_\_\_\_

Step 4: Subtract monthly condo assessments

\$ \_\_\_\_\_

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Step 5: This equals available funds for P&I Payment

\$ \_\_\_\_\_

Step 6: Principal balance divided by 1,000 \* 3.7

\$ \_\_\_\_\_

(This equals the potential P&I payment at 2%)

**If Step 6 is equal to or less than Step 5, you may qualify.**

***Remember, your lender will make the final determination of your eligibility for a loan modification.***

**Proceed to Next Page**

**How Do I Apply?** Application for the Plan is free but you must take several steps. While this may seem like a lot of work, your home is your most important investment and you should do everything to save it from foreclosure.

- 1) Sign the **IRS 4506-T Form** enclosed with this How-To Kit. This is an authorization for IRS to send your lender a copy of your tax return; *then gather the following:*
- 2) Proof of income for all borrowers listed on the mortgage, including two most recent pay stubs;
- 3) Most recent tax return (2008 tax return with all schedules and W-2's);
- 4) Most recent mortgage statements for both first and second mortgage, if applicable;
- 5) Two most recent bank statements;
- 6) Account balances and monthly payments on all other debts including: property taxes, homeowner association/condo fees, credit cards, student or car loans, child support and alimony;
- 7) Proof/documentation of income from any other sources such as alimony, child support (judgment letter); Social Security income (award letter); profit-loss statement if you are self-employed;
- 8) Proof of Homeowners Insurance;
- 9) Most recent utility bill;
- 10) Fill out the **Hardship Affidavit** included in this How-To Kit. The Affidavit will explain to your lender why you need help;
- 11) **Call your lender** and ask to be sent an application form for President Obama's Home Affordable Loan Modification Program;
- 12) Fill out your lender's Application completely;
- 13) Fax or mail the completed Application along with all of your supporting documentation to your lender; and
- 14) Be pro-active and aggressive about following up. Remember: the squeaky wheel gets the grease.

If you need help speaking to your lender or advice on what to do call 1-888-995-HOPE to speak to a housing counselor 24 hours a day. They can also refer you to the nearest housing counseling agency. Or, you can call METEC Housing Counseling Resource Center.