



# Home Affordable Modification Program

*A Workout Solution to Help You Avoid Foreclosure, Whenever Possible*

**If you're a homeowner who is behind on your mortgage payments, in the foreclosure process, or is current on your payments but about to default as a result of a recently experienced hardship, you may be able to modify your loan to a lower rate and avoid foreclosure through the Home Affordable Modification Program (HAMP).**

**A HAMP modification can help you by bringing your monthly mortgage payment to as low as 31 percent of your gross (before tax) monthly household income to make your payments more affordable.**

## Eligibility Criteria

You may be able to obtain a HAMP modification on your Freddie Mac-owned mortgage if:

- Your mortgage is no longer affordable because of a hardship that you have experienced.
- You spend more than 31 percent of your pre-tax income on your mortgage payment (including principal, interest, taxes, insurance, and homeowners' association dues).
- You took out your mortgage on or before January 1, 2009.
- The amount owed on your first mortgage is equal to or less than:
  - \$729,750 for 1-unit primary residences
  - \$934,200 for 2-unit primary residences
  - \$1,129,250 for 3-unit primary residences
  - \$1,403,400 for 4-unit primary residences
- Your mortgage is for a 1- to 4-unit property, and you're currently living in one of the units as your primary residence.

## First Steps to Obtaining a HAMP Modification

- If you're late on your mortgage payment, you may receive a letter from your lender (also known as your servicer – the company to which you send your monthly mortgage payments) offering help. You will be asked to gather,

complete, and return a package of materials including a Request for Modification and Affidavit requiring you to provide financial information and describe why you can't afford your monthly mortgage payment, your two most recent pay stubs and/or other documented evidence of income, a signed and dated IRS Form 4506T or 4506T-EZ, and other documentation.

- Your lender will evaluate your income, debt, and hardship against eligibility criteria.
- If you're eligible for a HAMP modification, your lender will offer you a three-month trial period during which you may pay the estimated modified mortgage payment. To successfully complete this trial period, you will need to make the estimated modified monthly payments on time.

## Calculating the New Mortgage Payment Amount for the Trial Period

Your lender will apply the following sequential steps, as needed, to arrive at a new mortgage payment as close as possible to, but no less than, 31 percent of your gross (before tax) monthly income:

1. Capitalize the accrued interest and other eligible amounts (add to the amount due).
2. Reduce the interest rate to as low as 2 percent.
3. Extend the loan term up to 40 years, if necessary.
4. Defer a portion of the principal, interest-free, until the loan is paid off.

## Modifying Your Mortgage Payment After Successful Trial

Once you've successfully completed the trial period, your lender will permanently modify your mortgage provided you continue to meet all eligibility requirements.

- The modified interest rate will be fixed for a minimum of five years.
- Beginning in year six, the rate may increase no more than 1 percent, until it reaches the market interest rate at the time your permanent modification agreement was prepared.

## Homeowner Incentives

To help foster long-term success, you will receive financial incentives when you pay your HAMP-modified mortgage amount on time every month. Your mortgage balance can be reduced up to \$1,000 each year for five years, a potential \$5,000 mortgage balance reduction.

If you continue to pay your mortgage on time, you may also qualify for a new borrower incentive of an additional \$5,000 in the form of a one-time, lump-sum principal reduction. In total, you could have your mortgage balance reduced by up to \$10,000 if you are able to earn all of the available incentives. Ask your lender for details and whether you may be eligible.

## Counseling for Long-Term Success

If you have a monthly total debt-payment-to-income ratio equal to or greater than 55 percent, you must agree to free, HUD-certified credit counseling.

## For More Information

- Check to see if Freddie Mac owns your mortgage by using Freddie Mac's secure Loan Look-up Tool at <https://www3.freddie.mac.com/corporate/>.
- Contact your lender. The telephone number and mailing address should be listed on your monthly statement or coupon book.
- Refer to the U.S. Department of Housing and Urban Development website at <http://www.hud.gov/offices/hsg/sfh/hoc/fo/index.cfm> to find a list of HUD-approved nonprofit counseling agencies in your area that you can visit in person or talk to over the phone.
- Contact a Freddie Mac Borrower Help Center or Network participant listed at [http://www.freddie.mac.com/mortgage\\_help/who\\_to\\_contact\\_for\\_help.html#helpcenters](http://www.freddie.mac.com/mortgage_help/who_to_contact_for_help.html#helpcenters), where HUD-certified nonprofit counselors will provide confidential financial counseling.
- Visit the Freddie Mac Mortgage Help Resource Center at [http://www.freddie.mac.com/homeownership/mortgage\\_help/](http://www.freddie.mac.com/homeownership/mortgage_help/) to find useful tips, tools, and educational resources, including information on what to expect when working with your mortgage lender.
- Find additional information about the federal Making Home Affordable Program, including the Home Affordable Modification program, at <http://www.makinghomeaffordable.gov/Pages/default.aspx>.