



For those borrowers who may no longer be able to afford their homes, but want to avoid foreclosure the Making Home Affordable Program also offers the **Home Affordable Foreclosure Alternative (HAFA)** program .

Unlike many foreclosure alternative options, the HAFA sets clear timelines to keep the process efficient. To qualify under HAFA;

- Do not qualify for a HAMP, or
- Do not successfully complete the HAMP trial period,
- Miss at least 2 consecutive payments once in a permanent modification; or
- Request the short sale or deed in lieu options.

**Short Sale:** In a short sale option, the servicer allows the homeowner to list and sell the mortgaged property and agrees to accept the net proceeds from the sale, even if the proceeds are less than the total amount due. Under the HAFA option, your lender/servicer will provide you with a set amount that they would be willing to take prior to listing your home.

**Deed-in-Lieu:** once all of your options have been exhausted your lender may offer to accept a deed-in-lieu of foreclosure through which a homeowner voluntarily transfers ownership of the property to their lender/servicer. Most lenders will require that homeowners try to sell their home before they will accept the deed-in-lieu. Your lender may also



offer a monetary amount for relocation assistance after closing, often referred to as the **Cash for Keys** option. Up to \$3,000, this amount is negotiable and is generally given once a final inspection of the property has taken place to see if there has been damage or if the home is in good repair and “broom” clean.

**Deficiency Judgments**

Participating in the Short Sale or Deed-in-Lieu option could result in a deficiency judgment. A **deficiency judgment** is when the home has sold in the foreclosure (including short sale) sale for less than the full amount owed. Under the HAFA program the lender is agreeing that they will not seek a deficiency judgment. However, lenders who allow short sale or deed-in-lieu options not under the HAFA program, or after a home has been *foreclosed* and sold in a foreclosure sale the lender may seek a judgment through the courts at a later date to attempt to collect the difference. You can negotiate this option up front with your lender and should they agree, make sure to get it in writing that they will not seek the deficiency judgment.

For more information on the Making Home Affordable Programs please visit their website at MakingHomeAffordable.gov or contact a HUD Housing Counseling agency for more guidance.



**Mediation:**

is thought of as “assisted negotiations”. During mediation the Mediator (a neutral 3rd party) will explain the process to both sides and encourage a conversation regarding a workout. During the mediation, your lender must have someone at the table who can make the final decision based in part, on the information you provided during your foreclosure counseling session.

**BE PREPARED**

- bring ALL required documentation to your counseling session
- bring ALL updated information with you to mediation (pay stubs, bank statements, etc...)

Not everyone will be able to keep their home, but understanding your options will help you make a more informed decision.

Please remember that the mediation process was put into place to assist you. Plan to attend. Plan to participate.

**Community Legal Services  
of Mid-Florida**

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# Foreclosure Prevention

Community Legal Services  
of Mid-Florida



## Your Guide to the Workout Options





**If your financial hardship will be temporary, your lender may determine one of the following options may work best for your situation.**

#### Reinstatement:

paying the amount you are currently behind, in full, in order to bring your loan current.

#### Forbearance:

lender may allow you to reduce or suspend your payments for a short period of time and then agree to another option to bring your mortgage current (may be used in conjunction with a modification)

#### Repayment Plan:

Resume making your regular monthly payments plus a portion of your past due amount in order to bring your loan current. These are generally for a set amount of time (3-24 months depending on the lender)

**If your financial situation is long-term;**

#### Modification:

a loan modification is similar to a refinance: the lender agrees to alter/modify your loan but with no fees being charged. By modifying your rate, extending the term of your loan to as long as 40 years will lower your payment. The modification may be for a prescribed amount of time or for the life of the loan.

## **Making Home Affordable (MHA)**

The Federal government has several programs for helping homeowners who are having trouble making their mortgage payments due to some hardship through no fault of their own.

How do I qualify for the MHA Programs?

- Own a 1-4 unit home that is your primary residence and
- Have received your mortgage prior to January 1, 2009 and
- Have a mortgage payment (including principal, interest, taxes, insurance and homeowners association dues) that is MORE than 31% of your gross (pre-tax) monthly income; and
- Owe less than or equal to \$729,750 on your first mortgage.

#### Home Affordable Refinance Program (HARP):

For those loans what are held by Fannie Mae or Freddie Mac and whose borrowers are able to pay their mortgages on time but are not able to take advantage of the record low interest rates perhaps due to the decrease in property values. HARP may assist you with refinancing into a more affordable mortgage.

#### Home Affordable Modification Program (HAMP):

For those homeowners with payments greater than 31% of gross monthly income, who are struggling to make their mortgage payments on time may qualify for a modification. Under the HAMP program the borrowers payment is lowered to no more than 31% of gross

monthly income by *modifying* the rate, term, or principal balance owed or a combination of these items.

#### HAMP Trial Period:

Borrowers will be required to pay the reduced payment during a Trial Payment Period while the documents and/or application they submitted is reviewed for final approval. Once HAMP is final the following could occur in order to bring the payment to the prescribed amount of 31% of borrower's gross monthly income:

- Rate reduction possibly to as low as 2%
- Term extended for up to 40 yrs.
- Principal forbearance or deferral

The rate is fixed for the first 5 years and beginning in year 6 the rate may increase no more than 1% per year until it reaches the Freddie Mac market rate at the time the HAMP mod was prepared.

#### Second Lien Modification Program (2MP):

Offers homeowners a way to lower payments on their second mortgage. Under the 2MP program if your first-lien is modified under the HAMP program and your second-lien holder is a participating servicer (see [makinghomeaffordable.gov](http://makinghomeaffordable.gov) for list), then your second-lien may lower your rate to 1% for loans that pay both principal & interest or 2% for those interest only loans.

They may also extend your 2nd lien to 40-years and defer principal if necessary. If principal was deferred or forgiven on the 1st then the 2nd-lien holder must forbear or forgive the same

amount on the 2nd-lien . As an alternative to the 2MP program the second-lien holder may elect to extinguish your 2nd lien in its entirety.

Unemployment Program (UP): for those borrowers struggling to pay their mortgage due to unemployment may receive a forbearance period during which their monthly mortgage payments are reduced or suspended while they seek re-employment. The minimum forbearance is for 3 months, though the servicer may extend the term depending on the investor. To be eligible, borrowers may not be more than 3 months past due on their mortgage.

**Remember:** Even if you don't qualify for any of the options under the Making Home Affordable Program, lenders have offered in-house workout options (modifications, forbearance agreements and repayment plans) so it is in your best interest to contact your lender to see what options may be available to you.



#### Partial Claim:

For those borrowers with a Federal Housing Administration (FHA) loan you may have another option available to you. Your lender may assist you in obtaining a one-time interest free loan from the insurer to bring your loan current. Your loan must be at least 4 months delinquent, but no more than 12 to request a partial claim. FHA will place a lien on your property.