

### **What is a loan modification?**

A loan modification is simply altering the terms of a loan contract by mutual agreement of the borrower and lender. Loan modifications are usually done to make the payments more affordable to the borrower during hardships. The terms of the loan contract that are modified most often are the annual interest rate, the term of the loan (payoff period) and, even the principal (the amount owed).

### **What is the federal Home Affordable Modification Program (HAMP)?**

HAMP is the federal Act enacted by Congress in 2009 that establishes national guidelines for modifying private residential mortgage contracts. The Act was also created to offset rampant predatory lending practices that were prevalent during the first decade of the century.

HAMP is also an important component of our national economic recovery program. Consumer spending drives our national economy. The immediate HAMP objective is to lower homeowner mortgage payments and, thereby, increase household disposable income to increase consumer spending. The government has done their part. We must now do our part as American citizens.

### **How many households qualify for a HAMP loan modification?**

It is estimated that there are up to 16 million residential loan contracts created during the first decade of the century that should be modified to meet today's national fair lending practice guidelines. Nearly four million of these households are currently delinquent on their mortgage payments and face possible foreclosure. Another 12 million households are in distressed financial situations due to stagnant wages and the burden of excessively high mortgage payments.

### **Do I have to have a good credit score to participate in HAMP?**

No. You already have the mortgage loan contract that will be modified. This program simply modifies the terms of your existing loan contract to eliminate financial hardships. However, you do have to demonstrate that you have sufficient income to make the reduced HAMP payments. Applying for a HAMP loan modification does not affect your credit rating.

### **How do I know if I qualify for a HAMP mortgage payment reduction?**

First, the HAMP loan modification program only applies to private residential loan agreements created prior to 2009 that have a current loan balance of less than \$729,725. In addition, the homeowner must be paying more than 31% of gross monthly household income for mortgage payments. This includes payments for the monthly principal and interest payment for the 1<sup>st</sup> and 2<sup>nd</sup> loans and the monthly payments for taxes and insurance. You will also qualify if you have an interest only mortgage loan or a negative amortization mortgage loan. These types of mortgage contracts have been outlawed in several states.

### **Does my mortgage lender have to honor my HAMP loan modification request?**

The loan modification process is a two party negotiation between you and your lender. All major lenders that accepted funding from 2008 TARP funds and 2009 HAMP funds have agreed to faithfully honor your request. However, we cannot guarantee that they will always honor their commitment even though they have sworn to do. However, HAMP is law and the law is on your side. You must be vigilant in your pursuit of a just legal outcome if your lender does not readily agree to grant the modification. Again, the law is on your side.

## How do I apply for a HAMP mortgage payment reduction?

You can apply for a HAMP mortgage payment reduction through any HUD certified nonprofit organization in your community. The application will be processed free of charge. Be mindful that, though free, the nonprofit approach has a very poor success rate.

## The Urban Solutions HAMP Utility Pack Program

Alternatively, you can use our free online HAMP Mortgage Planner Utility Program and apply directly to your lender. This program will allow you to devise a new reduced mortgage payment plan according to HAMP guidelines. You can then submit your new reduced payment plan directly to your mortgage lender to request that your mortgage contract be modified in accordance with your plan. The plan that you submit will be in full accordance with federal HAMP guidelines.

## What do I do next?

You can develop your HAMP payment plan free. You can do this with minimum effort and little knowledge of the ins and outs of banking practices. It may save you hundreds of thousands on the cost of your home over the term of your contract. This is money that can go towards helping you and your family to enjoy a better life. It is also money that can go towards helping to rebuild our economy.

Our system uses three business forms that you complete to electronically process the request documents that you will submit to your lender – including the mortgage payment plan that you are legally entitled to under the law. Just click the link, below. It won't cost you anything to find out where you stand.

<http://www.eomniform.com/servlet/FillForm/urbansolutions/HAMP%20Mortgage%20Planner>

URBAN SOLUTIONS HAMP MORTGAGE PLANNER

Homeowner information    Total    D    Jackson    H@Email  
required entries    Birth date    →    First name    Initial    Last name    email address

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**HAMP Mortgage Payment Planner Overview**

There is a lot of misinformation about the federal Home Affordable Modification Program (HAMP) mortgage reduction program. This HAMP payment planner is designed to eliminate a lot of the confusion by allowing you to design your own HAMP payment plan.

The HAMP plan is really quite simple. It simply reduces mortgage loan interest rates and extends payments over two consecutive payment terms that can last up to 40 years. This makes payments more affordable for distressed homeowners.

**The Current Mortgage Payment Plan**

This section of the planner is used to record the terms of your existing mortgage loan. The information required can be obtained from your last mortgage payment statement. Fill out the fields of this section, Loan Amount through Gross Monthly Income. The Monthly Payment and HTI fields are calculated under program control and will not allow you to make an entry.

**The Accelerated Pay Down Period Payment Plan**

The first term payment under HAMP is an accelerated principal paydown period of up to five years. During the accelerated paydown period you can have your annual interest rate reduced as low as zero percent. However, a two percent annual rate is far more acceptable to lenders. The paydown period is designed to reduce the outstanding loan balance at an accelerated rate.

The planner lets you adjust the Accelerated Pay Down Period length, the Interest Rate and, the House Payment to Income ratio (HTI) to achieve a term plan that is suitable for your household during the accelerated pay-down period.

**Step-Up Period Payment Plan**

The loan balance remaining after the accelerated paydown period will be paid off during the step-up period. The annual interest rate during the step-up period can go up to 6 percent or more. However, monthly payments will remain low due to the extended 36 year payment term.

The planner lets you adjust the Step-up Period length, the Interest Rate and, the House Payment to Income ratio (HTI) to achieve a term plan that is suitable for your household during the step-up period.

**Your HAMP Plan Summary**

If your household income is too low to pay off the balance of your loan over the 40 year plan you can request a principal reduction from your lender. The "Principal Reduction Required" is the amount of the principal reduction that you must request from your lender. Chances are your lender will deny your request if the principal reduction constitutes a substantial portion of your loan balance. It may be easier to get your loan refinanced.

Current Mortgage Payment Plan	
Loan Amount	\$450,000
Loan Term (yrs)	30
Annual Interest Rate (%)	4.00
Monthly Payment	\$2,079.98
Loan Balance	\$380,000
Gross Monthly Household Income	\$5,945
House Payment to Income (HTI)	4.5%

  

Accelerated Pay Down Period Payment Plan	
Loan Balance	\$380,000
Accelerated Period (1-5 yrs)	5
Annual Interest Rate (0-2%)	2.00
House Payment to Income (HTI at 2% or less)	31.00
Monthly Payment	\$1,243

  

Step-up Period Payment Plan	
Loan Balance	\$274,855
Step-up Period (1-35 yrs)	20
Annual Interest Rate (0-6%)	4.00
House Payment to Income (HTI at 31% or less)	28.02%
Monthly Payment	\$1,414

**Your HAMP Plan Summary**

Principal Reduction Required for Your Plan    \$0

HAMP MORTGAGE PAYMENT PLANNER

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