

Federal Housing Administration HOPE for Homeowners

US Department of Housing and Urban Development

NOTE: Homeowners, contact your existing lender and/or a new lender to discuss how you may qualify for the H4H program.

The HOPE for Homeowners (H4H) program was created by Congress to help those at risk of default and foreclosure refinance into more affordable, sustainable loans. H4H is an additional mortgage option designed to keep borrowers in their homes.

The program is effective from October 1, 2008 to September 30, 2011.

If you are having trouble making your mortgage payments, HOPE for Homeowners may be able to help you, by refinancing your loan into a new 30-year or 40-year fixed-rate loan with lower payments.

How the Program Works

There are four ways that a distressed homeowner could pursue participation in the HOPE for Homeowners program:

1. Homeowners may contact their existing lender and/or a new lender to discuss how to qualify and their eligibility for this program.
2. Servicers working with troubled homeowners may determine that the best solution for avoiding foreclosure is to refinance the homeowner into a HOPE for Homeowners loan.
3. Originating lenders who are looking for ways to refinance potential customers out from under their high-cost loans and/or who are willing to work with servicers to assist distressed homeowners.
4. Counselors who are working with troubled homeowners and their lenders to reach a mutually agreeable solution for avoiding foreclosure.

It is envisioned that the primary way homeowners will initially participate in this program is through the servicing lender on their existing mortgage. Servicers that do not have an underwriting component to their mortgage operations will partner with an FHA-approved lender that does.

Step 1: Cost-Benefit Analysis

Lender considerations:

Given their fiduciary responsibilities and financial obligations, lenders will assess their portfolio and perform a cost-benefit analysis to determine the feasibility of offering this program to struggling homeowners.

1. Affordability versus value: lenders will take a loss on the difference between the existing obligations and the new loan, which is set at 96.5 percent of current appraised value. The lender may choose to provide homeowners with an affordable monthly mortgage payment through a loan modification rather than accepting the losses associated with declining property values.
2. Borrower eligibility: Lenders that determine the H4H program is a feasible and effective option for mitigating losses will assess the homeowner's eligibility for the program:
 - The existing mortgage was originated on or before January 1, 2008;
 - Existing mortgage payment(s) as of March 1, 2008 exceeds 31 percent of the borrowers gross monthly income for fixed-rate mortgages; For ARMs, the existing mortgage payment(s) exceeds 31 percent of the borrowers gross monthly income as of March 1, 2008 OR the date of the new loan application.
 - The homeowner did not intentionally default, does not have an ownership interest in other residential real estate and has not been convicted of fraud in the last 10 years under Federal and state law; and
 - The homeowner did not provide materially false information (e.g., lied about income) to obtain the mortgage that is being refinanced into the H4H mortgage.

Consumer considerations:

The lender will [disclose](#) to the homeowner the benefits of the program:

- Home retention,
- New affordable mortgage based on current appraised value,
- 3.5 percent equity

The lender will also disclose to the homeowner the costs of the program:

- 3 percent upfront mortgage insurance premium and a 1.5 percent annual premium,
- [Equity and appreciation sharing with the Federal government](#), and
- Prohibition against new junior liens against the property unless they are directly related to property maintenance.

Step 2: Negotiations Between Borrowers and Lien Holders

If the lender refinancing the loan does not hold the senior mortgage lien, it will need to secure an agreement from the existing lien holder to waive all prepayment penalties and default fees on the existing loan and accept the loan proceeds from the H4H loan as payment in full. The loan amount (including the 3 percent UFMIP) for the new H4H loan cannot exceed 96.5 percent of the current appraised value of the property.

The lender will engage existing subordinate mortgage lien holders to extinguish all subordinate liens on the subject property. To entice subordinate lien holders to participate in the negotiation process and release their liens, FHA has the authority to share its future appreciation entitlement with them or offer an upfront payment option.

Step 3: Originating an H4H Mortgage

The lender will qualify the homeowner for the new H4H mortgage using the guidelines established under the terms of the program's unique statutory requirements, ensuring the homeowner has the capacity to make the new payment on the H4H mortgage in a timely manner.

During underwriting of the loan, the lender will calculate the future appreciation interest amount or upfront payment for each subordinate lien holder in accordance with instructions provided by FHA.

At settlement, subordinate lien holders who choose the future appreciation share option will receive a certificate that evidences their interest as an obligation backed by HUD, with payment conditional on the value of HUD's appreciation share.

Following funding of the loan the lender will record – in addition to the typical security instrument and note for the first mortgage – a shared equity note and mortgage (SEM) and a shared appreciation note and mortgage (SAM). These mortgages will be serviced by FHA.

The lender will also submit the new mortgage for insurance to FHA, certifying that it has been originated, underwritten and closed in accordance with the H4H program guidelines.

Step 4: Fulfilling H4H Mortgage Obligations

Upon sale of the property, the homeowner will use their sale proceeds to pay off the H4H mortgage as well as the shared equity and shared appreciation mortgages.

FHA will provide instructions to the settlement agents regarding subordinate lien holders who are entitled to a portion of any appreciation. The lien holder that previously held the highest priority will receive payment up to the full dollar amount of its interest, not to exceed the amount of available appreciation, and so on, until all prior lien holders are satisfied or the amount of available appreciation is exhausted. All remaining appreciation is remitted to FHA.

In instances where the homeowner failed to make the first payment on their new H4H mortgage, the H4H statute prevents FHA from paying claim benefits to anyone holding the mortgage.