

PRESS RELEASES

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ADMINISTRATION UPDATES DOCUMENTATION COLLECTION PROCESS AND RELEASES GUIDANCE TO EXPEDITE PERMANENT MODIFICATIONS

WASHINGTON – As part of the Administration's ongoing housing market stabilization plan, the U.S. Department of the Treasury and the Department of Housing and Urban Development (HUD) today released updated guidance for servicers participating in the Administration's mortgage modification program. This guidance refines the documentation requirements in order to expedite conversions of current trial modifications to permanent ones.

"With more than 850,000 homeowners in trial and permanent modifications, we are providing immediate relief to struggling homeowners," said Phyllis Caldwell, Chief of Treasury's Homeownership Preservation Office. "Today's guidance represents our commitment to more efficiently move qualified homeowners into permanent modifications."

"Increasing the number of borrowers receiving permanent modifications under HAMP is critical to our efforts to preserve affordable and sustainable homeownership," said HUD Senior Advisor for Housing Finance William Apgar. "While we continue to meet our goals to provide immediate assistance, the updates announced today should enable servicers to transition borrowers more quickly and easily from trial to permanent modification."

On December 23, 2009, the Administration required most trial modifications to be placed in a temporary review period to ensure that all borrowers are being fairly evaluated for the program. During this temporary review period, servicers were not permitted to cancel an active HAMP trial modification for any reason other than failure to meet the HAMP property eligibility requirements. This allowed servicers to convert a significant number of trial modifications to permanent ones. In fact, the total number of conversions more than doubled in December. Guidance released today will help improve this conversion process for the future.

The updated process requires that key documents, including proof of income, be obtained from the borrower before a borrower evaluation can begin. This more robust requirement of upfront documentation will make it easier and quicker to convert trial modifications to permanent modifications and enable servicers to use their resources more effectively.

Guidance Details

Supplemental Directive 10-01 provides guidance on two major issues:

1. New Requirements that Documentation be Provided Before Trial Modification Begins

Today's guidance refines the documentation process and makes it easier for eligible borrowers in

trial modifications to get permanent modifications quickly. Under this guidance:

A simple, standard package of documents will be required prior to the servicer's evaluation of the borrower for a trial modification. This process will be required for all new HAMP modifications that became effective after June 1, although mortgage servicers may implement it sooner.

2. Converting Borrowers in the Temporary Review Period to Permanent Modifications

In December, Treasury implemented a review period through January 31 to provide servicers additional time to collect and submit missing documentation for borrowers in trial modifications, to require that borrowers be notified of any missing documents, and to give borrowers an opportunity to dispute and correct any erroneous information in their applications. Today's guidance clarifies for servicers the proper procedures for conversion of those borrowers who are current on their monthly payments to permanent modifications.

Background

The Home Affordable Modification Program aims to help responsible American homeowners maintain a sustainable monthly mortgage payment through a pay-for-success framework that aligns incentives of borrowers, lenders and servicers. Over 900,000 Americans have begun trial modifications since the program's inception and over 110,000 have been approved for permanent modifications as of December 31, 2009. The median monthly savings for individual homeowners is more than \$500 per month. Over 100 servicers have signed up to participate in HAMP, covering more than 89% of mortgage debt outstanding in the country.