

REFINANCE OPTIONS FOR UNDERWATER HOMEOWNERS (NEW CHANGES TO HARP)

On October 24, 2011, the Federal Housing Finance Agency, with Fannie Mae and Freddie Mac, announced a number of changes to the Home Affordable Refinance Program, otherwise known as HARP. The program was instituted in 2009 to assist those homeowners who were current on mortgages owned or guaranteed by Fannie Mae or Freddie Mac, but unable to obtain a traditional refinance because the value of their home had declined below what they owe on their homes. HARP was designed to help these homeowners refinance into a new affordable, more stable mortgage. Although the program was expected to reach four to five million homeowners, to date only 900,000 borrowers with GSE loans have successfully refinanced their homes through this program.

The new program enhancements address several key aspects of HARP, which include:

- Eliminating certain risk-based fees for borrowers who refinance into shorter-term mortgages and lowering fees for other borrowers;
- Removing the current 125 % LTV (loan to value) ceiling for fixed rate mortgages backed by Fannie Mae or Freddie Mac;
- Waiving certain warranties required of lenders;
- Eliminating the need for a property appraisal when a reliable automated valuation model (AVM) estimate has been provided; and
- Extending the end date of the program to December 31, 2013.

An important part of these changes is thought to be the incentive for borrowers to refinance into shorter-term mortgages by eliminating certain risk-based fees. The Federal Housing Finance Agency suggested that approximately 900,000 more homeowners would be helped, roughly doubling the size of the program to date. Although analysts welcomed the change, some criticized it for still not capturing nearly enough of the people who could benefit from lower interest rates.

Starting in mid-November banks will begin using new criteria intended to make more borrowers eligible. You may be eligible to apply if you meet all of the following criteria, however, it is important to note that because HARP is optional, these eligibility criteria are for guidance only and they may vary between loan servicers.

- Your mortgage must be owned or guaranteed by Freddie Mac or Fannie Mae and must have been sold to Freddie Mac or Fannie Mae on or before May 31, 2009.
- The mortgage cannot have been refinanced under HARP previously unless it is a Fannie Mae loan that was refinanced under HARP from March-May 2009.
- You must be current on your mortgage at the time of the refinance with a good payment history over the last twelve months.
- Current loan-to-value (LTV) ratio must be greater than 80%.

For more details on HARP, go to www.fanniemae.com and www.freddiemac.com.