



## **BORROWER FREQUENTLY ASKED QUESTIONS**

**UPDATED MARCH 18, 2009**

### **What is “Making Home Affordable” all about?**

Making Home Affordable is part of President Obama's comprehensive strategy to get the housing market back on track. Through the Making Home Affordable Program, up to 9 million American families may be eligible to refinance or modify their loans to a payment that is affordable now and into the future.

### **HOME AFFORDABLE REFINANCE**

#### **1. I'm current on my mortgage. Will the Home Affordable Refinance help me?**

Eligible borrowers who are current on their mortgages but have been unable to take advantage of today's lower interest rates because their homes have decreased in value, may now have the opportunity to refinance. Through the Home Affordable Refinance Program, Fannie Mae and Freddie Mac will allow the refinancing of mortgage loans that they own or that they placed in mortgage backed securities.

#### **2. How do I know if I am eligible?**

You may be eligible if:

- You are the owner occupant of a one to four unit home,
- The loan on your property is owned or securitized by Fannie Mae or Freddie Mac (Don't know? See below),
- At the time you apply, you are current on your mortgage payments (current means that you haven't been more than 30-days late on your mortgage payment in the last 12 months or, if you have had the loan for less than 12 months, you have never missed a payment),
- You believe that the amount you owe on your first mortgage is about the same or slightly less than the current value of your house,
- You have income sufficient to support the new mortgage payments, and
- The refinance improves the long term affordability or stability of your loan.

#### **3. How do I know if the refinance will improve the long term affordability or stability of my loan?**

Your lender will give you a “Good Faith Estimate” that includes your new interest rate, mortgage payment and the amount you will pay over the life of the loan. Compare this to your current loan terms. If it is not an improvement, refinancing may not be right for

you. Also consider that refinancing from an adjustable rate to a fixed rate loan or eliminating higher risk loan terms such as interest only payments or balloon payments may also provide long term stability.

#### **4. How do I know if my loan is owned or has been securitized by Fannie Mae or Freddie Mac?**

You should call your mortgage lender or servicer (the organization to whom you make your monthly mortgage payments) and ask about the program.

Both Fannie Mae and Freddie Mac have established toll-free telephone numbers and web submission processes to make this data available. Borrowers will provide or enter information to determine if either agency owns or securitized the loan. This information is not a guarantee of eligibility for the refinance program, as other qualifying criteria must also be met.

- For Fannie Mae,
  - 1-800-7FANNIE (8am to 8pm EST).
  - [www.fanniemae.com/loanlookup](http://www.fanniemae.com/loanlookup)
- Freddie Mac
  - 1-800-FREDDIE (8am to 8pm EST)
  - [www.freddiemac.com/mymortgage](http://www.freddiemac.com/mymortgage)

#### **5. I owe more than my property is worth. Do I still qualify to refinance under the Making Home Affordable Program?**

Eligible loans will include those where the first mortgage will not exceed 105% of the current market value of the property. For example, if your property is worth \$200,000 but you owe \$210,000 or less on your first mortgage you may qualify. The current value of your property will be determined after you apply to refinance.

#### **6. I have both a first and a second mortgage. Do I still qualify to refinance under Making Home Affordable?**

As long as the amount due on the first mortgage is less than 105% of the value of the property, borrowers with more than one mortgage may be eligible for a Home Affordable Refinance. Your eligibility will depend, in part, on agreement by the lender that has your second mortgage remain in a second position, and on your ability to meet the new payment terms on the first mortgage.

#### **7. Will refinancing lower my payments?**

The objective of the Home Affordable Refinance is to provide creditworthy borrowers who have shown a commitment to paying their mortgage, the opportunity to get into a mortgage with payments that are affordable today and sustainable for the life of the loan. Borrowers whose mortgage interest rates are much higher than the

current market rate should see an immediate reduction in their payments.

Borrowers who are paying interest only, or who have a low introductory rate that will increase in the future, may not see their current payment go down if they refinance to a fixed rate and payment. These borrowers, however, could save a great deal over the life of the loan by avoiding future mortgage payment increases. When you submit a loan application, your lender will give you a "Good Faith Estimate" that includes your new interest rate, mortgage payment and the amount that you will pay over the life of the loan. Compare this to your current loan terms. If it is not an improvement, a refinancing may not be right for you.

**8. What are the interest rate and other terms of this refinance offer?**

The rate will be based on market rates in effect at the time of the refinance and any associated points and fees quoted by the lender. Interest rates may vary across lenders and over time as market rates adjust. The refinanced loans will have no prepayment penalties or balloon payments.

**9. Will refinancing reduce the amount that I owe on my loan?**

No. The objective of the Home Affordable Refinance is to help borrowers get into more affordable loans. Refinancing will not reduce the principal amount you owe to the first mortgage holder or any other debt you owe. However, refinancing should save you money by reducing the amount of interest that you pay over the life of the loan.

**10. Can I get cash out to pay other debts?**

No. However, borrowers whose loans are owned or securitized by Fannie Mae may be eligible to finance all closing costs and obtain a small amount of cash (2% of the mortgage amount not to exceed \$2,000) through the refinance if there is sufficient equity. For borrowers whose loans are owned or securitized by Freddie Mac, transaction costs (not to exceed \$2,500) such as the cost of an appraisal or title report, may be included in the refinanced amount.

**11. How do I apply for a Home Affordable Refinance?**

You should call your mortgage servicer or lender and ask about the Home Affordable Refinance application process. The number is on your monthly mortgage bill or coupon book. Please be patient. Lenders and servicers are implementing the program now and it may take time before they are ready to process all applications. In the meantime, it will help your lender and speed up the application process if you gather some information and documents before you call.

Additionally, beginning April 4, 2009, borrowers whose loans are owned or securitized by Fannie Mae may also apply through any Fannie Mae approved lender.

Nearly all major banks and mortgage brokers are approved to work with Fannie Me. Ask the lender you choose if it is authorized to provide a Home Affordable Refinance.

**12. What documentation will I need?**

It will help your lender if you gather some information and documents before you call. You will need:

- Information about the monthly gross (before tax) income of all the borrowers on your loan, including recent pay stubs if you receive them or documentation of income you receive from other sources.
- Your most recent income tax return.
- Information about any second mortgage on the house.
- Account balances and minimum monthly payments due on all of your credit cards.
- Account balances and monthly payments on all your other debts such as student loans and car loans.

**13. I am delinquent on my mortgage. Will I qualify for a Home Affordable Refinance?**

No. Borrowers who are currently delinquent or have been 30 days overdue more than once during the past 12 months will not qualify. You should contact your servicer to see if a Home Affordable Modification is an option for you.

**14. Will I need mortgage insurance?**

If your existing loan has private mortgage insurance, you will need the same amount of insurance coverage for the refinanced loan. If your existing loan does not have private mortgage insurance it will not be required as part of the Home Affordable Refinance.

**15. How long will the Home Affordable Refinance be available?**

The program expires on June 10, 2010. Your refinance transaction must be closed and funded on or before that date.