

# News Release

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**BUSH ADMINISTRATION LAUNCHES "HOPE FOR HOMEOWNERS" PROGRAM TO HELP MORE STRUGGLING FAMILIES KEEP THEIR HOMES**  
*Detailed Program Eligibility Requirements Announced*

WASHINGTON - The Bush Administration today unveiled additional mortgage assistance for homeowners at risk of foreclosure. The *HOPE for Homeowners* program will refinance mortgages for borrowers who are having difficulty making their payments, but can afford a new loan insured by HUD's Federal Housing Administration (FHA).

"For families struggling to keep up with their mortgage payments, this program will be another resource to refinance into a loan they can afford," said HUD Secretary Steve Preston. "FHA remains a safe and affordable alternative to the high-priced mortgage loans that threaten homeowners' ability to retain their homes. We strongly encourage borrowers to work with their lenders to determine if *HOPE for Homeowners* is the right program for them."

The *HOPE for Homeowners* program was authorized by the Economic and Housing Recovery Act of 2008. Since the President signed this vital legislation into law on July 30, 2008, the *HOPE for Homeowners* Board of Directors has worked diligently to develop and implement the program as directed by Congress. The Board was charged with establishing underwriting standards to ensure borrowers, after any write-down in principal, have a reasonable ability to repay their new FHA-insured mortgage.

The *HOPE for Homeowners* program begins today and ends September 30, 2011. The program is available only to owner occupants and will offer 30-year fixed rate mortgages - so the borrower's last payment will be the same as the first payment. In many cases, to avoid what would be an even costlier foreclosure, banks will have to write down the existing mortgage to 90 percent of the new appraised value of the home.

## **Borrower Eligibility**

Borrowers are encouraged to contact their lender to determine eligibility, but may be eligible if, among other factors:

- The home is their primary residence, and they have no ownership interest in any other residential property, such as second homes.
- Their existing mortgage was originated on or before January 1, 2008, and they have made at least six payments.

- They are not able to pay their existing mortgage without help.
- As of March 2008, their total monthly mortgage payments due were more than 31 percent of their gross monthly income.
- They certify they have not been convicted of fraud in the past 10 years, intentionally defaulted on debts, and did not knowingly or willingly provide material false information to obtain their existing mortgage(s).

## **How the *HOPE for Homeowners* program works**

"*HOPE for Homeowners* will add to HUD's existing efforts to make FHA refinancing available to homeowners who need it most," said FHA Commissioner Brian D. Montgomery. "One year ago, FHA expanded refinancing into its FHA Secure program. Since that time, we have helped more than 360,000 families keep their homes by refinancing with FHA, and we will assist a total of 500,000 families by the end of this year."

The Board expects that the primary way homeowners will participate in the program is by working with their current lender. *HOPE for Homeowners* will serve as another loss mitigation tool available to distressed borrowers.

*HOPE for Homeowners* also includes the following provisions:

- The loan amount may not exceed a maximum of \$550,440.
- The new mortgage will be no more than 90 percent of the new appraised value including any financed Upfront Mortgage Insurance Premium.
- The Upfront Mortgage Insurance Premium is 3 percent and the Annual Mortgage Insurance Premium is 1.5 percent.
- The holders of existing mortgage liens must waive all prepayment penalties and late payment fees.
- The existing first mortgage must accept the proceeds of the *HOPE for Homeowners* loan as full settlement of all outstanding indebtedness.
- Existing subordinate lenders must release their outstanding mortgage liens.
- Standard FHA policy regarding closing costs applies, and they may be:
  - Financed into the new loan provided the value of the mortgage (including the Upfront Mortgage Insurance Premium) does not exceed 90 percent of the new appraised value of the home.
  - Paid from the borrowers' own assets.
  - Paid by the servicing lender or third party (e.g., federal, state, or local program).
  - Paid by the originating lender through premium pricing.
- The borrower must agree to share with FHA both the equity created at the

beginning of this new mortgage and any future appreciation in the value of the home.

- The borrower cannot take out a second mortgage for the first five years of the loan, except under certain circumstances for emergency repairs.

The lender will disclose to the homeowner the benefits of the program including home retention, a new affordable mortgage based on the current appraised value, and 10 percent equity. The lender will also explain the prohibition against new junior liens against the property unless directly related to property maintenance, and a minimum of 50 percent equity and appreciation sharing with the Federal government.

The costs to the homeowner include the upfront and annual insurance premiums, as well as a share of the equity created by the write-down associated with the *HOPE for Homeowners* mortgage and any future appreciation in the value of the home. At settlement, subordinate lien holders 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.

If the home is sold or refinanced, the homeowner will share the equity with FHA on a sliding scale ranging from a 100 percent FHA share after the first year to a minimum of 50 percent after five years. The lien holder that previously held the highest priority will receive payment up to a proportion of its original interest, not to exceed the amount of available appreciation. This type of delayed payoff will take place until all prior lien holders are satisfied or the amount of available appreciation is exhausted. All remaining appreciation is remitted to FHA.

The *HOPE for Homeowners* Board of Directors includes HUD Secretary Steve Preston, Treasury Secretary Henry Paulson, Federal Reserve Board Chairman Ben Bernanke, and FDIC Chairman Sheila Bair. They have named the following people to serve on the board as their designees: FHA Commissioner and Chairman of the Board Brian Montgomery, Federal Reserve Board Governor Elizabeth Duke, Treasury Assistant Secretary for Economic Policy Phillip Swagel, and Federal Deposit Insurance Corporation Director Tom Curry.

Read more about *HOPE for Homeowners* at [www.hud.gov/hopeforhomeowners](http://www.hud.gov/hopeforhomeowners).

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*HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development and enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at [www.hud.gov](http://www.hud.gov) and [espanol.hud.gov](http://espanol.hud.gov).*