

Guidelines for FHA Refinance of Borrowers in Negative Equity Positions

Program Objective

The objective of this program is to assist responsible homeowners who are facing significant negative equity housing situations. Using authority under Sections 101 and 109 of the Emergency Economic Stabilization Act of 2008 (“EESA”), the United States Department of the Treasury (“Treasury”) will purchase a letter of credit facility (the “Facility”) from a financial institution.

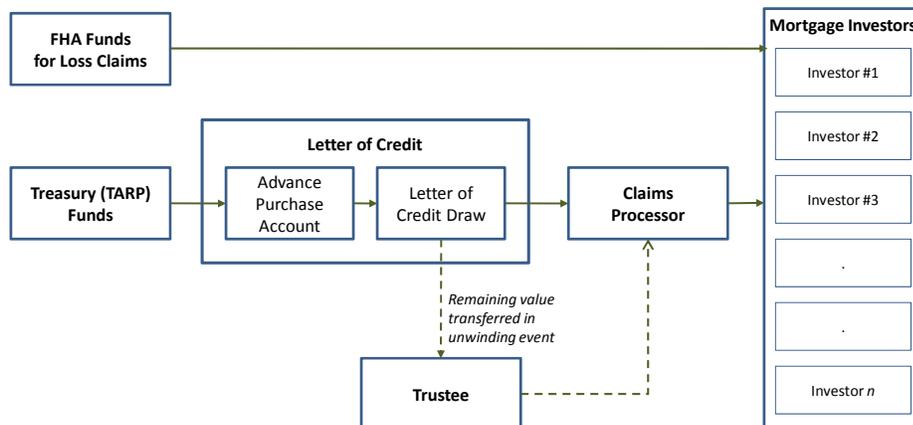
Eligibility Considerations

In order to be eligible for a refinancing under this program, the borrower must qualify under standards established by the Department of Housing and Urban Development (HUD). Please see HUD’s Mortgage Letter 2010-23 at <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-23ml.pdf> for more information.

Program Mechanics

Under the Facility, Treasury will direct the issuance of a letter of credit designed to help permit borrowers who, among other requirements, owe more on their mortgage than the value of their home and are current on their mortgage to qualify for a Federal Housing Administration (FHA) refinanced loan. The issued letter of credit will provide coverage for a portion of potential losses to the mortgage loan owners of the newly refinanced loans. Treasury will reimburse the financial institution for any qualifying draws made under the Facility and letter of credit.

The following depicts the overall flow of insurance payments for loss claims in the program:



In addition, using authority under Sections 101 and 109 of the EESA, Treasury will provide incentives to support writedowns of second liens and encourage participation by servicers in the program. These incentives will be payable to participating servicers under the Making Home Affordable (MHA) program, and will be paid by Treasury's financial agent pursuant to the MHA servicer participation agreements and financial instruments with mortgage servicers. Please see Treasury's MHA Supplemental Directive at https://www.hmpadmin.com/portal/docs/hamp_servicer/sd1008.pdf for more information.

These program guidelines are being published in accordance with the requirements of Section 101(d) of EESA.