

April 21, 2016

FHFA Announces Home Modification Program

By [Ashley Hutto-Schultz](#)

On April 14, 2016, the Federal Housing Finance Agency (“FHFA”) [announced](#) the launch of a principal reduction program for first-lien mortgages that are owned or guaranteed by Fannie Mae and Freddie Mac. According to the announcement, this program is a “last chance” for some borrowers to avoid foreclosure by allowing them to obtain a loan modification that permanently forgives a portion of their mortgage debt. The FHFA estimates that this program will impact approximately 33,000 seriously delinquent and underwater borrowers.

According to the [FHFA Fact Sheet](#), seriously delinquent, underwater borrowers must meet the following eligibility criteria:

- Are owner-occupants.
- Are at least 90 days delinquent as of March 1, 2016.
- Have an unpaid principal balance of \$250,000 or less.
- Have a mark-to-market loan-to-value ratio of more than 115% after capitalization.

The FHFA Fact Sheet also highlights key dates related to the implementation, including:

- **March 1, 2016** – Borrowers who become delinquent after this date are not eligible to participate in the program.
- **July 15, 2016** – For Streamlined Modification, loan servicers must solicit any potentially eligible borrowers by this date.
- **October 15, 2016** – Loan servicers must solicit all borrowers eligible for the program starting no later than this date.
- **December 31, 2016** – This is the final date by which servicers may solicit borrowers eligible for the program or inform borrowers that they are eligible to have principal forgiven.

Given the borrower solicitation guidelines, mortgage servicers with potentially eligible loans will be paying attention to the timeframes. In addition, as has been the case with other widely publicized mortgage loan modification programs, servicers may expect to receive inquiries from borrowers requesting information about the program.