



## **LOAN REMODIFICATION:**

Let's talk about loan remodification first.

### **What type of loans will qualify?**

All loans including Fannie Mae and Freddie Mac . The remodifications will lower the interest rate, may lengthen the term of the loan but will not change the principal balance.

### **Who will qualify?**

You must be an owner occupant living in the property as your principal residence, it can be a one-to-four unit with a loan limit of up to \$729,750 and you must have a mortgage payment that is more than 38% of your gross monthly income. You can also be in default, in foreclosure or current on your loan.

### **What if you have a second mortgage?**

You can still qualify if you have a second mortgage but only the first mortgage will be modified.

### **What is the process?**

First, the lender will apply a "net present value" test to the property to see if it is economically better to remodify the loan or just let it foreclose.

Next, you will have to provide the lender documents including pay stubs, tax returns, your account balances, your loan balances, etc..to see if you qualify.

Once you qualify the lender will start the process and begin to add any late fees or penalties on your existing loan to the new loan.



Next, the lender will determine what interest rate your new loan needs to be in order to get your monthly mortgage payments down to 31% of your gross monthly income. They can do this by bringing down your interest rate to as low as 2% and if needed extend the term of your new loan to 40 years and even defer part of the principal or even forgive part of the principal balance.

Once you have the loan a three-month trial period will start - if you stay current on your new loan for that period of time it will then be fixed for a 5-year period. The lender will be given a cash incentive of up to \$1,000 for giving you the new modification and for each year you stay current during the five years you will be given a bonus payment of \$1,000 each year that will reduce your principal balance.

After 5 years the interest rate on the loan will start to increase by 1% per year until your new loan's interest rate get to the market rate (where the interest rate is at the end of your five period). Once there, your loan will be fixed at that rate for the remainder of the term on your loan.

**Some things that are important:**

**What's considered in monthly mortgage payments:**

- Principal/Interest
- Taxes
- Insurance
- HOA dues

**What's considered in your gross income:**

- Wages
- Salary
- Overtime
- Commissions
- Tips
- Social Security Payments
- Pensions
- Passive Income



The program starts immediately and ends on December 31, 2012.

For information or how to start the process:

For general information about the plan go to  
[www.financialstability.gov](http://www.financialstability.gov)

To apply, call your loan servicer or call 1.888.995.4673

### **REFINANCING:**

The second part of the plan involves refinancing of existing home loans

#### **What loans qualify?**

Only Fannie Mae and Freddie Mac loans qualify which means that the dollar limits currently are set at \$417,000 or below. At the same time your first mortgage cannot exceed 105% of your home's market value.

The home must be owner occupied and used as your principal residence.

#### **What if I have a Second Mortgage?**

You can have a second mortgage and still qualify but only the first mortgage will be refinanced unless the second lender allows the second to be rolled into the first mortgage.

#### **What's the Process?**

You will need to provide documentation to your lender including income statements, pay stubs, tax returns second mortgage information if applicable, account balances and loan balance etc...in order to be qualified.



### **What Will the New Loan Look Like?**

All the refinanced loans will be 15 or 30 year fixed loans at existing market rates.

All the points and fees like title and appraisal will be put into the new loan and there will be no prepayment penalties or balloon payments allowed.

There can be no cash out refinances and you will only be allowed to refinance once under this program.

The program ends in June of 2010.

### **For information on how to start the process:**

For general information go to [www.financialstability.gov](http://www.financialstability.gov)

To start the process which should be in place by April 1, 2009 get in touch with:

Fannie Mae at 1.800.732.6643  
[www.fanniemae.com/hom](http://www.fanniemae.com/hom) affordable

Freddie Mac at 1.800.373.3343  
[www.freddiemac.com/avoidforeclosure](http://www.freddiemac.com/avoidforeclosure)

The good news in all of this is that it should save approximately one million homeowners from foreclosure and helps another 500,000 people to refinance their existing loans. That is a positive for the housing market and means that we will get back to a traditional market just that much sooner.



## **Agency MBS Purchase Program**

Purchases in agency Mortgage Backed Securities (MBS) by investment managers acting as agents for the System Open Market Accountant. The system Open Market Account (SOMA) consists of the Federal Reserve's domestic and foreign portfolios.

- Purchases summarize all trades executed during the indicated period including purchases associated with dollar rolls.
- Purchases executed during this period and prior periods, which have settled, will be reported on H.4.1: Factors Affecting Reserve Balances

Gross purchases from March 12 through March 18: \$28,195 million

Net purchases from March 12 through March 18: \$19,675 million

*All amounts reflect current face.*