



Press Center

Home » Press Center » Press Releases » Support Under the Homeowner Affordability and Stability Plan: Three Cases

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2/18/2009



2009-2-18-9-43-27-6747

Family A: Access to Refinancing

In 2006: Family A took a 30-year fixed rate mortgage of \$207,000 on a house worth \$260,000 at the time. (The family put just over 20% down.) They received a Fannie Mae conforming loan with an interest rate of 6.50%.

- Today: Family A has about \$200,000 remaining on their mortgage but their home value has fallen 15 percent to \$221,000.
 - Their "loan-to-value" ratio is now 90%, making them ineligible for a Fannie Mae refinancing.
- Under the Refinancing Plan: Family A can refinance to a rate of 5.16%. This would reduce their annual payments by nearly \$2,350.

	Existing Mortgage	Refinancing
Balance	\$199,584	\$203,575
Remaining Years	27	30
Interest Rate	6.50%	5.16%
Monthly Payment	\$1,308	\$1,113
Savings	\$196 per month, \$2,347 per year	

Family B: Access to Refinancing

In 2006: Family B took a 30-year fixed rate mortgage of \$350,000 on a house worth \$475,000 at the time. (The family put just over 26% down.) They received a Fannie Mae conforming loan with an interest rate of 6.50%.

- **Today:** Family B has about \$337,460 remaining on their mortgage but their home value has fallen to \$400,000.
 - Their "loan-to-value" ratio is now 84%, **making them ineligible for a Fannie Mae refinancing.**
- **Under the Refinancing Plan:** Family B can refinance to a rate of 5.16%. **This would reduce their annual payments by nearly \$4,000.**

	Existing Mortgage	Refinancing
Balance	\$337,460	\$344,210
Remaining Years	27	30
Interest Rate	6.50%	5.16%
Monthly Payment	\$2,212	\$1,882
Savings	\$331 per month, \$3,968 per year	

Family C: Eligible for Homeowner Stability Initiative

In 2006: Family C took out a 30-year subprime mortgage of \$220,000, on a house worth \$230,000 at the time (they put less than 5% down). Their mortgage broker – Mom & Pop Mortgage – sold their loan to Investment Bank. The interest rate on their mortgage is 7.5%.

- **Today:** Family C has \$214,016 remaining on their mortgage but their home value has fallen -18% to \$189,000. Also, in November, one parent in Family C was moved from full-time to part-time work, causing a significant negative shock to their income.
 - Their loan is now 113% the value of their home, making them "underwater" and unable to sell their house.
 - Meanwhile, their monthly mortgage payment is \$1,538 and their monthly income has fallen to \$3,650, meaning the ratio of their monthly mortgage debt to income is 42%.
- **Under the Homeowner Stability Initiative:** Family C can get a government sponsored modification that – for five years – will reduce their mortgage payment by \$406 a month. After those five years, Family C's mortgage payment will adjust upward at a moderate, phased-in level.

	Existing Mortgage	Loan Modification
Balance	\$213,431	\$213,431
Remaining Years	27	27
Interest Rate	7.50%	4.42%
Monthly Payment	\$1,538	\$1,132
Savings:	\$406 per month, \$4,870 per year	

Homeowner Stability Initiative: How the Program Works for the Lender, Government and Borrower

- First, Investment Bank (working through a mortgage servicer) **reduces the interest rate so that the Family C's monthly debt-to-income ratio drops** from 42% to 38%. This means that Investment Bank must reduce the interest rate from 7.50% to 6.38%, bringing down Family C's monthly payment from **\$1,538** to **\$1,387**.
- Second, the government and Investment Bank **share the cost of further reducing the interest rate** so that the Family C's monthly debt-to-income level is lowered to 31%. Any dollar the bank spends is matched by the government. At this stage, Family C's interest rate is reduced from 6.41% to 4.43%. In total, Family C's monthly payment has fallen from **\$1,538** to **\$1,132**.
- If Family C remains current on their payments, they will receive **incentive payments** up to \$1,000 a year, or \$5,000 over five years, that would go towards reducing the principal they owe. Additionally, the mortgage servicer can earn an up-front incentive fee of \$1,000, plus up to \$1,000 per year in "Pay for Success" fees for three years, so long as Family C remains current.



Initiatives

Financial Stability
Housing Finance Reform
Making Home Affordable
Recovery
U.S. China Strategic and Economic Dialogue
Wall Street Reform

Languages

S ☐ ☐
Español
☐ ☐
Tagalog
TiếngViệt

Bureaus

The Alcohol and Tobacco Tax and Trade Bureau
Bureau of Engraving & Printing
Bureau of the Fiscal Service
Community Development Financial Institutions Fund
Financial Crimes Enforcement Network (FinCEN)
Internal Revenue Service
Office of The Comptroller of The Currency
U.S. Mint

Inspector General Sites

Office of Inspector General (OIG)
Treasury Inspector General for Tax Administration (TIGTA)
Special Inspector General, Troubled Asset Relief Program (SIGTARP)
Report, Fraud Waste & Abuse

Additional Resources

Privacy Act
Plain Writing
Small Business Contacts
Budget and Performance
TreasuryDirect.gov Securities/Bonds
Freedom of Information Act (FOIA)
No FEAR Act Data
Whistleblower Protection

U.S. Government Shared Services

HR Connect Program Office
Administrative Resource Center (ARC) - Bureau of the Fiscal Service
TreasuryDirect Services for Governments

Other Government Sites

USA.gov
USAJOBS.gov
USASpending.gov
OPM.gov
MyMoney.gov
Data.gov
Forms.gov
Regulations.gov
PaymentAccuracy.gov
Business.USA.gov



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