

U.S. DEPARTMENT OF THE TREASURY

Press Center



Obama Administration Announces New Details on Making Home Affordable Program Parallel Second Lien Program to Help Homeowners Achieve Greater Affordability Integration of Hope for Homeowners to Help Underwater Borrowers Regain Equity in their Homes

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WASHINGTON – The Obama Administration today announced details of new efforts to help bring relief to responsible homeowners under the Making Home Affordable[®] Program, including an effort to achieve greater affordability for homeowners by lowering payments on their second mortgages as well as a set of measures to help underwater borrowers stay in their homes.

"With these latest program details, we're offering even more opportunities for borrowers to make their homes more affordable under the Administration's housing plan," said Treasury Secretary Tim Geithner. "Ensuring that responsible homeowners can afford to stay in their homes is critical to stabilizing the housing market, which is in turn critical to stabilizing our financial system overall. Every step we take forward is done with that imperative in mind."

"Today's announcements will make it easier for borrowers to modify or refinance their loans under FHA's Hope for Homeowners program," said HUD Secretary Shaun Donovan. "We encourage Congress to enact the necessary legislative changes to make the Hope for Homeowners program an integral part of the Making Home Affordable Program."

The Second Lien Program announced today will work in tandem with first lien modifications offered under the Home Affordable Modification ProgramSM to deliver a comprehensive affordability solution for struggling borrowers. Second mortgages can create significant challenges in helping borrowers avoid foreclosure, even when a first lien is modified. Up to 50 percent of at-risk mortgages have second liens, and many properties in foreclosure have more than one lien. Under the Second Lien Program, when a Home Affordable Modification is initiated on a first lien, servicers participating in the Second Lien Program will automatically reduce payments on the associated second lien according to a pre-set protocol. Alternatively, servicers will have the option to extinguish the second lien in return for a lump sum payment under a pre-set formula determined by Treasury, allowing servicers to target principal extinguishment to the borrowers where extinguishment is most appropriate.

Separately, the Administration has also announced steps to incorporate the Federal Housing Administration's (FHA) Hope for Homeowners into Making Home Affordable. Hope for Homeowners requires the holder of the mortgage to accept a payoff below the current market value of the home, allowing the borrower to refinance into a new FHA-guaranteed loan. Refinancing into a new loan below the home's market value takes a borrower from a position of being underwater to having equity in their home. By increasing a homeowner's equity in the home, Hope for Homeowners can produce a better outcome for borrowers who qualify.

Under the changes announced today and, when evaluating borrowers for a Home Affordable Modification, servicers will be required to determine eligibility for a Hope for Homeowners refinancing. Where Hope for Homeowners proves to be viable, the servicer must offer this option to the borrower. To ensure proper alignment of incentives, servicers and lenders will receive pay-for-success payments for Hope for Homeowners refinancings similar to those offered for Home Affordable Modifications. These additional supports are designed to work in tandem and take effect with the improved and expanded program under consideration by Congress. The Administration supports legislation to strengthen Hope for Homeowners so that it can function effectively as an integral part of the Making Home Affordable Program.

Making Home Affordable, a comprehensive plan to stabilize the U.S. housing market, was first announced by the Administration on February 18. The three part program includes aggressive measures to support low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac; a Home Affordable Refinance Program, which will provide new access to refinancing for up to 4 to 5 million homeowners; and a Home Affordable Modification Program, which will reduce monthly payments on existing first lien mortgages for up to 3 to 4 million at-risk homeowners. Two weeks later, the Administration published detailed guidelines for the Home Affordable Modification Program and authorized servicers to begin modifications under the plan immediately. Twelve servicers, including the five largest, have now signed contracts and begun modifications under the program. Between loans covered by these servicers and loans owned or


securitized by Fannie Mae or Freddie Mac, more than 75 percent of all loans in the country are now covered by the Making Home Affordable Program.

Continuing to bolster its outreach around the program, the Administration also announced today a new effort to engage directly with homeowners via MakingHomeAffordable.gov. Starting today, homeowners will have the ability to submit individual questions through the website to the Administration's housing team. Members of the Treasury and HUD staffs will periodically select commonly asked questions and post responses on MakingHomeAffordable.gov. To submit a question, homeowners can visit www.MakingHomeAffordable.gov/feedback.html. Selected questions from homeowners across the country and responses from the Administration will be available at www.MakingHomeAffordable.gov/asked-and-answered.html.

For additional details on the program announced today, please see the Program Update Fact Sheet.

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REPORTS

- [Second Lien Program Fact Sheet](#) 
- [Second Lien Program Case Examples](#) 