HUD No. 11-139
HUD Public Affairs
(202) 708-0980
Treasury Public Affairs
(202) 622- 2960

FOR RELEASE
Thursday
July 07, 2011

OBAMA ADMINISTRATION OFFERS ADDITIONAL MORTGAGE RELIEF TO UNEMPLOYED HOMEOWNERS

Adjustments to FHA and MHA requirements to allow 12-month Forbearances

(Washington, DC)-Today, the Obama Administration announced adjustments to Federal Housing Administration (FHA) requirements that will require servicers to extend the forbearance period for unemployed homeowners to 12 months. The Administration also intends to require servicers participating in the Making Home Affordable Program (MHA) to extend the minimum forbearance period to 12 months wherever possible under regulator and investor guidelines. These adjustments will provide much needed assistance for unemployed homeowners trying to stay in their homes while seeking re-employment. These changes are intended to set a standard for the mortgage industry to provide more robust assistance to unemployed homeowners in the economic downturn.

The changes to FHA's Special Forbearance Program announced today will require servicers to extend the forbearance period for FHA borrowers who qualify for the program from four months to 12 months and remove upfront hurdles to make it easier for unemployed borrowers to qualify.

"The current unemployment forbearance programs have mandatory periods that are inadequate for the majority of unemployed borrowers," **U.S. Housing and Urban Development Secretary Shaun Donovan** said. "Today, 60 percent of the unemployed have been out of work for more than three months and 45 percent have been out of work for more than six. Providing the option for a year of forbearance will give struggling homeowners a substantially greater chance of finding employment before they lose their home."

Changes to MHA's Home Affordable Unemployment Program (UP) will require participating servicers to extend the minimum forbearance period from 3 months to 12 months for eligible unemployed homeowners, whenever possible subject to investor and regulator guidance for each mortgage loan. Additionally, forbearance under UP will become available to borrowers who are seriously delinquent.

All FHA-approved servicers must participate in FHA's Loss Mitigation Program, which includes the Special Forbearance program. In addition to extending the forbearance period and removing the up-front hurdles for borrowers, the FHA also reemphasized its requirement that servicers conduct a review at the end of the forbearance period to evaluate the borrower for all additional, applicable foreclosure assistance programs and notify the borrower in writing whether or not he/she qualifies for any other available option. If the borrower does not qualify for any foreclosure assistance option, the servicer must provide the borrower with the reason for denial and allow the borrower at least seven calendar days to submit additional information that may impact the servicer's evaluation.

These reforms build on successful Administration initiatives to support unemployed borrowers through the $7.6 billion Hardest Hit Fund and the $1 billion Emergency Homeowner Loan Program (EHLP). The Hardest Hit Fund, first announced in February 2010, provides support to 18 states and the District of Columbia, which represent the areas hardest hit by steep home price declines and unemployment, to design and implement programs to help struggling homeowners avoid foreclosure. Participating states have dedicated approximately seventy percent of program funds toward programs to help homeowners struggling with unemployment or underemployment. As of this month, each participating state is accepting applications from borrowers and providing direct mortgage assistance to those that qualify.

The EHLP program complements the Hardest Hit Fund, by serving the remaining 32 states and Puerto Rico. Congress provided $1 billion dollars to HUD, as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, to implement the recently launched program. EHLP assists homeowners who have experienced a reduction in income and are at risk of foreclosure due to involuntary unemployment, underemployment due to economic conditions or a medical condition. EHLP is expected to aid up to 30,000 distressed borrowers, with an average loan of approximately $35,000.

Read a fact sheet about today's announcement.

###