

## MSHDA POLICIES & PROCEDURES

# Homeownership's Help for Hardest Hit (H4HH) Principal Curtailment

**Effective Date:** 6-09-11

**Replaces Issue of:** 3-28-11

**Product Name:** Principal

**SUMMARY:**

This is one of MSHDA's federally-funded programs developed to provide assistance to Michigan residents hit hardest by the housing crisis.

The Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) acting through MSHDA, is partnering with servicers to directly provide funds to be applied towards an eligible homeowner's principal mortgage balance in order to modify the terms of the existing lien making the monthly payment sustainable. Second liens are eligible with documentation that the first lien is current and homeowner's housing obligation is sustainable.

**PRODUCTS:**

Principal Curtailment

**LOAN PURPOSE:**

One time matching funds for homeowners with severe negative equity  $\geq 115\%$  Combined Loan to Value (CLTV) using current market value, to assist the homeowner and Servicer in reaching an amicable Loan Modification Agreement. Maximum fund amount will match the Servicers' principal curtailment up to \$10,000. Example: Servicer curtailment of \$10,000 + H4HH fund of \$10,000 = Total Curtailment of \$20,000. Servicer must re-amortize the lower outstanding loan balance. CLTV must not be lowered below 115% and 1<sup>st</sup> mortgage LTV may not be reduced below 100%. For this product only, MHA's lien is not to be included in the CLTV calculations.

**LOAN TERMS:**

Prior to servicer applying the assistance, homeowners must execute a secured subordinate lien mortgage and note. Loan will be a 0% non-amortizing loan, forgivable over a 5 year term at 20% per year. Loan will be due on sale or transfer of the property, provided there are sufficient net equity proceeds or if the mortgagor repays in full the servicer's senior lien mortgage loan encumbering the property.

**FUND AMOUNT**

**LIMITS:**

Up to \$10,000 per household; with a minimum additional 1:1 match from the Servicer. One-time assistance per household. Multiple Servicers are not eligible.

**REQUIREMENTS:**

The homeowner must occupy the property as his/her primary residence, located within the state of Michigan, and be obligated on the original mortgage note. Homeowner must complete application on-line through the Step Forward Michigan portal or by contacting MSHDA's Call Center. Homeowner's servicer must have executed a Help for Hardest Hit MHA Servicer Participation Agreement.

**INCOME LIMITS:**

None

**EXISTING  
MORTGAGE  
LIMITS:**

Mortgage loans with unpaid principal balances equal to or less than \$729,750.

**ELIGIBLE  
PROPERTIES:**

Located in state of Michigan.

Existing one family single unit homes or condominiums (attached or detached).

Existing manufactured homes on foundations permanently affixed to real estate (single and doublewide).

Owner-occupied, primary residence. Property is not eligible if it is currently listed for sale. Servicer must provide evidence the listing had been cancelled a minimum of 30 days prior to application date.

No second homes or investment properties.

**QUALIFYING  
RATIOS:**

A sustainable mortgage payment ratio **generally** should be 25 to 43% after assistance is applied using all income disclosed within application. Housing ratios below 25% **may not** be eligible for assistance.

**BORROWER  
ELIGIBILITY:**

Homeowner may receive HAMP assistance prior to or after receiving Loan Rescue funds. MHA recommends using H4HH funds first.

Must not have a Sheriff Sale date scheduled.

In conjunction with funds from the MHA, Servicer must approve the homeowner's Loan Modification request. Servicer to provide original Loan Modification Agreement to the MHA to be included along with the MHA subordinate lien documents sent to the homeowner. MHA will retain a copy of the executed Modification agreement and return the original to the Servicer.

Homeowners may not have cash reserves exceeding 3 months total PITI, based on a 60 day average. Homeowners may be asked to provide evidence of annual property tax and hazard insurance amounts on non-escrowed accounts, if applicable. Homeowner may be asked to provide documentation to verify any large deposits or large withdrawals. Large withdrawals will be counted in their total cash reserves unless the borrower can document funds were used to pay household expenses. Cash reserves are any **non-retirement** liquid assets the homeowner has available for withdrawal from financial or brokerage institutions including checking, savings accounts, CDs (even if held for an extended time), mutual funds, money market funds, stocks or bonds.

**ALLOWABLE  
FEES:**

None

**DOCUMENTATION  
REQUIREMENTS:**

- Step Forward Michigan Initial Application Package
- Recent income documentation as applicable; 30 days pay stubs, W2, Award Letter, 1040 Tax Returns, etc.
- Two months bank statements, all depository accounts
- Recent mortgage statement
- Property Legal description
- Loan Modification Agreement
- MHA Note
- MHA Mortgage
- Evidence Servicer applied funds as approved

**POST CLOSING/CONTINUAL REPORTING:** MSHDA and/or MHA will report all loan production and loan performance data on homeowners who receive Hardest Hit assistance for up to 12 months after assistance ceases to the U.S. Department of Treasury, as required on a quarterly basis or as requested.