

FLORIDA HOUSING: Mortgage Intervention Strategy

Through its *Mortgage Intervention Strategy*, Florida Housing has proposed to help unemployed or underemployed homeowners achieve the goal of sustainable homeownership. To accomplish this, Florida Housing is partnering with financial institutions as well as mortgage investors, such as Fannie Mae and Freddie Mac, to extend the time period for homeowners to become re-employed at a salary sufficient to either resume making full mortgage payments or qualify for a mortgage modification that will lower mortgage payments and terms to an affordable level.

State median prices for existing single family homes peaked in August, 2006. Prices have fallen 57 percent from a statewide median high of \$248,400 in August, 2006 to \$141,800 in February, 2010. Home prices continue to decrease.

The economic slowdown has also impacted jobs. Florida's personal income fell in 2009 by 2.7 percent, mainly due to manufacturing and construction losses. In February, 2010, the state unemployment rate hit a new seasonally adjusted high of 12.2 percent, with over 1.1 million workers out of work.

This assistance is primarily for unemployed or underemployed Floridians and is designed to provide nine months worth of payments to help the borrower regain their financial footing. This program will begin in Lehigh Acres located in Lee County, Florida on August 23, 2010.

Florida Housing is currently in negotiations with mortgage investors and lenders to provide matching funds for these homeowners. The intake of prospective clients will begin at the local level. Florida Housing will work with local housing counselors and units of local government with housing departments experienced in administering the State Housing Initiative Partnership (SHIP) program, the federal HOME Investment Partnerships Program and Community Development Block Grant Program, especially in areas where there is a lack of counseling infrastructure, to facilitate the intake process. All 67 Florida counties and 53 cities participate in the SHIP program.

Most loss mitigation options on mortgage loans only allow for a limited forbearance, typically four months. In the current economic environment in the hardest hit markets of Florida, four months is not adequate time for a borrower to become re-employed at a salary that is sufficient to continue making mortgage payments. Moreover loss of income is the leading reason why homeowners are unable to qualify for a modification of their mortgage under the federal Home Affordable Modification Program (HAMP).

Housing counselors and units of local government that perform housing counseling services will be used to make the determination whether the prospective client is eligible to receive the Mortgage Intervention Strategy funding. Before a client may be considered for the Mortgage Intervention Strategy, the homeowner must first be screened for eligibility under HAMP.

HAMP was created to help financially struggling homeowners avoid foreclosure by modifying loans to a level that is affordable for borrowers and sustainable over the long term. The program provides clear and consistent loan modification guidelines that the entire mortgage industry can use.

A borrower must meet the minimum eligibility criteria such as:

- Borrower and all co-borrowers must provide information about current income, assets and expenses as well as any specific hardship circumstances to determine if they are unable to make their mortgage payment. (Verbal income and expense information is acceptable during initial screening. However, borrowers will need to provide verifying documentation before a permanent modification is approved.)
- If borrower's front-end debt-to-income ("DTI") ratio is greater than 31 percent, the standard modification waterfall steps apply to reduce the borrower's monthly mortgage

payment to a point that it represents no more than 31 percent of the borrower's gross monthly income.

- Net Present Value ("NPV") test must be given to determine whether the value of the loan to the investor will be greater if the loan is modified (factoring in the government's incentive payments). If the modified loan is not of greater value, the investor and servicer may still modify the loan. However, modification in such cases is not required. If the modified loan is of greater value, the servicer must offer a HAMP modification to the borrower, and, if the borrower accepts the offer, the servicer will put the borrower on a trial modification (typically three months) at the new payment level.
- If the borrower makes all of the required trial payments during the trial period and the income and expense information provided by the borrower is determined to be accurate, the servicer will execute a permanent modification agreement.

Local housing counseling agencies will make the determination of eligibility of the client. Housing counselors will be required to take into account the circumstances that brought the homeowner to their current situation. The local housing counseling agency will be required to document that the homeowner's current situation is due to suffering a hardship.

- Unemployment or underemployment through no fault of the homeowner;
- Loss, reduction or delay in receipt of federal, state or other government benefits (Social Security, Supplemental Security Income, Public assistance, Government Pensions) or of private benefit payments (pensions, annuities, retirement plans);
- Loss, reduction or delay in receipt of income because of the death or disability of a person who contributed to the household income;
- Expenses actually incurred related to uninsured damage or costly repairs to the mortgaged premises affecting its habitability;
- Expenses related to death or illness in the homeowner's household or of family members living outside the household which reduce the amount of household income; and
- Loss of income or substantial increase in total housing expenses because of a divorce from a spouse or failure to receive required support.

Once the local housing counseling agency determines eligibility, the agency will either send or upload the required data points to Florida Housing in standard Excel format. A web-based tracking system will reserve the amount necessary for the payment of up to nine months of mortgage payments from the correct funding pool based on borrower location.

To receive a principal write down, Florida Housing will only consider the amount necessary to make a modification possible. The average amount, which can vary depending on the area where the home is located, supplied by Florida Housing, will be approximately \$25,000.

The \$380 million allocation (excluding administrative expenses) to *Mortgage Intervention Strategy* is anticipated to be disbursed over a five year period. Florida Housing anticipated that this strategy will be able to serve approximately 1,500 to 2,500 homeowners a year for a total of 7,500 to 12,500 homeowners over a five year period.

The LSCU will arrange an audio conference call with Florida Housing to further explain how these programs can benefit credit unions. [Click here](#) for additional information about this program.

Contact Bill Berg at bill.berg@lscu.org or 866.231.0545 x1028 with any questions.