



Fact Sheet: FHA to Provide Additional Mortgage Assistance to Struggling Homeowners

The President has signed into law legislation that will allow HUD's Federal Housing Administration (FHA) to continue providing targeted mortgage assistance to homeowners.

The Hope for Homeowners program will continue FHA's existing and successful efforts to provide aid to struggling families trapped in mortgages they currently cannot afford. Under the program, certain borrowers facing difficulty with their mortgage will be eligible to refinance into FHA-insured mortgages they can afford. The program will be implemented on October 1, 2008.

Homeowners May Already Be Eligible For Assistance

Families should not wait to seek mortgage relief. Right now, homeowners can determine if they are already eligible for mortgage assistance through FHASecure, FHA's existing refinancing program. They can obtain information through any of the following options:

1. Contact a local, HUD-approved housing counseling agency at HUD.gov;
2. Contact the HOPE NOW Alliance at (888) 995-HOPE; or
3. Call FHA at (800) CALL-FHA.

Sustainable, Affordability Homeownership

Hope for Homeowners maintains FHA's long-standing requirement that new loans be based on a family's long-term ability to repay the mortgage. FHA only allows owner-occupants to be eligible for FHA-insured mortgages. Borrowers must also meet the following eligibility criteria:

- Their mortgage must have originated on or before January 1, 2008;
- Their mortgage debt-to-income must be at least 31 percent;
- They cannot afford their current loan;
- They did not intentionally miss mortgage payments; and
- They do not own second homes.

Features of FHA-insured loans under the new program include:

- 30-year, fixed rate mortgage;
- Maximum 90 percent loan-to-value ratio;
- No prepayment penalties;
- \$550,440 maximum mortgage amount;
- Extinguishment of any subordinate liens; and
- New home appraisals from FHA-approved appraisers.

HUD, Treasury, FDIC and the Federal Reserve will form the Congressionally-mandated Board of Directors and work together to establish additional program standards.

Voluntary Lender Participation

FHA will continue to offer lenders an alternative to foreclosing on borrowers. Similar to FHASecure's recent expansion, lenders will be encouraged to write-down the outstanding mortgage principal balances to 90 percent of the new value of the property. In many cases, reductions in principle will cost lenders less than the losses associated with foreclosure.

Market Stability and Liquidity

By continuing to slow the rate of foreclosures, this program will support FHA's existing effort to stabilize local housing markets. From September 2007 to June 2008, FHA has guaranteed more than \$93 billion of mortgage capital.

Funding

FHA will insure up to \$300 billion in new loans. Borrowers will pay an upfront premium of 3 percent of the original mortgage amount and an annual premium of 1.5 percent of the outstanding mortgage amount. Any additional costs incurred by FHA will be reimbursed by Fannie Mae and Freddie Mac.

Program Timeline

The program will last from October 1, 2008 through September 30, 2011. Since September 2007, FHASecure has helped more than 290,000 families obtain safer, more affordable mortgages. FHASecure is on pace to help 500,000 families by the end of the year.

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