

Five Ways the New Housing Law Benefits Home Owners

Ann Arbor, MI May 26, 2009 - The Helping Families Save Their Homes Act (S. 896) was recently passed by Congress and signed into law by President Obama last week. "There are five primary sections of the new law that will benefit home owners and consumers," said Gibran Nicholas, Chairman of the CMPS Institute, an organization that certifies mortgage bankers and brokers.

Benefit #1 - Loan Modifications and Short Sales Should Get Easier

"Most mortgage loan modification plans announced by the government to date have been voluntary, meaning that mortgage companies do not have any legal obligation to participate," Nicholas said. The new law changes that by requiring servicers to modify loans and approve short sales for consumers as long as three requirements are met:

- Default on the mortgage needs to be reasonably foreseeable
- The home owner must occupy the property as their primary residence
- The mortgage company needs to be able to recover more from the loan modification or short sale than they would by sending the home into foreclosure

"These three requirements were also present in legislation that was signed into law in 2008," Nicholas said. "However, this new law is more effective because it specifically states that servicers must consider any of the plans that have been endorsed by the US Treasury Secretary - including the Obama administration's Making Home Affordable plan - when making their decisions. This means that home owners should find it easier to qualify for a loan modification or short sale because their mortgage servicers are finally obligated by law to consider some of these new plans that have been completely voluntary up until this point. It may take several weeks for servicers to start implementing the new law, but the bottom line here is that help is finally on the way."

Benefit #2 - New and Improved FHA Hope for Homeowners Program

"It has been reported that only one family has qualified for the FHA Hope for Homeowners program since it was launched last year," Nicholas said. The new version of the program should generate a lot more participation from lenders due to four major updates:

- The current mortgage lien holder is allowed to share in any appreciation in home value that occurs over time. Previously, first lien holders were excluded from equity sharing and they had little incentive to participate in the program.
- The FHA premiums are reduced to "not more than" 3% up front and 1.5% annually. This means that the current lender may only need to reduce the principal to 90% of the current home value instead of the 87% that was required under the old plan.

- This program can now be used in conjunction with the Obama administration's Making Home Affordable program that pays servicers a fee to reduce the mortgage balance.
- Borrowers are no longer required to document their income through tax returns. The Department of Housing and Urban Development (HUD) will issue income documentation guidelines that may make it easier for some borrowers to qualify using alternative sources of income documentation.

Benefit #3 - \$250,000 FDIC Insurance Limit Extended to December 31, 2013

"The \$250,000 limit was set to expire at the end of 2009 and revert back to \$100,000," Nicholas said. "The new law prevents another large scale panic by extending the higher \$250,000 limit for another four years. Also, the FDIC is now allowed to borrow up to \$100 billion from the US Treasury in case of emergencies. This is significant because insured deposits have tripled since the FDIC's old borrowing limit of \$30 billion was set during the 1990s. The FDIC is funded by the banking system and has never been funded by the US government. They only borrowed once from the Treasury during the 1990s and paid back all the money in full with interest. As a temporary measure, the FDIC is allowed to borrow up to \$500 billion from the US Treasury throughout the end of 2009 as long as this is approved by a two-thirds majority vote of the FDIC Board of Directors and the Fed Board of Governors in consultation with the President and the US Treasury Secretary."

Benefit #4 - Borrowers Must be Notified When Ownership of Their Mortgage Changes

"This is significant because previously, borrowers were only notified when their servicer changed," Nicholas said. "The current mortgage crisis has proven that the owners of the mortgage - not the servicers that collect the monthly payments - are the real decision makers when it comes to approving loan modifications and short sales."

Benefit #5 - Tenants are Better Protected in the Event of Their Landlord's Foreclosure

"Many renters have been forced to leave their homes because of their landlord going through foreclosure," Nicholas said. The new law provides two minimum guidelines that protect tenants:

- Tenants are now allowed to occupy the property until the end of their lease term (even after the landlord goes through foreclosure) as long as the new buyer does not intend to occupy the new home as their own primary residence
- If the new buyer intends to occupy the home as their own primary residence, the tenant must be given a 90 day notice before being forced to leave

It is more important than ever before for home owners and buyers to work with a Certified Mortgage Planning Specialist, especially with all the rapid changes that

are constantly taking place in the mortgage and housing markets.

About CMPS Institute: CMPS is a training, examination, certification and ongoing membership program for financial professionals who provide mortgage and real estate equity advice. Recognized for its preeminence within the industry, the CMPS curriculum represents the core knowledge expected of residential mortgage advisors regardless of the diversity of specializations within the industry. Over 5,500 financial professionals have gone through the program since its launch in 2005. For more information or to find a certified professional near you, please visit www.CMPSInstitute.org or call 888.608.9800.