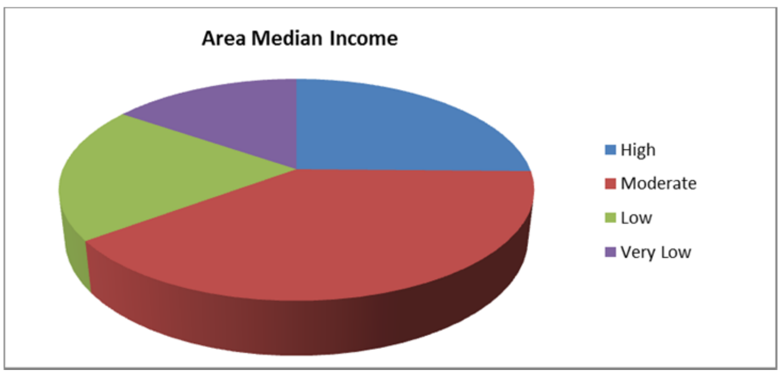
An Analysis of Life After HAMP

Housing Counselors from around the country have provided information about homeowners that received a modification within the past 24 months. Using the monthly principal, interest, tax and insurance cost numbers pre-modification and post-modification, along with the amount of unpaid principal balance, we were able to compare recent modification results to those the homeowner would receive under the MBA OneMod. This paper provides an analysis of 91 homeowners from across the country.

Homeowner location and income[1] threshold:



WHERE HOMEOWNERS ARE LOCATED	
States	# of Homeowners
CA	2
FL	1
IN	1
MA	2
MD	1
ME	4
NC	2
NY	54
OH	2
OR	5
PA	4
TN	2
TX	11
Grand Total	**91**

AMI Levels	%	# of Homeowners
High	25%	23
Moderate	40%	36
Low	20%	18
Very Low	15%	14
Grand Total	**100%**	**91**

[1] Based upon AMI listed on City-Data.com for each homeowner's city. 0-50%AMI=Very low, 51-79%AMI=Low, 80-120%AMI=Moderate, 121%AMI and above=High

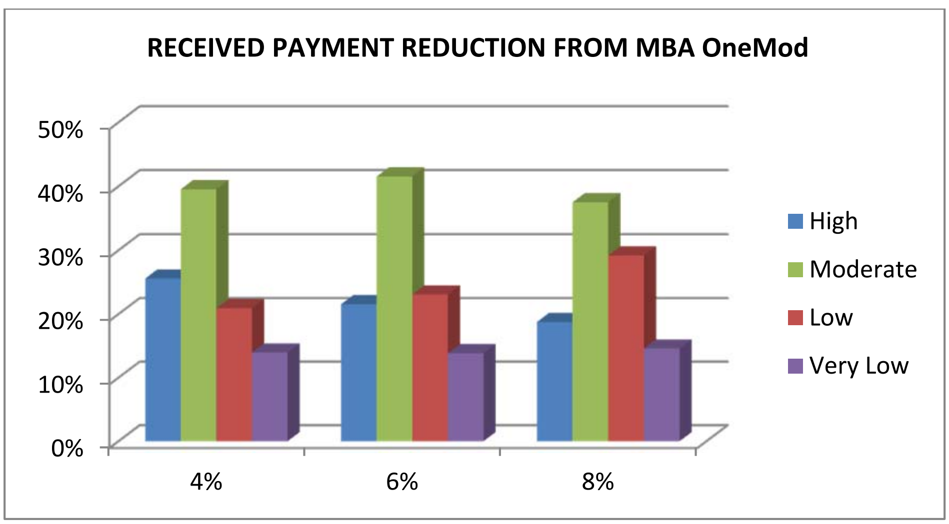
The following charts and graphs illustrate some key points about the impact of the MBA OneMod for modifications when HAMP expires in December, 2016. We evaluated criteria such as payment reduction, Housing Expense to Income (HTI), and Loan to Value (LTV) at different income levels to determine if the proposal has a substantial positive or negative effect on any income category and if so, where and how.

Unless otherwise noted, the data shows results after completing all available steps in the proposed modification. This includes forgiveness/forbearance to 80% LTV using no more than 30% of the unpaid principal balance. Our analysis assumes a 4% interest rate for the MBA OneMod. While most of the homeowners in the sample have an interest rate below 6% on their original mortgage, we provided comparison at a modified rate of 6% and 8% to illustrate what would happen in a changing rate environment.

Throughout this analysis "HAMP" refers to homeowners that received a HAMP Tier 1 modification while "non-HAMP" refers to all other modification types such as HAMP Tier 2 and in-house, proprietary modifications.

PAYMENT REDUCTION

In this analysis, we looked at homeowners who would receive **any** level of payment reduction after being run through all five steps of the modification. Among those whom could achieve some form of payment reduction, high income homeowners would see the largest reduction, an average of $569.86.



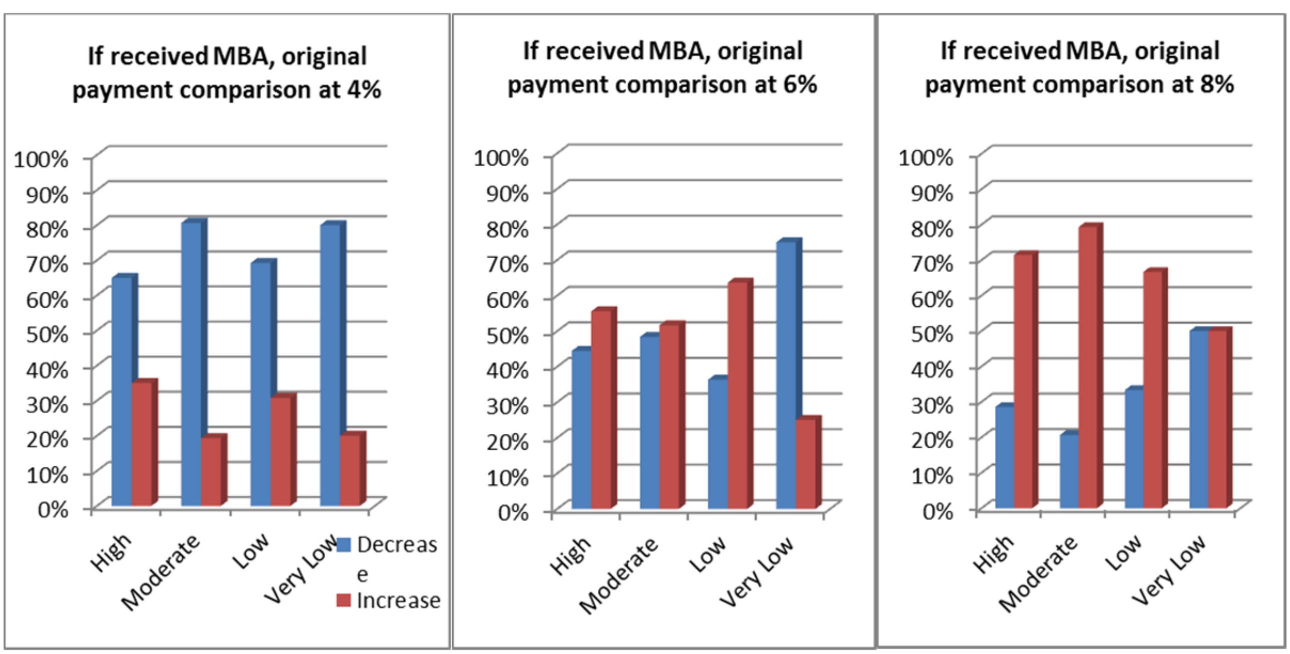
AVERAGE PAYMENT REDUCTION FROM MODIFICATION			
Income level	**4%**	**6%**	**8%**
High	$569.86	$341.22	$142.09
Moderate	$340.83	$238.18	$179.59
Low	$301.03	$229.51	$163.04
Very Low	$315.40	$287.28	$239.02

When comparing payment results for those who received a HAMP modification with the MBA OneMod, homeowners with high and very low incomes would see a higher (represented by a minus) modified monthly payment under the MBA OneMod at the 4% interest rate (we did not control for HAMP step up rates). Homeowners who received a non-HAMP modification would see a lower payment under the MBA OneMod at the 4% interest rate.

PAYMENT COMPARISON BETWEEN HAMP TIER 1 AND MBA	
4%	
High	-$187
Moderate	$75
Low	$13
Very Low	-$176
6%	
High	-$613
Moderate	-$129
Low	-$85
Very Low	-$338
8%	
High	-$1,069
Moderate	-$342
Low	-$191
Very Low	-$515

PAYMENT COMPARISON BETWEEN NON-HAMP TIER 1 AND MBA	
4%	
High	$110
Moderate	$209
Low	$34
Very Low	$112
6%	
High	-$1
Moderate	$15
Low	-$176
Very Low	-$59
8%	
High	-$150
Moderate	-$119
Low	-$397
Very Low	-$245

Comparing the payment after modification to the **original** mortgage payment, well over half of the homeowners at all income levels would see a *payment reduction* with a 4% interest rate on the modified payment. However, there are also a significant number of homeowners that would see an *increased payment,* thereby making them ineligible for a modification under this proposal.



With a more in-depth look at the payment reductions, it is clear that the majority of the homeowners achieve a payment reduction of at least 20% over their **original** mortgage payment. Still, almost 1/4 of homeowners were not able to achieve a 20% payment reduction, and several would see a payment increase.

Taking a closer look at the amount of payment reduction, moderate income earners made up the largest share of the 14 homeowners who received a reduction of <20%. We compared only at a 4% modified rate since most of the homeowners in the sample already have an interest rate below 6%.

FINAL MBA PAYMENT COMPARED TO ORIGINAL PAYMENT	
Amount of decrease at 4% interest rate	**Count of mod difference from orig payment ranges**
Decrease 50% <	29.0%
Decrease 20 - 49%	49.5%
Decrease 16 - 19%	3.5%
Decrease 11 - 15%	3.5%
Decrease 6 - 10%	4.5%
Decrease .01 - 5%	4.5%
Increase 1 - 19%	4.5%
Increase 20 - 45%	1.0%
Increase 46% <	0.0%

DEEPER LOOK INTO FINAL MBA FOR 14 HOMEOWNERS WITH PAYMENT DECREASE <20%	
INCOME LEVEL	**% PER INTEREST RATE**
High	29%
Moderate	43%
Low	7%
Very Low	21%

Remaining consistent with the payment reduction analysis, we evaluated the effect of limiting homeowners who are more than 90-days delinquent to a streamlined modification (using only steps 1-4). The charts below show how much difference it makes for homeowners when they are allowed the option to forbear/forgive to 80% LTV (step 5). This step offers relief to a significant portion of homeowners who cannot achieve both a payment reduction and/or 40% HTI.

DID CLIENT RECEIVE MBA MOD AFTER STEPS 1-4 AT 4%		
INCOME LEVEL	**NO (38 HOMEOWNERS)**	**YES (53 HOMEOWNERS)**
High	30%	70%
Moderate	42%	58%
Low	39%	61%
Very Low	62%	38%

FOR 38 HOMEOWNERS THAT DIDN'T BENEFIT FROM STEPS 1-4, DID THEY BENEFIT FROM STEP 5		
INCOME LEVEL	**No**	**Yes**
High	14%	86%
Moderate	13%	87%
Low	0%	100%
Very Low	25%	75%

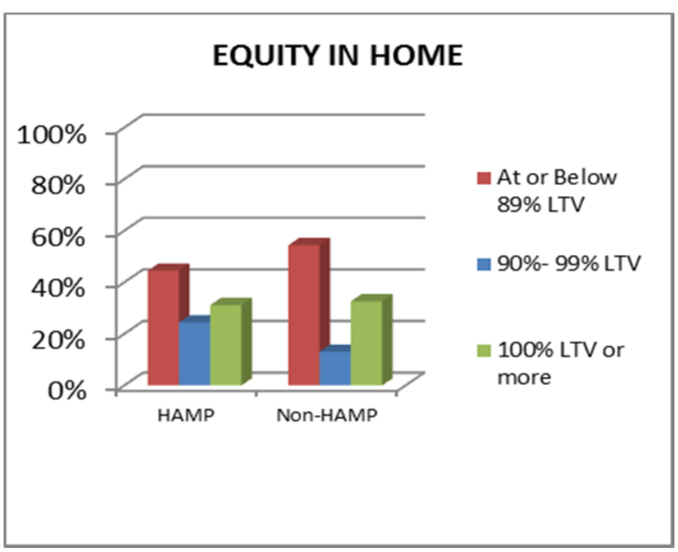
We looked at how homeowners would fare under the MBA OneMod using 40% HTI and using 31% HTI. The charts below show results for each HTI % at various interest rates. The homeowners in these charts were tested for eligibility based on achieving the HTI level listed and achieving **any** type of payment reduction after applying all five steps of the proposed modification. In this analysis, we also included a 2% interest rate for comparison. These charts indicate that interest rate reduction has a greater impact on the homeowner's *ability to achieve some sort of payment reduction regardless of HTI*. In all cases, those with *very low income* are the least likely to achieve both a payment reduction and either 40% or 31% HTI.

HTI VS MBA ELIGIILITY AT 40% HTI		
INTEREST RATE	**NO**	**YES**
2%		
High	0%	100%
Moderate	6%	94%
Low	6%	94%
Very Low	29%	71%
4%		
High	9%	91%
Moderate	9%	91%
Low	24%	76%
Very Low	62%	38%
6%		
High	22%	78%
Moderate	11%	89%
Low	35%	65%
Very Low	69%	31%
8%		
High	39%	61%
Moderate	17%	83%
Low	47%	53%
Very Low	69%	31%

HTI VS MBA ELIGIBILITY AT 31%		
INTEREST RATE	**NO**	**YES**
2%		
High	22%	78%
Moderate	11%	89%
Low	28%	72%
Very Low	64%	36%
4%		
High	30%	70%
Moderate	14%	86%
Low	41%	59%
Very Low	69%	31%
6%		
High	39%	61%
Moderate	34%	66%
Low	65%	35%
Very Low	69%	31%
8%		
High	43%	57%
Moderate	40%	60%
Low	71%	29%
Very Low	77%	23%

LOAN TO VALUE

This chart shows the spread of homeowners per the LTV of the property. The values were determined by either reviewing an appraisal that the homeowner had previously provided, or by searching an online site such as Zillow or Trulia. The largest share of homeowners in the sample are at or below 89% LTV.



The chart below represents the total percentage of homeowners at each LTV level within the two categories of "qualified" (payment reduction achieved) or "not qualified" (no payment reduction achieved). Homeowners *with equity* are the <u>least likely</u> to achieve any payment reduction under the proposed modification. Homeowners that have *no equity* or are *underwater* are <u>always</u> able to achieve some level of payment reduction.

LOAN TO VALUE	NOT QUALIFIED	QUALIFIED
At or Below 89% LTV	40%	50%
90%- 99% LTV	60%	16%
100% LTV or more	0%	34%

CONCLUSIONS

Advocates have expressed concern regarding the effects the MBA OneMod might have on vulnerable homeowners. Some of the concerns can be addressed by reviewing data. A few questions that have emerged from this analysis are: how does it impact those at the lowest income range? Does the product favor those with higher income? How does it affect homeowners with equity and those who are underwater?

Payment Reduction: While a large percentage of homeowners in all income categories see some level of payment reduction, on average those with a high income realize the largest payment reductions under this modification proposal. A significant percentage see a payment reduction of 20% or more, and those in the moderate income range would be the most likely to see a payment reduction of less than 20%. Five percent see an **increase** in their payment.

Overall the program would not be as beneficial for homeowners as HAMP Tier 1. Yet, it would be an improvement over existing non-HAMP Tier 1 modifications that are being offered to homeowners.

HTI Affordability: When considering 31% HTI vs. 40% HTI in the decision process, more homeowners would be considered for the additional fifth step utilizing a threshold of 31% HTI, most notably those in the very low income category. Still, at 4% a significant number of very low income homeowners would be unable to achieve some form of payment reduction. However, when homeowners are evaluated using a 2% interest rate, at both 31% HTI and 40% HTI, there is a significant increase in the number of homeowners who would achieve a payment reduction, and the increase is striking for those in the very low income category. For those in the very low income category, the 2% interest rate would provide the most help. Interest rate reduction is not currently in the proposed streamlined model, but it should be considered, especially for lower income homeowners.

Although more homeowners with very low income would be able to achieve payment reduction at 40% HTI over 31% HTI, their ability to sustain a monthly mortgage payment that would require 40% of their income is questionable. FHFA data indicate that more homeowners would benefit from all five steps of this modification when 31% HTI is used rather than 40%. One of the very low income homeowners in our sample has a monthly gross income of $1,223. After capitalizing arrears, the homeowner is underwater and owes $64,600.00 on the property. With a payment at 31% HTI, the homeowner would have an additional $110/month available to cover other costs. Over a period of one year, the additional amount would be equivalent to 3 months of groceries for two adults.[2]

Rising Interest Rates: The current interest rate environment will not remain. As interest rates rise, the share of homeowners who see an increase in their mortgage payments as a result of the streamlined modification also rises. Given that the widely agreed upon driver for sustainable modification is payment reduction, this makes the case for adding interest rate reduction as one of the levers to achieve sustainable modifications.

Equity: The data show that homeowners underwater or with no equity would fare the best under this proposal. Those with equity are the largest share of the homeowners who would fail to achieve a payment reduction. Homeowners with equity are typically longer-term homeowners and, in low and moderate income neighborhoods, can play an important role in neighborhood stability and the maintenance of property values. As an example, one homeowner was a long-term homeowner who lost her job due to health issues. As a result of the income loss and delays in qualifying for disability, she became seriously delinquent on her mortgage payments. Once her disability payments were in place, she was able to make the mortgage payments but not pay off the delinquent balance. She has lived in her home for twenty-five years and had only seven years remaining on her mortgage. The MBA OneMod would have required a 40-year term extension on her payments or for her to sell the house. The modification she secured by working with her housing counselor simply capitalized her arrears and reinstated her mortgage. There must be appropriate and affordable solutions available for longer-term homeowners who are at or below 90% LTV.

SUMMARY

It is clear the MBA OneMod will provide assistance to a large number of homeowners in distress. It is also clear that homeowners in the very low to low income range and homeowners with equity are the least likely to receive assistance under this proposal. To address challenges in individual circumstances and to find affordable solutions for the cases where the streamlined model does not perform well, we strongly support expanded use of the exception program, coupled with housing counseling by HUD approved housing counseling agencies. We believe that building on the current FHFA exceptions path that would allow for well-defined alternative options under certain circumstances, and guided by housing counseling, would equip servicers and homeowners with the appropriate tools to address these challenges. We are interested in continuing to work closely with FHFA to develop a robust exception process and look forward to continued collaboration.

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[2] https://www.cnpp.usda.gov/sites/default/files/CostofFoodFeb2015.pdf

ACKNOWLEDGMENTS

Special thanks to Daniel Guzman of NCLR for developing the survey tool to gather the data. Extra special thanks to Alex Maroselli and Shannon Swiatek of Empire Justice Center for their hours of work developing the tool to analyze the data.

Without input from agencies across the country, this analysis would not have been possible:

ACCESS	Medford	OR
ACCORD Corporation	Belmont	NY
African American Alliance for Homeownership	Portland	OR
American Debt Resources, Inc	East Northport	NY
APM	Philadelphia	PA
Belmont Housing Resources	Buffalo	NY
Cambridge Credit Counseling	Holyoke	MA
CCCS OF Buffalo	Buffalo	NY
Central Islip Civic Council	Central Islip	NY
Clarifi	Philadelphia	PA
Community Development Corporation of Long Island	Centereach	NY
Congreso De Latinos Unidos	Philadelphia	PA
Consumer Credit Counseling of Orange County	Irvine	CA
EOC of Suffolk, Inc.	Central Islip	NY
Friends of the North Country, Inc.	Keeseville	NY
Galvan Housing Resources, Inc.	Hudson	NY
Homes on the Hill CDC	Columbus	OH
HomeStead CS	Lafayette	IN
Housing& Education Alliance	Tampa	FL
Keuka Housing Council, Inc.	Penn Yan	NY
La Fuerza Unida, Inc.	Freeport	NY
LawNY	Ithaca	NY
Legal Services of the Hudson Valley	Yonkers	NY
NEDCO	Springfield	OR
New Economics for Women	Los Angeles	CA
OnTrack Financial Counseling and Education	Asheville	NC
Rockland Housing Action Coalition	New City	NY
Tejano Center for Community Concerns	Houston	TX
The Housing Council at PathStone	Rochester	NY
West Tenn. Legal Services	Jackson	TN
YWCA El Paso Del Norte Region	El Paso	TX
NFHA (Offices in Washington, DC) cases collected from	agencies in Maryland &	Maine