



### **Underwater rescue – is it for real this time?**

The recently announced changes to the Home Affordable Refinance Program (HARP) got many underwater homeowners excited and they certainly have reasons to this time around. The Federal Housing Finance Agency came out with a News Release on October 24, 2011, highlighting the changes:

“An important element of these changes is the encouragement, through elimination of certain risk-based fees, for borrowers to utilize HARP to refinance into shorter-term mortgages. Borrowers who owe more on their house than the house is worth will be able to reduce the balance owed much faster if they take advantage of today’s low interest rates by shortening the term of their mortgage.”

The revised HARP program intends to extend a chance to refinance for underwater homeowners who were excluded from the initial program due to high loan-to-value.

Before we get too excited though, let’s look at the requirement of the new HARP. Homeowners who would benefit under the new and enhanced HARP must meet the following criteria:

- Mortgage must be owned or guaranteed by Fannie Mae or Freddie Mac
- Mortgage must have been sold to Fannie Mae or Freddie Mac on or before May 31, 2009
- Mortgage cannot have been refinanced under HARP previously unless it is a Fannie Mae loan that was refinanced under HARP from March-May, 2009
- The current loan-to-value (LTV) ratio must be greater than 80%
- The borrower must be current on the mortgage at the time of the refinance, with no late payment in the past six months and no more than one late payment in the past 12 months

For those who qualified, benefits under the new rules:

- No maximum LTV limit on how far underwater a homeowner is (applies if homeowner refinance into a fixed rate mortgage under HARP, if he/she chooses an adjustable rate mortgage, then LTV cannot be over 105%)
- Appraisal might not be required



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To see if you qualify for the enhanced HARP, underwater homeowners who have no mortgage late in the last 6 months and no more than 1 late for the past 12 months can follow the following steps:

1. Check the issue date of the current loan (as mentioned above, mortgages need to have been sold to Fannie Mae or Freddie Mac BEFORE May 2009)
2. Check and see if the mortgage is currently owned by Fannie Mae or Freddie Mac by going to the following web sites:

Fannie Mae:

<http://www.fanniemae.com/loanlookup/>

Freddie Mac:

<https://ww3.freddie.mac.com/corporate/>

3. If #1 & #2 are satisfied and the homeowner had not refinanced under HARP previously, then it's time to contact your trusted mortgage loan specialist to find out if the enhanced HARP is something that would benefit you

Even though the new rule takes effect December 1, 2011, it's estimated that lenders might not be able to incorporate the expanded program into their system until later, and the current 125% LTV cap will remain in effect until the first quarter of 2012.

Sincerely,

*Catherine Sun*