

# Bank of America National Homeownership Retention Program

## Program Enhancements Fact Sheet

### Bank of America Loan Modification Update

- Since January 2008, Bank of America has helped more than 760,000 customers with a completed loan modification or HAMP trial modification. This number includes more than 500,000 modifications completed through our own programs, along with nearly 21,000 completed mortgage modifications and nearly 240,000 active trial modifications through the federal government's Home Affordable Modification Program (HAMP).
- Bank of America recently became the first major servicer to commit to participate in "2MP" – the second-lien component of HAMP. We have signed the participation agreement and are working on implementation.
- Bank of America is the industry leader in the Home Affordable Refinance Program (HARP), another key component of the Making Home Affordable initiative. More than 168,500 Bank of America customers have received refinancing through the enhanced loan-to-value (LTV) and streamlined provisions of HARP; of those, nearly 90,000 refinances helped customers with LTVs of greater than 80%.
- Beginning April 5, we will participate in the Home Affordable Foreclosure Avoidance program (HAFA), which streamlines the short sale process and provides an alternative to foreclosure for customers who cannot afford to keep their home. Bank of America had already developed a cooperative short sale pilot similar to HAFA; that pilot is underway. The tools and technology built for our program will help us implement HAFA and assist more customers.
- Prior to HAMP, Bank of America was at the forefront of industry efforts providing early solutions for distressed homeowners. That leadership started with our decision to acquire Countrywide as the housing crisis took root in 2008, providing the support millions of Countrywide customers needed.
- In October of 2008, we launched the **National Homeownership Retention Program (NHRP)** – a precedent-setting loan modification program that emerged from an agreement with state attorneys general to provide assistance to former Countrywide borrowers with subprime and Pay-Option ARM loans. Bank of America removed these types of mortgages from the Countrywide product line upon acquiring the company.

### National Homeownership Retention Program Expansion

- NHRP was developed in 2008 in partnership with several state attorneys general to provide offers of permanent payment reductions for up to an estimated 400,000 Countrywide customers nationwide.
- There are now 44 states and the District of Columbia participating in the NHRP and related foreclosure relief payment and relocation assistance programs. Those 44 states include Massachusetts, which has most recently reached an agreement with the bank that included the enhancements to the national program.
- By the end of 2009, just 13 months into the program, more than 175,000 NHRP-eligible homeowners had received a loan modification offer. Of these, more than 130,000 had completed a modification through the NHRP process or started an NHRP-eligible trial modification through HAMP.
- Our customers in participating states may also be eligible for foreclosure relief payments or relocation assistance through the NHRP program. In February 2010, foreclosure relief payments totaling more than \$114 million were sent to approximately 37,000 eligible borrowers. In addition, more than \$48 million in relocation assistance has been paid to foreclosed borrowers and tenants of foreclosed properties.
- NHRP was an industry-leading model when it was unveiled, and we continue that leadership with the expansion of the program to include principal reduction, including an innovative earned principal forgiveness approach.

- We have found that many homeowners who owe considerably more than their home is worth are reluctant to accept a solution that does not address a reduction in the principal balance due. The bank believes that by addressing the underwater condition of these severely delinquent loans, the rates of customer acceptance of HAMP trial modifications and conversions to permanent modifications will be improved.
  - In our outreach to date, about 30 percent of underwater and delinquent customers who had not responded to offers of modifications without a principal reduction component did respond when offered a significant reduction in principal.
  - Sustainability may also be improved, because homeowners will be more able and motivated to make payments.
- Expanding NHRP will enable Bank of America to more effectively help customers, especially those who are severely underwater. Enhancements to the mortgage modification program include:
  - **Earned Principal Forgiveness** – A first look at principal forgiveness coupled with an innovative solution to help delinquent borrowers who owe more than 120% of their property’s current market value.
  - **Principal Reduction for Negative-Amortization Loans** – Also a first look in the HAMP sequence of solutions for certain qualifying loans. On delinquent and imminent default Pay-Option ARMs with negative amortization, Bank of America will lower the principal balance to the extent of the negative amortization incurred to as low as 95% loan-to-value (LTV).
  - **Program Expansions** – Will now cover prime two-year hybrid ARMs and the entire program will be extended six months through the end of 2012. In addition, qualifying mortgages eligible for NHRP will be expanded to include those originated on or before Jan. 1, 2009. Eligible relocation payments will have a floor of \$2,000 per loan, and this benefit will be extended to tenants as well as borrowers.
- Bank of America expects to be operationally ready to implement the new earned principal reduction components of NHRP in May. The bank will identify mortgages that may be eligible for these programs and proactively contact those customers to ascertain their interest in a modification and to request documents necessary to determine actual eligibility.

<b>Earned Principal Forgiveness</b>
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- For NHRP-qualifying mortgages with current loan-to-value (LTV) ratios of 120% or higher, the bank will take a first look at offering an interest-free forbearance of principal that the homeowner can turn into forgiven principal annually over five years, provided the homeowner remains in good standing on payments.
- This “earned principal forgiveness” can result in up to a 30% decrease in the principal balance, with forgiveness of principal in installments over five years to as low as 100% LTV.
- If the forbearance is not enough to meet the HAMP affordable payment target of 31 percent of income, an interest rate reduction and other steps in the standard sequence of solutions will be employed.
- For each of the first five years that the homeowner’s payment record remains in good standing, the borrower may earn forgiveness of up to one-fifth of the forborne principal amount. The amount is set at 20% in the first three years. In the fourth and fifth years, the amount of forgiveness will take into account any increase in the property value over the period since the modification such that the then-current LTV will not be reduced to below 100 percent through principal forgiveness – helping strike a critical balance between customer and investor interests.

## **Basic Eligibility Requirements**

### Basic eligibility requirements for the **NHRP** include:

- Borrowers eligible for loan modifications under this program must have received a Pay Option adjustable rate mortgage, any form of subprime first mortgage, or a prime 2-year hybrid ARM on or prior to January 1, 2009, in addition to meeting certain other requirements set out in the program.
- Eligible borrowers qualify for this loan modification program if the current loan-to-value ratio is 75% or higher and:
  - The borrower is 60 days or more delinquent;
  - The borrower is current today but becomes 60 days or more delinquent at any time prior to December 31, 2012, and the loan-to-value ratio at the time of the modification is 75% or higher;
  - If the borrower has a qualifying Pay Option ARM and the borrower is current but reasonably likely to become 60 days or more delinquent;
  - The property is a 1-4 unit owner-occupied residential property.
- Homeowners and tenants of properties secured by qualifying loans that are foreclosed upon may be eligible for relocation assistance of at least \$2,000 per loan to assist with the homeowner's or tenant's transition to a new place of residence. Such assistance is available only when the homeowner or tenant is living in the property at the time of the foreclosure.

### Basic eligibility requirements under the **HAMP program** include:

- The home must be an owner-occupied, single-family 1-to-4 unit property (including condominium, cooperative or manufactured home affixed to a foundation and treated as real property under state law);
- The home must be a primary residence (verified with tax return, credit report and other documentation, such as a utility bill);
- The home may not be investor-owned;
- The home may not be vacant or condemned;
- Borrowers in bankruptcy are not automatically eliminated from consideration for a modification;
- Borrowers in active litigation regarding the mortgage loan can qualify for a modification without waiving their legal rights;
- First-lien loans must have an unpaid principal balance (prior to capitalization of arrearages) equal to or less than: 1 unit: \$729,750; 2 units: \$934,200; 3 units: \$1,129,250; 4 units: \$1,403,400