

## August 24 Homeowner Assistance Fund Updates

The U.S. Treasury has updated the Homeowner Assistance Fund (HAF) guidelines that states must follow in developing their own HAF programs. We're pleased to share the following updates with you.

*In order to be considered for assistance:*

- 1.** You must have experienced a qualified financial hardship after January 21, 2020 as a result of the pandemic. A qualified financial hardship could be a material decrease in income, a material increase in expenses, or other circumstances that have negatively affected your ability to maintain housing.
- 2.** Your household income must be at or below 100% of your county's Area Median Income for your applicable household size. [Find your county's AMI.](#)
- 3.** You must be the owner of record, or in the process of becoming the owner of record as a result of inheritance, and you must live in the property.

As PHFA is still developing the Pennsylvania HAF, we are encouraging potential applicants to contact their servicers to explore loss mitigation options, which may provide a more immediate solution.

### **What is Loss Mitigation?**

Loss mitigation is a process where lenders work with delinquent borrowers to find solutions to avoid foreclosure. Loss mitigation options vary by loan type and by lenders. Examples of potential solutions are:

**Forbearance** – Your lender suspends loan payments for a period of time. The amount of suspended payments must be paid back. Once the forbearance period ends, you may be offered a repayment plan or the entire amount may be due at a later date, such as when the property is sold or if the loan is refinanced. With FHA mortgages, the entire amount due at a later date is called a partial claim. You won't pay any interest on the partial claim amount.

**Loan Modification** – If you qualify, your lender may agree to change the original terms of the loan in order to arrive at a more manageable monthly payment. The loan may be re-amortized to a 30-year period, interest rates may be reduced, an adjustable rate loan may be changed to a fixed rate, etc.

**Combination** – Your situation may need a combination of both a forbearance and a loan modification. Remember, lenders do not want to foreclose. It is costly to foreclose on a property, and lenders are not in the business of owning property.

When contacting your servicer, make sure you have the necessary documentation to expedite the process. At a minimum, you will need proof of income, your most recent tax return, bank statements, monthly expenses, and a hardship statement. If additional documentation is required, try to provide it to your servicer as soon as possible.

The [Consumer Financial Protection Bureau \(CFPB\)](#) has additional information about forbearance that you may find useful.