

## Resources

### FHFA Announces Significant Expansion of HARP Program

October 24, 2011

The Federal Housing Finance Agency (FHFA), conservators of Fannie Mae and Freddie Mac (the GSEs) announced today a significant expansion to the Home Affordable Refinance Program ("HARP"). Originally announced in March 2009, HARP was intended to help up to five million borrowers who were "underwater" on their mortgages but were current on payments to refinance into lower interest rates and make lower monthly payments. The program is only available to loans backed by the GSEs. To date, approximately 900,000 loans have been refinanced in the HARP program. While that number is significant, policymakers have larger goals. FHFA has indicated that it anticipates that the expanded HARP program will help twice as many borrowers refinance their homes.

FHFA intends that the broad outlines of the HARP revisions announced today will make it easier for more borrowers to take advantage of HARP. Today's announcement includes only a general overview, but FHFA will send operational instructions by November 15, 2011, with an implementation date for the program by December 1, 2011, or, at the latest, Q1 of 2012.

**New Guidelines.** In what the FHFA dubs "HARP Phase II," several of the perceived barriers to HARP refinancings have been removed. HARP Phase II:

- Eliminates certain up-front risk-based fees that are perceived to limit borrowers' ability to refinance
- Permits an LTV above 80 percent (with no cap) to meet the LTV qualification requirements for a fixed rate HARP refinancing; previously, only loans with an LTV below 125 percent were eligible. For adjustable rate HARP refinancings, the LTV may not exceed 105 percent
- Eliminates the requirement that servicers provide standard representations and warranties while performing HARP refinancings
- Permits servicers to use approved AVMs; existing guidelines require an appraisal
- Extends HARP to December 31, 2013, for loans sold to the GSEs on or before May 31, 2009

Should you have any questions concerning these new proposals, please contact the co-authors of this alert, **Fredrick Levin** at 213-457-1837, **Brett Natarelli** at 312-627-8318, or your Dykema relationship attorney.

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