
FEDERAL HOUSING FINANCE AGENCY



NEWS RELEASE

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FHFA, Fannie Mae and Freddie Mac Announce HARP Changes to Reach More Borrowers

Washington, DC – The Federal Housing Finance Agency, with Fannie Mae and Freddie Mac (the Enterprises), today announced a series of changes to the Home Affordable Refinance Program (HARP) in an effort to attract more eligible borrowers who can benefit from refinancing their home mortgage. The program enhancements were developed at FHFA’s direction with input from lenders, mortgage insurers and other industry participants.

“We know that there are many homeowners who are eligible to refinance under HARP and those are the borrowers we want to reach,” said FHFA Acting Director Edward J. DeMarco. “Building on the industry’s experience with HARP over the last two years, we have identified several changes that will make the program accessible to more borrowers with mortgages owned or guaranteed by the Enterprises. Our goal in pursuing these changes is to create refinancing opportunities for these borrowers, while reducing risk for Fannie Mae and Freddie Mac and bringing a measure of stability to housing markets.”

Fannie Mae and Freddie Mac have helped approximately 9 million families refinance into a lower cost or more sustainable mortgage product, approximately 10 percent of those via HARP. HARP is unique in that it is the only refinance program that enables borrowers who owe more than their home is worth to take advantage of low interest rates and other refinancing benefits. This program will continue to be available to borrowers with loans sold to the Enterprises on or before May 31, 2009 with current loan-to-value (LTV) ratios above 80 percent.

The new program enhancements address several other key aspects of HARP including:

- Eliminating certain risk-based fees for borrowers who refinance into shorter-term mortgages and lowering fees for other borrowers;
- Removing the current 125 percent LTV ceiling for fixed-rate mortgages backed by Fannie Mae and Freddie Mac;
- Waiving certain representations and warranties that lenders commit to in making loans owned or guaranteed by Fannie Mae and Freddie Mac;
- Eliminating the need for a new property appraisal where there is a reliable AVM (automated valuation model) estimate provided by the Enterprises; and
- Extending the end date for HARP until Dec. 31, 2013 for loans originally sold to the Enterprises on or before May 31, 2009.

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 Enterprises plan to issue guidance with operational details about the HARP changes to mortgage lenders and servicers by November 15. Since industry participation in HARP is not mandatory, implementation schedules will vary as individual lenders, mortgage insurers and other market participants modify their processes.

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$5.7 trillion in funding for the U.S. mortgage markets and financial institutions.