HAMP, the federal government's loan modification program, expired December 31, 2016, but we're still talking about it in 2018. Loan modifications remain a possibility for homeowners who need help avoiding foreclosure and keeping their home.

What Was HAMP?

In 2009, during the subprime mortgage crisis, foreclosures were happening at a rate not seen since the Great Depression. The Obama administration created **HAMP** to help struggling homeowners avoid foreclosure by **modifying the terms of their loans to make them affordable**.

HAMP provided guidelines for modifying mortgages and incentives for lenders to do so rather than foreclose. The program allowed for the **term of the loan to be extended, the interest rate to be lowered, and the principal balance to be reduced or restructured** so that the monthly mortgage payment was lowered to an affordable percentage of the borrower's current income.

More than a million people participated in HAMP when it was available, and though the program had some shortcomings, it was successful in forcing lenders to **evaluate eligible borrowers for a loan modification instead of foreclose** on them.

Since HAMP was introduced the housing market and economy have improved significantly. But hardships like **divorce, medical problems, and loss of income** continue to cause homeowners mortgage problems. And **loan modifications continue to be available** to help them avoid foreclosure and keep their homes. But what kind?

Post-HAMP Loan Mods Available

In-House Loan Modifications

An in-house loan modification is one that is given by the bank, according to their own guidelines. In-house loan modifications are also called ***“traditional”*** or ***“proprietary”*** because they existed long before HAMP.

Since these modifications aren't subject to any government guidelines, **the bank can do whatever it wants**, like give a modification with better terms than was possible with HAMP or a streamlined modification without asking to see any of the borrower's financial documents.

Most lenders are using a waterfall process similar to HAMP for their own mods, where a series of steps are applied to try to make the new payment an **affordable portion of the borrower's income**.

To apply for an in-house loan modification, you need to contact your mortgage servicer. If you're eligible, they'll likely ask you to **submit an application** that includes:

- ***Bank statements***
- ***Pay stubs or other income verification***
- ***Hardship letter***
- ***IRS form 4506-T (request for transcript of tax return)***
- ***Last two year's tax returns***

Every lender is different, so you'll need to get a list of documents from them and follow it exactly, **making sure to send in the most recent version** of each. Banks are notoriously stringent about this, and have been known to refuse to review an application because of the slightest error or omission.

Fannie Mae and Freddie Mac Flex Modification

The Flex Modification program replaces HAMP for loans owned by Fannie Mae or Freddie Mac. (If you don't know if they own your loan, click here to look it up here). To be eligible for a Flex Modification you have to submit an application, which Freddie Mac calls a **Borrower Response Package (BRP)** instead of a Request for Modification Assistance (RMA). The BRP will be similar to a privately-owned loan mod application and must demonstrate:

- ***An eligible hardship "that is causing or expected to cause a long-term or permanent decrease in income and/or increase and expenses" (Unemployment is not considered a permanent hardship.)***
- ***Enough income to support the monthly payment.***

For more information on Flex Modifications, visit go here and here or call your loan servicer.