

NH HOMEOWNER ASSISTANCE FUND LOSS MITIGATION GUIDANCE AND INFORMATION



DEFINITION: Loss Mitigation is the process where a borrower and their loan servicer work together to help avoid the foreclosure process. The loan servicer has the duty to lessen the loss to their investors created by the borrower's default by working with that borrower to come up with a less costly solution. This can be beneficial for the servicer, investor, and the borrower.

TEMPORARY LOSS MITIGATION OPTIONS

Forbearance and moratorium options may be available to borrowers and provide temporary relief from mortgage payments. These options are similar; however, a moratorium is most often a formal agreed upon period when no mortgage payment is required to be made, while a forbearance may be less formal and may include a reduction in monthly payments (Example: freezing interest and principal, while still requiring escrow amounts) or no required payment at all. Both are temporary and will require satisfaction of all missed payments at the end of the period. Payment may be expected as a lump sum payment or a payment solution may be negotiated.

PERMANENT LOSS MITIGATION OPTIONS

Retention Solutions are those that result in the borrower maintaining their home and could include (among others) the following broad categories:

- **Loan Modification** – Terms of the loan are modified to accommodate arrearages and attempt to ensure borrower affordability and sustainability. Modification can result in a lower monthly payment but does not always. Modifications can include interest rate adjustment, an extension of loan term, and even principal reduction or deferment. Most loan modifications require (even if not previously required) establishment of escrow to provide for property tax and homeowner insurance payments. Loan

Modification may require a three-month trial period to test borrower's ability to afford the offer.

- **Repayment Plan** – A repayment plan over time is structured to give the borrower time to repay their arrearage. The servicer is required to assess disposable income and determine an affordable plan. If none is available, it will not be offered.
- **Partial Claim** – If a borrower has paid for mortgage insurance, they may be entitled to a partial claim to help bring their arrearage current. A partial claim places the arrearage in a non-interest-bearing lien against the property that requires no payments until after the first mortgage is paid off, the loan is refinanced, or the property is sold.
- Retention solutions may include a combination of these options to resolve the delinquency.

Transition Solutions are those that result in the borrower transitioning from the home with a method that avoids actual foreclosure:

- **Pre-foreclosure, full satisfaction sale** – The borrower voluntarily sells their home and pays the mortgage debt off in full, keeping any extra funds.
- **Short Sale** – The borrower voluntarily sells their home, subject to servicer approval, and the servicer agrees to accept less than what is owed as full satisfaction of the mortgage debt. Borrowers should be careful to secure evidence of deficiency waiver.

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The NH Homeowner Assistance Fund program is funded through the American Rescue Plan Act of 2021 and the Governor's Office for Emergency Relief and Recovery (GOFERR). It is administered by New Hampshire Housing.





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- **Deed-in-lieu of foreclosure** – If a borrower cannot secure a buyer for their home, they may offer a deed-in-lieu of foreclosure to the mortgage holder. This is a voluntary transfer of deed from borrower to mortgage holder. Borrowers should be careful to secure evidence of deficiency waiver.
- **Cash for Keys** – A borrower may also be entitled to “Cash for Keys,” a program that provides a monetary incentive to borrowers to leave the property in broom clean condition.

THE LOSS MITIGATION PROCESS

(See Consumer Financial Protection Bureau §1024.31 – 41)

- Complete loss mitigation application is submitted to servicer. A completed loss mitigation application means that the application along with all required information and documentation from the borrower has been submitted to the servicer*. The servicer evaluates the application for all available loss mitigation options.
 - When an application is received, the servicer must promptly review for completeness and notify borrower within five business days if additional documentation is required or if the application is complete. Borrower must be given a reasonable amount of time to return requested documentation.
 - Once a complete application is received, if within 45 days of a foreclosure sale, that sale must be postponed.
- Borrower must be notified once the loss mitigation application is complete.
- Servicer has 30 days from completed application to evaluate and determine available options and inform the borrower in writing of what those options include.

**Some services may accept a verbal request for assistance and may not require any formal document submission.*

LOSS MITIGATION AND THE NH HOMEOWNER ASSISTANCE FUND

As of September 1, 2023 the NH Homeowner Assistance Fund is no longer requiring proof of loss mitigation. Applicants are still encouraged to reach out to their servicer to discuss options for their delinquency as a long-term solution offered by your mortgage servicer may be more beneficial than the temporary assistance from this program.

For one on one assistance understanding Loss Mitigation and the options that may be available to you, in lieu-of or in addition to the NH Homeowner Assistance Fund, please contact:

AHEAD, Inc.
(800) 974-1377, option 2
hoc@homesahead.org
Homesahead.org

HomeHelpNH.org



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