Exhibit 5

Home Affordable Modification Program (HAMP)

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What Is the Home Affordable Modification Program (HAMP)?

The Home Affordable Modification Program (HAMP) was a loan modification program introduced by the federal government in 2009 to help struggling homeowners avoid foreclosure. The program's focus was to help homeowners who paid more than 31% of their gross income toward mortgage payments. The program expired at the end of 2016.

KEY TAKEAWAYS

- The Home Affordable Modification Program (HAMP) was a federal program introduced in 2009 to help struggling homeowners avoid foreclosure.
- The HAMP allowed homeowners to reduce their mortgage principal and/or interest rates, temporarily postpone payments, or get loan extensions.
- The program expired at the end of 2016 and has not been renewed. [1]

Understanding the Home Affordable Modification Program (HAMP)

HAMP was created under the Troubled Asset Relief Program (TARP) in response to the subprime mortgage crisis of 2008. [2] During this period, many American homeowners found themselves unable to sell or refinance their homes after the

(ARMs), leaving plenty of people at risk of foreclosure.

> **Important:** Although taxpayers subsidized some of the loan modifications, arguably the most significant contribution of HAMP was standardizing what had been a haphazard loan modification system.

In order to qualify, mortgagors needed to make more than 31% of their gross income on their monthly payments. Property requirements were also enforced —they had to pass the net present value (NPV) test, along with other eligibility standards.[3]

A property became eligible if the analysis showed a lender or investor currently holding the loan would make more money by modifying the loan rather than foreclosing. Other than the requirement that a homeowner prove financial hardship, the home had to be habitable and have an unpaid principal balance under $729,750.[4] [5] [6]

Relief took several forms, all of which would have the effect of reducing monthly payments. For instance, eligible homeowners could receive reductions in their mortgage principal and interest rates. There was also the possibility of a temporary postponement of mortgage payments—also known as forbearance. And, if favorable, a homeowner was able to extend their existing loan terms.

FAST FACT

Families in the program decreased their monthly payments by an average of more than $530. [7]

Special Considerations

The government refers to the ratio of payments to gross income as the front-end debt-to-income ratio (DTI). The HAMP program, working in conjunction with mortgage lenders, helped provide incentives for banks to reduce the debt-to-income ratio to less than or equal to 38%. The Treasury would then step in to minimize the DTI ratio to 31% or less. [8]

HAMP incentivized private lenders and investors to fund their loan adjustments. Mortgage servicers received an up-front payment of $1,000 for each eligible modification they performed. These lenders were also eligible to receive up to $1,000 per year for each borrower in the program for up to five years, and a $5,000 one-time payment at the end of year six. [9]

The original HAMP was limited to principal residences. In 2012, the program was then revised to include homes not occupied by the owner, households with multiple mortgages, and homeowners whose DTI ratio was either lower or higher than the original requirement of 31%. [10]

The Home Affordable Modification Program (HAMP) vs. the Home Affordable Refinance Program (HARP)

HAMP was complemented by another initiative called the Home Affordable Refinance Program (HARP). Like HAMP, HARP was offered by the federal government. But there were a subtle few differences.

While HAMP helped people who were on the verge of foreclosure, homeowners needed to be underwater or close to that point to qualify for HARP. The program allowed people with homes worth less than the outstanding balance on their

Only those whose loans were guaranteed or acquired by Fannie Mae or Freddie Mac prior to May 31, 2009, were eligible. Eligibility was also contingent on whether the homeowner was up-to-date on their mortgage payments. In addition, mortgagors should have been able to benefit from lower payments or from switching to a more stable mortgage product. [11]

The deadline for HARP was originally intended for Dec. 31, 2017. However, that date was extended, pushing the program's expiration date to December 2018. [11]

When Was the Home Affordable Modification Program (HAMP) Active?

The Home Affordable Modification Program (HAMP) was a loan modification program introduced in 2009 to help mitigate the impact of the 2008 subprime mortgage crisis. It expired in 2016.

Who Qualified for HAMP?

Initially, between 2009 and 2011, only principal residences could qualify. But starting in 2012, the program was opened up to include second homes, homes that an owner was renting out, households with multiple mortgages and homeowners who didn't initially qualify for the program based on certain financial eligibility standards.

How Much Money Could You Save on Your Mortgage Under Hamp?

Under the Home Affordable Modification Program (HAMP), a homeowner was able to receive up to $10,000 in principal reduction as an acknowledgment of having made mortgage payments in full and on time. That broke down to $1,000 per year for the first five years, and a one-time payment of $5,000 at the end of year six. [9]

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Related Terms

Principal Reduction

A principal reduction is a decrease in the principal owed on a loan, typically a mortgage, as an alternative to foreclosure on the home. more lowering their monthly mortgage payments to a more manageable level. more

Home Affordable Refinance Program (HARP)

The Home Affordable Refinance Program (HARP) is a mortgage refinancing program offered to borrowers who are currently underwater on their mortgages. more

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Homeowner Affordability and Stability Plan (HASP)

The Homeowner Affordability and Stability Plan (HASP) is a 2009 program created to stabilize the U.S. economy. more

Renegotiated Loan

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