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Friday, March 4, 2011

HUD: Reinstates Emergency Relief

HUD is implementing an interim rule that reinstates, with certain modifications, regulations that it formerly published to serve as the framework by which emergency relief may be provided to homeowners experiencing temporary involuntary loss of employment or underemployment resulting in a substantial reduction in income due to adverse economic conditions, and who consequently are financially unable to make full mortgage payments.

These regulations were promulgated following enactment of the Emergency Homeowners' Relief Act of 1975. This 1975 statute provided standby authority to the Secretary to insure or make loans to homeowners to defray mortgage expenses, so as to prevent widespread mortgage foreclosures and distress sales of homes resulting from a homeowner's substantial reduction income.

Although the 1975 regulations were quickly put in place, they were not utilized, and HUD eventually removed the regulations from the Code of Federal Regulations in 1995.

Dodd-Frank reauthorized the 1975 statute, with certain amendments, and made \$1 billion available for this 1975 program during Fiscal Year (FY) 2011. Accordingly, HUD is reinstating the regulations for the program, under the title of "Emergency Homeowners' Loan Program" (EHLPP) with such modifications as necessary to mirror the statutory changes to the Emergency Homeowners' Relief Act of 1975 made by Dodd-Frank.

Effective: April 4, 2011.

Comment Deadline: May 3, 2011.



Outline

- 1) Clarifies that the principal residence of the homeowner for which the homeowner seeks relief to prevent foreclosure may be a condominium, a cooperative, or a manufactured home.
- 2) Includes the list of eligible institutions for which HUD is authorized to provide insurance for emergency mortgage relief loans and advances of credit as provided in section 105 of the Emergency Homeowners' Relief Act. (The list of these institutions was not revised by the Dodd-Frank Act but was omitted from the 1975 regulations.)
- 3) Provides that an eligible homeowner must have a total annual income (as defined in these regulations, and hereafter referred to as "income") that is equal to, or less than, 120 percent the area median income (AMI), as determined by HUD and adjusted for household size. (HUD defines AMI in Sec. 2700.5 of the rule.)
- 4) Provides that an eligible homeowner must have incurred a substantial reduction of income, as a result of involuntary loss of employment or underemployment, that is at least 15 percent lower than the income the homeowner had prior to loss of employment or underemployment.
- 5) Requires, consistent with the statute, that the aggregate amount of assistance to an eligible homeowner cannot exceed \$50,000.
- 6) Provides that eligible homeowners may receive assistance for up to 12 months, in accordance with criteria established by HUD, and that such assistance may be extended once for up to 12 additional months, or may receive assistance in an amount up to the statutory ceiling of \$50,000, whichever occurs first. (NOTE: the Federal Register, which reactivates the program for FY 2011, provides for eligible homeowners to receive assistance for up to 24 months, or up to the statutory ceiling amount of \$50,000. Given the duration of high unemployment, HUD has determined that so long as eligibility requirements are maintained, HUD will provide the maximum period of 24 months of homeowner assistance at the outset.)
- 7) Provides, as did the 1975 regulations, that emergency assistance may be provided only if the homeowner has a back-end ratio or debt-to-income (DTI) below 55 percent (principal, interest, taxes, insurance, revolving and fixed installment debt divided by total monthly income). (For this calculation, the homeowner's income will be measured at the pre-Event level.) Homeowners with second mortgage debt or equity lines of credit may qualify for emergency assistance if the homeowner's DTI is within the program's 55 percent limit.
- 8) Includes monitoring requirements to ensure that the homeowner remains eligible for the emergency assistance after such assistance has commenced, and also specifies the

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 - ▼ March (3)
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 - [FRB: Mangles Affiliate Compensation](#)
 - [Risk-Based Pricing and Adverse Action Disclosures](#)
 - ▶ February (14)
 - ▶ January (13)
- ▶ 2010 (86)
- ▶ 2009 (8)

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conditions under which emergency assistance to the homeowner will be terminated.

9) Adds a declining balance, nonrecourse, zero interest, subordinate secured loan, with a term of up to 7 years, as a type of repayment mechanism for emergency mortgage relief payments.



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Emergency Homeowners' Loan Program (EHLPP)

Interim rule, HUD, FR 76/43

March 4, 2011



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