

Principal Reduction Program

Summary Guidelines



- 1. Program Overview**

The Principal Reduction Program (“PRP”) is one of NAHAC’s federally-funded programs developed with a goal to provide capital to homeowners who have suffered an eligible hardship in order to reduce the outstanding principal balances of qualifying properties with negative equity and/or unaffordable first mortgage payments.

PRP will provide monies to reduce the principal balance of the first mortgage in connection with a loan recast, modification or a stand-alone curtailment, each with the purpose of establishing an appropriate level of affordability and/or debt for eligible homeowners with qualifying properties.
- 2. Program Goals**

The PRP will reduce the principal balance of first mortgages in cooperation with participating servicers in connection with a loan recast, modification, or a stand-alone curtailment, to help qualifying homeowners stay in their homes.

PRP will help homeowners stay in their homes by ensuring they have an affordable first mortgage payment and an appropriate level of mortgage debt after they receive PRP assistance in accordance with program guidelines.
- 3. Target Population/
Areas**

All qualified Nevada residents with negative equity who could achieve an affordable Primary mortgage payment and appropriate level of debt with a principal reduction
- 4. Program Allocation
(Excluding Administrative
Expenses)**

\$99,935,128
- 5. Borrower Eligibility
Criteria**

General Eligibility:

 - Legal U.S. resident or lawful permanent U.S. resident and Nevada resident.
 - Borrower must have an eligible financial hardship as determined by program criteria and underwriting guidelines.
 - Borrower cannot have liquid assets, other than exempt retirement assets, in excess of the amount of assistance being provided.

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- Borrower's post-assistance housing expenses must meet the definition of an "Affordable Payment." For the purposes of PRP, "Affordable Payment" means the borrower's post assistance, total monthly primary mortgage payment PITI (principal, interest, taxes and insurance, as applicable) including any escrowed homeowner's association dues or assessments, must be no greater than 38% of the gross household income excluding temporary income (e.g., unemployment or short-term disability benefits)
- Borrower agrees to provide all necessary documentation to satisfy program guidelines within the timeframes established by NAHAC, including a financial hardship affidavit

6. Property/Loan Eligibility Criteria

- The applicant must own and occupy the single family, 1-4 unit home (an attached or detached house or a condominium unit)
- located in Nevada and it must be their primary residence. Mobile homes are eligible if they are permanently affixed to the real property that is secured by the primary mortgage.
- For a Modification or Reamortization, the servicer must utilize the PRP monies to bring the primary mortgage current before applying PRP monies to the borrower's principal balance.
- Mortgage balance cannot exceed the current GSE loan limit

7. Program Exclusions

- Borrowers with liquid assets, other than exempt retirement assets, in excess of the total amount of assistance provided.
- Borrower is in "active" bankruptcy. Borrowers who have previously filed bankruptcy are eligible for consideration only with proof of court order "Dismissal" or "Discharge".
- Borrowers in an active Home Affordable Modification Program (HAMP) trial period plan.

- Borrowers who fail to satisfy underwriting guidelines of the lender/servicer or NAHAC.
- Borrowers with a post-assistance LTV ratio greater than 140% or less than 80% based upon valuation obtained by NAHAC or the servicer.
- Borrowers with a post-assistance total monthly first-lien mortgage payment PITI including any escrowed assessments less than 25% of the borrower's gross monthly household income, excluding temporary income (e.g., unemployment and short-term disability benefits), or greater than NAHAC's definition of an Affordable Payment.
- Property is subject to a current foreclosure proceeding (judicial or non-judicial) under any lien encumbering the property including the lien of a Homeowners Association, unless the lender/servicer or Homeowners Association agrees in writing to suspend their foreclosure proceeding and to record a rescission of their notice of default and/or notice of sale at closing.
- Property is abandoned, vacant or condemned.
- Property has more than two mortgages.

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8. Structure of Assistance

The assistance will be administered as a one-time direct payment to the servicer.

For Borrowers with a post-assistance LTV greater than or equal to 100%:

The assistance will be structured as a 0% interest forgivable loan with no monthly payment evidenced by a promissory note with a sixty (60) month term. The loan will be secured by a junior lien on the property. If the borrower complies with the terms of the loan, the loan will be considered satisfied at the end of the sixty (60) month period following funding and the lien released.

For Borrowers with a post-assistance LTV less than 100%:

The assistance will be structured as a 0% interest forgivable loan with no monthly payment evidenced by a promissory note with a one hundred and twenty (120) month term. The loan will be secured by a junior lien on the property. If the borrower complies with the terms of the loan, the loan will be considered satisfied at the end of the one hundred and twenty (120) month period following funding and the lien released.

There is no pro-rated forgiveness for this loan. Loan funds will only be repaid to Eligible Entity (NAHAC) in the event of a sale or a refinance that includes cash out and there are equity proceeds available prior to forgiveness.

In the event that NAHAC receives a 100% or greater match in funds by the lender/servicer and the borrower's post-assistance LTV is 100% or greater, then NAHAC will not structure the assistance as a loan.

Borrowers will not always receive the maximum assistance amount of \$100,000.

All funds returned to NAHAC will be used to assist additional borrowers in accordance with the agreement

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- 9. Per Household Assistance** The maximum amount of mortgage principal reduction receivable by a qualified borrower is \$100,000
- 10. Duration of Assistance** Program funds will be distributed as a one-time payment to the servicer
- 11. Estimated Number of Participating Households** Approximately 2,437 households could be assisted under this program assuming an average assistance amount of \$41,000.
- 12. Program Inception/Duration** This program began on March 1, 2010 and will continue until all funds are committed or December 31, 2020, whichever occurs first
- 13. Program Interactions with Other HFA Programs** Borrowers may receive assistance from more than one HHF Program as long as the total combined assistance does not exceed \$100,000
- 14. Program Interactions with HAMP** PRP may work in conjunction with aspects of the Making Home Affordable Program to help eligible borrowers achieve desired housing debt-to-income ratios, permanent affordability and establish an appropriate level of mortgage debt
- 15. Program Leverage with Other Financial Resources** NAHAC will require that the servicer waive all accrued and unpaid late charges and NSF fees at the time the modification agreement is completed. NAHAC will require the servicer to waive any association recast or modification fee