

housingactionillinois

Bank of America's Earned Principal Forgiveness Program

In March 2010, Bank of America (BOA) announced its new Earned Principal Forgiveness pilot program that will focus on forgiving mortgage principal to eligible under water homeowners. Under this program, BOA will forgive up to 30% of the mortgage loan balance.

Eligibility Criteria:

The pilot program will only apply to National Homeownership Retention Program (NHRP) eligible loans that also meet the requirements of the Home Affordable Modification Program (HAMP). Among these homeowners, only certain kinds of loans will be considered, including:

- Subprime loans;
- Pay-Option loans (have a negative amortization feature that allowed the principal balance to grow); and
- Prime two year hybrid loans (have floating interest rates after two years).
- In addition, homeowners must be at least two months delinquent on their mortgage payments, and they must owe at least 20% more than their home is currently worth at market rate (a principal balance of 120% or more).

Program Benefits:

BOA will consider principal reductions as their first step towards reaching the HAMP affordability requirements of 31% debt-to-income ratio when modifying qualifying loans. Interest rate reductions as well as the remaining HAMP waterfall guidelines would then be considered to reach the targeted payments. BOA will decrease the principal up to 30% over a five-year period to allow the borrower to bring his/her loan to reflect current property value, as low as 100% loan-to-value. Moreover, the bank will offer an interest-free forbearance on principal, but borrowers must remain current on their payments to be eligible.

Next Steps:

The Earned Principal Forgiveness Program is expected to begin in May. BOA will identify mortgages that may qualify and will contact homeowners directly to request documents to determine eligibility.

For more information, please visit Bank of America's release at <http://newsroom.bankofamerica.com/index.php?s=43&item=8662>

For questions or comments, please contact Ami Shah, Program Assistant, Housing Action Illinois, 312-939-6074 x.107, ami@housingactionil.org