PAYMENT INCREASES ON HAMP–MODIFIED MORTGAGES TO BEGIN IN 2014

Information excerpted from the January 2014 SIGTARP Quarterly Report to Congress on the Status of TARP. For more information on TARP and HAMP, click here

Most homeowners who received HAMP permanent mortgage modifications saw the interest rates on their loans cut in order to reduce their monthly payments and make their mortgages more affordable and sustainable over the long term.[161] For the HAMP permanent modifications made in 2009, interest rates will start to go up this year, and so will the payments, in some cases eventually by as much as $1,724 per month.[162]

As designed, the program increases interest rates for many homeowners beginning five years after the mortgage was modified.[163] In addition, TARP-funded incentive payments for servicers, investors, and homeowners end after five years. For the vast majority of homeowners who received the very first HAMP permanent mortgage modifications in 2009 and who still had an active modification as of November 30, 2013, the latest data available, interest rate and monthly payment increases are scheduled to begin in 2014 and incentive payments will end.[164]

Of the 894,302 homeowners who had active HAMP permanent modifications as of November 30, 2013, 88%, or 782,748 homeowners, are scheduled for these eventual interest rate and payment increases.[165] The median payment increase after all rate increases will be around $200 per month, according to a SIGTARP analysis of Treasury's HAMP data.[166]

Why Homeowner Payments Will Increase

HAMP permanent mortgage modifications lowered homeowners' monthly mortgage payments to 31% of their gross monthly income through a series of steps including extending the term of the mortgage, reducing the principal owed, or cutting the interest rate to as low as 2%.[167] The terms of HAMP permanent modifications remain fixed for five years.[168] However, after five years, a homeowner's mortgage interest rate can increase if the modified interest rate had been reduced below where the national average rate was for a 30-year conforming fixed-rate mortgage on the date of the modification.[169] The average interest rate over the last five years has generally been between 4% and 5.4%, and most modifications cut rates well below that

benchmark.[170] After five years, the interest rate on the modified loan can step up incrementally by up to 1% per year until it reaches that benchmark.[171]

Almost 90% of Homeowners With HAMP Permanent Modifications Will Experience Payment Increases

Of those 894,302 homeowners with active HAMP permanent modifications as of November 30, 2013, 782,748 (88%) are scheduled to have mortgage interest rate and payment increases; these increases will take place between 2014 and 2021.[172] That means just 111,554 homeowners, or 12%, will not experience payment increases.[173]

Among those homeowners who are scheduled to have mortgage interest rate and payment increases, the median interest rate on their loan was 6.4% before modification; the median monthly payment was $1,421.[174] HAMP permanent modifications reduced these homeowners' median interest rate to 2% and the median monthly payment to $773.[175] (SIGTARP's rate and payment analysis excludes 77,699 HAMP permanent modifications that are scheduled to adjust but for which records are incomplete.)

Scheduled adjustments over the coming years will increase homeowners' monthly payments. Among the 88% of homeowners who will see their interest rate and monthly payment increase, the median rate will rise incrementally, by no more than 1% per year, to where the national average rate was for a 30-year conforming fixed-rate mortgage on the date of the modification, and the median payment eventually will go up $196 per month to $989.[176] Some homeowners could eventually see their mortgage interest rates increase to as much as 5.4%; for some, payments eventually could increase by $1,724 per month; and after all payment increases, the highest mortgage payment any homeowner would pay per month would be $9,966.[177] Table 2.8 shows before-modification, after-modification, and after all modification increases, median interest rates, payments, and payment increases for homeowners who face interest rate and payment increases on HAMP mortgage modifications. For more detail, see Table F.2 in Appendix F.

TABLE 2.8

HAMP TIER 1 PERMANENT MODIFICATIONS WITH SCHEDULED PAYMENT INCREASES, AS OF 11/30/2013

	Total Active Permanent Modifications	Total Active Permanent Modifications With Scheduled Payment Increases	Median Interest Rate[a]	Median Total Monthly Mortgage Payment[a]	Median Increase Amount of Monthly Payment[a]
Before Modification	894,302	782,748	6.4%	$1,421	—
After Modification	894,302	782,748	2.0%	$773	—
After All Modification Increases	**894,302**	**782,748**	**4.5%**	**$989**	**$196**

[a] Analysis of HAMP permanent modifications with scheduled interest rate and payment increases excludes 77,699 HAMP permanent modifications with incomplete records.

Source: SIGTARP analysis of Treasury HAMP data.

Homeowners in All States Will Be Affected by Payment Increases

Four states account for half of homeowners with active HAMP permanent modifications that are scheduled for interest rate and payment increases: California, Florida, New York, and Illinois.[178] Homeowners in 11 jurisdictions face mortgage payment increases that are more than the $196 national median: California, Hawaii, Maryland, Massachusetts, Nevada, New Jersey, New York, Virginia, Utah, Washington, and Washington, DC.[179] While 88% of homeowners nationally with HAMP-modified mortgages face scheduled interest rate and payment increases, that percentage is even higher in 17 jurisdictions: Arizona, California, Connecticut, Guam, Hawaii, Illinois, Maine, Massachusetts, Nevada, New Jersey, New York, Oregon, Puerto Rico, Rhode Island, the Virgin Islands, Washington, and Washington, DC.[180] Table 2.9 shows, as of November 30, 2013, all active HAMP permanent modifications with scheduled monthly mortgage payment increases, by state.

TABLE 2.9

HAMP TIER 1 PERMANENT MODIFICATIONS WITH SCHEDULED PAYMENT INCREASES, AS OF 11/30/2013

State	Total Active Permanent Modifications	Total Active Permanent Modifications With Scheduled Payment Increases	Percentage of Active Permanent Modifications With Scheduled Payment Increase	Median Payment Increase After All Increases[a]	Maximum Payment Increase After All Increases[a]
Alabama	4,773	3,572	75%	$95	$928
Alaska	399	321	80%	174	809
Arizona	33,556	29,574	88%	185	1,208
Arkansas	1,825	1,471	81%	96	789
California	234,572	213,714	91%	297	1,724
Colorado	12,524	10,790	86%	171	1,094
Connecticut	11,516	10,088	88%	190	1,237
Delaware	2,613	2,212	85%	171	834
Florida	110,166	96,341	87%	161	1,168
Georgia	31,591	26,267	83%	133	1,061
Guam	7	7	100%	53	173
Hawaii	3,516	3,205	91%	356	1,230
Idaho	3,311	2,796	84%	159	894
Illinois	45,892	40,597	88%	175	1,088
Indiana	8,083	6,298	78%	93	1,022
Iowa	1,993	1,605	81%	91	626
Kansas	2,044	1,655	81%	103	1,042
Kentucky	3,173	2,545	80%	92	865
Louisiana	4,851	3,800	78%	102	694
Maine	2,429	2,136	88%	142	789
Maryland	27,990	24,474	87%	241	1,174
Massachusetts	21,224	19,086	90%	232	1,064
Michigan	25,802	21,934	85%	120	1,273
Minnesota	13,622	11,914	87%	172	1,117
Mississippi	2,944	2,154	73%	87	730
Missouri	8,435	6,701	79%	105	889
Montana	1,028	860	84%	172	1,074
Nebraska	1,145	922	81%	89	632
Nevada	19,049	16,999	89%	212	1,042
New Hampshire	3,879	3,366	87%	180	761

Continued on next page

HAMP TIER 1 PERMANENT MODIFICATIONS WITH SCHEDULED PAYMENT INCREASES, AS OF 11/30/2013 (CONTINUED)

State	Total Active Permanent Modifications	Total Active Permanent Modifications With Scheduled Payment Increases	Percentage of Active Permanent Modifications With Scheduled Payment Increase	Median Payment Increase After All Increases[a]	Maximum Payment Increase After All Increases[a]
New Jersey	28,778	25,995	90%	$232	$1,100
New Mexico	3,047	2,495	82%	139	913
New York	46,299	42,623	92%	286	1,507
North Carolina	15,650	12,857	82%	114	1,060
North Dakota	132	111	84%	110	560
Ohio	18,215	15,107	83%	97	886
Oklahoma	2,014	1,549	77%	83	784
Oregon	10,113	8,975	89%	191	1,052
Pennsylvania	18,170	15,011	83%	129	933
Puerto Rico	3,166	2,958	93%	94	982
Rhode Island	4,258	3,826	90%	192	905
South Carolina	7,983	6,425	80%	116	1,105
South Dakota	293	244	83%	121	836
Tennessee	8,539	6,619	78%	96	1,075
Texas	23,841	18,703	78%	96	1,169
Utah	7,737	6,650	86%	197	1,023
Vermont	783	673	86%	147	853
Virgin Islands	6	6	100%	143	213
Virginia	20,986	18,197	87%	225	1,118
Washington	19,097	16,964	89%	219	1,075
Washington, DC	1,545	1,362	88%	250	888
West Virginia	1,159	938	81%	123	569
Wisconsin	8,137	6,747	83%	124	968
Wyoming	402	309	77%	166	829
Total	**894,302**	**782,748**	**88%**	**$196**	**$1,724**

[a] Analysis of HAMP permanent modifications with scheduled interest rate and payment increases excludes 77,699 HAMP permanent modifications with incomplete records.

Source: SIGTARP analysis of Treasury HAMP data.

APPENDIX TABLE F.2

HAMP PERMANENT MODIFICATIONS WITH SCHEDULED PAYMENT INCREASES, CUMULATIVE TOTALS, AS OF 11/30/2013

	HAMP Permanent Modifications Started in 2009						HAMP Permanent Modifications Started in 2010						HAMP Permanent Modifications Started in 2011						HAMP Permanent Modifications Started in 2012						HAMP Permanent Modifications Started in 2013					
	Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases	Interest Rate[a]		Monthly Payment[a]		Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases	Interest Rate[a]		Monthly Payment[a]		Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases	Interest Rate[a]		Monthly Payment[a]		Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases	Interest Rate[a]		Monthly Payment[a]		Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases	Interest Rate[a]		Monthly Payment[a]	
			Median	Median Increase	Median	Median Increase			Median	Median Increase	Median	Median Increase			Median	Median Increase	Median	Median Increase			Median	Median Increase	Median	Median Increase			Median	Median Increase	Median	Median Increase
Before Modification	35,303	32,867	6.5%	—	$1,431	$—	319,388	295,510	6.5%	—	$1,442	$—	245,508	216,779	6.4%	—	$1,430	$—	164,964	132,216	6.3%	—	$1,417	$—	129,139	105,376	6.1%	—	$1,346	$—
After Modification	35,303	32,867	2.0%	—	$765	$—	319,388	295,510	2.0%	—	$785	$—	245,508	216,779	2.0%	—	$805	$—	164,964	132,216	2.0%	—	$746	$—	129,139	105,376	2.0%	—	$714	$—
After All Modification Increases	**35,303**	**32,867**	**4.9%**	**2.8%**	**$1,026**	**$242**	**319,388**	**295,510**	**5.0%**	**2.6%**	**$1,037**	**$235**	**245,508**	**216,779**	**4.6%**	**2.3%**	**$1,038**	**$216**	**164,964**	**132,216**	**3.7%**	**1.6%**	**$897**	**$139**	**129,139**	**105,376**	**3.8%**	**1.6%**	**$875**	**$146**

Notes:
[a] Analysis of HAMP permanent modifications with scheduled payment increases excludes 77,699 HAMP permanent modifications with incomplete records.

Source: SIGTARP analysis of Treasury HAMP data.

APPENDIX TABLE F.3

HAMP PERMANENT MODIFICATIONS WITH SCHEDULED PAYMENT INCREASES, ANNUAL, AS OF 11/30/2013

	HAMP Permanent Modifications Started in 2009						HAMP Permanent Modifications Started in 2010						HAMP Permanent Modifications Started in 2011						HAMP Permanent Modifications Started in 2012						HAMP Permanent Modifications Started in 2013					
	Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases[a]	Interest Rate[a]		Monthly Payment[a]		Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases[a]	Interest Rate[a]		Monthly Payment[a]		Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases[a]	Interest Rate[a]		Monthly Payment[a]		Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases[a]	Interest Rate[a]		Monthly Payment[a]		Total Active Permanent Modifications	Permanent Modifications with Scheduled Payment Increases[a]	Interest Rate[a]		Monthly Payment[a]	
Year of Increase			Median	Median Increase	Median	Median Increase			Median	Median Increase	Median	Median Increase			Median	Median Increase	Median	Median Increase			Median	Median Increase	Median	Median Increase			Median	Median Increase	Median	Median Increase
2014	35,303	30,126	3.0%	1.0%	$862	$93																								
2015	35,300	27,676	4.0%	1.0%	$948	$93	319,363	256,537	3.0%	1.0%	$882	$94																		
2016	35,293	23,879	4.9%	0.8%	$1,005	$83	319,310	233,853	4.0%	1.0%	$964	$94	245,398	187,602	3.0%	1.0%	$903	$95												
2017	35,283	7,079	4.9%	0.03%	$992	$4	319,214	201,881	4.9%	0.8%	$1,015	$69	245,310	167,995	4.0%	1.0%	$988	$96	164,824	125,410	3.0%	1.0%	$838	$88						
2018							319,069	74,028	4.9%	0.0%	$987	$7	245,156	134,297	4.6%	0.8%	$1,024	$51	164,715	110,622	3.7%	1.0%	$880	$58	128,988	105,374	3.0%	1.0%	$801	$83
2019													244,885	15	4.6%	0.1%	$1,060	$24	164,530	56	3.7%	0.6%	$897	$45	128,837	94,585	3.8%	0.7%	$847	$59
2020																			164,208	1	3.7%	0.2%	$802	$31	128,635	39,847	3.8%	0.5%	$874	$30
2021																									128,345	13	3.8%	0.5%	$765	$35
2022																														

Notes:
[a] Analysis of HAMP permanent modifications with scheduled payment increases excludes 77,699 HAMP permanent modifications with incomplete records.

Source: SIGTARP analysis of Treasury HAMP data.