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Mortgage aid for jobless to begin

On Monday, more than two months behind schedule, the California Housing Finance Agency will begin taking applications for a federally funded program that will give some unemployed homeowners up to $18,000 each over six months to pay their mortgage.

To qualify, homeowners must meet income and other restrictions and their loan servicer must participate in the program. As of Friday, only three servicers had signed up, but CalHFA expects to have up to 10 by the end of this week.

The program is the first of four in California that will be financed by the Hardest Hit Fund, a $7.6 billion pot of money the Treasury Department is providing to 18 states with high unemployment rates or big drops in housing prices.

The Obama administration announced the fund in February but kept adding states and money to it throughout last year. California was one of the first states to qualify and stands to receive almost $2 billion, but has not yet

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Jobless can apply for mortgage aid

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launched a program.

The other three CalHFA programs, which go under the umbrella name Keep Your Home California, will:

- Give homeowners who have fallen behind on their mortgage payments up to $15,000 to reinstate them.
- Reduce principal balances by up to $50,000 for borrowers who owe more than their homes are worth.
- Provide up to $5,000 in transition assistance to homeowners who give up their homes in connection with a short sale or deed-in-lieu of foreclosure.

A homeowner might qualify for more than one program, but can't get more than $50,000 in total assistance.

CalHFA had promised to start taking applications for all four programs Nov. 1, but each one requires loan servicers to participate and their assistance has not been easy to get, even though lenders stand to benefit.

That's partly because each state getting hardest-hit funds can design its own program and that has created administrative burdens for national servicers.

"They have asked us to have a unified process," says Evan Gerberding, a spokeswoman for CalHFA.

Unemployment program

California's unemployment assistance program, which begins Monday, has many requirements.

- You must be receiving unemployment benefits, but you can not be within 90 days of exhausting them.
- Your income must be 120 percent or less of the median income for a family of four in your county. In San Francisco, your income must be $128,850 or less. For other counties, see sfg.ly/g58tXo.
- Your loan must have originated on or before Jan. 1, 2009, and the balance cannot exceed $729,750.
- You must be delinquent or at risk of becoming delinquent, but you can't be in foreclosure or more than three months past due.
- You must live in the home or condo, and you cannot own any other real estate.
- You will not qualify if you refinanced your mortgage for more than the outstanding balance (except to pay for mortgage-related fees). If you refinanced just to get a lower rate, you will not be disqualified.
- If you have a stand-alone second mortgage, such as a home equity loan or line of credit, you will not qualify.

Homeowners can get up to $3,000 per month or 100 percent of their mortgage payment, whichever is less, for up to six months.

The assistance will be structured as a non-recourse, non-interest-bearing lien against the property that is forgiven after three years. If you default on your payments, sell or refinance within three years, you might have to repay it.

To apply, contact your servicer or call a toll-free number that CalHFA will post on its website by Monday. If you call the number, a housing counselor will help determine if you are eligible and if so, work with your servicer. For more information, see keepyourhomecalifornia.org.

Other programs

As of Friday, only three servicers — Chase, CalVet and CalHFA itself — had signed up for the unemployment assistance program.

Representatives for Chase, Wells Fargo and CitiMortgage say they will participate in California's unemployment assistance and mortgage reinstatement programs but have no immediate plans to sign up for the other two.

A spokesman for Bank of America would not say which if any of the California programs BofA will sign up for. In a statement, BofA said it supports the Hardest Hit Fund concept but it will "focus our collaborative efforts on implementing consistent programs nationally."

Gerberding says CalHFA hopes to launch the other programs in mid to late February.

Getting lenders into the principal reduction plan could be a challenge because they must match any reductions the program provides dollar for dollar.

"Where principal reduction is appropriate, we are focusing on the HAMP principal reduction alternative," Wells Fargo spokesman Tom Goyda says, referring to a new option under the federal Home Affordable Modification Program. "That allows us to do principal reductions in all 50 states."

Under that program, Wells is only reducing principal on loans it owns, not those it services for others, including Fannie Mae and Freddie Mac.

Fannie and Freddie have not allowed principal reductions on loans they own or back — and these account for the majority of home loans. (They have allowed principal to be reduced for the purposes of calculating a modified mortgage payment, but this principal is not forgiven.)

Whether Fannie and Freddie can permanently reduce principal under state hardest hit programs "is under review," says a spokeswoman for the Federal Housing Finance Agency, which oversees Fannie and Freddie.

TARP funding

CalHFA has allocated $875 million of its hardest hit funds for unemployment assistance, $790 million for principal reduction, $129 million for mortgage reinstatement and $32 million for transition assistance.

If one program does not use all of its funding, "then we will spread it among the others," Gerberding says. She estimates that funds could be available for up to three years.

Hardest hit funds are coming out of the $50 billion set aside for foreclosure prevention under the Troubled Assets Relief Program. Although funding for new TARP programs ended in October, "existing programs already allocated under TARP will continue to run," says Treasury Department spokeswoman Andrea Risotto.

Risotto says that 12 states that have received hardest hit funds are testing or operating programs. By March, she says, all 18 states, plus the District of Columbia, will be operational.

For more information on the Hardest Hit Fund, see financialstability.gov/roadtostability/hardesthitfund.html.

Net Worth runs Tuesdays, Thursdays and Sundays. E-mail Kathleen Pender at kpender@sfchronicle.com. Read her blog at sfgate.com/pender.