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New Fannie Mae's Deed-for-Lease Program

What Is It?

Fannie Mae, the country's largest mortgage holder, recently introduced the Deed-for-Lease Program that will go into effect immediately. This program specifically targets foreclosed homeowners that do not qualify for a loan modification. It offers them the option to transfer their property to Fannie Mae by completing a deed in lieu of foreclosure, in exchange for a lease of up to one year. Borrowers would rent their home at the market rate which is usually significantly lower than their original mortgage payments. In the Deed-for-Lease Program, participants will have the opportunity to remain in their home for a designated time but they will no longer own it.

What are the Benefits?

The Deed-for-Lease Program has several noted benefits for foreclosed homeowners including:

- Prevents individuals and families from being evicted from their homes temporarily, and provides them with more time to determine a long-term solution.
- Occupied homes helps reduce the theft and dissolution of neighborhoods and communities that is commonly associated with high level of foreclosures.
- Renters have incentives to maintain the properties which will help stabilize families, communities, and property values.

Who is Eligible?

Only individuals and families that meet or exceed Fannie's Mae eligibility criteria will be considered for the Deed-for-Lease Program, including:

- Borrowers must live in the house as their primary residence; only first lien mortgage loans are eligible
- At least three payments have been made since origination, or since the last modification; the borrower cannot be 12 or more payments past due on his/her mortgage loan
- The borrower is not involved in active bankruptcy proceedings
- Tenants of borrowers may also be eligible for leases under the program
- The occupant of the property must have verifiable income
- Borrowers or tenants must be able to document that the new market rental rate is no more than 31% of their gross income
- The occupant agrees to be responsible for regular maintenance, and to permit the marketing of the property for sale

For more information on the complete details on the new Deed-for-Lease Program, please refer to *Servicing Guide Announcement 09-33* on Fannie Mae's website at <https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2009/0933.pdf>

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