



**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 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.

A borrower’s primary mortgage lender may agree to make a matching reduction to the principal balance of the primary mortgage.

**2. Program Goals**

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 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 who could achieve an affordable primary mortgage payment and/or appropriate level of debt with a principal reduction.

**4. Program Allocation  
 (Excluding  
 Administrative  
 Expenses)**

\$96,447,398

**5. Borrower Eligibility  
 Criteria**

- Borrower must be legal U.S. resident or lawful permanent U.S. resident and Nevada resident.
- Borrower qualifies as low-to-moderate income based on per-household income not to exceed 150% of the family State Median Income (SMI).
- 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, or \$30,000, whichever is less.
- 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.
- **For Modification or Reamortization (Recast)** (i.e., principal reduction of a borrower’s primary mortgage combined with either an interest rate reduction and/or term extension to achieve a permanent modification, or a reamortization of the remaining unpaid principal balance to achieve an affordable payment):
  - Eligible financial hardship: reduced income due to underemployment, medical condition, divorce or death, as set forth in the program guidelines.
  - Borrower’s pre-assistance total monthly primary mortgage payment PITI including any escrowed or non-escrowed assessments is greater than 38% of the gross household income excluding temporary income (e.g., unemployment or short-term disability benefits).
  - Borrower’s post-assistance total monthly primary mortgage payment PITI including any escrowed or non-escrowed assessments is between 25% and 38% of the gross household income excluding temporary income (e.g., unemployment or short-term disability benefits).
  - Borrowers whose primary income is from a fixed income source (as defined in the program guidelines) must have gross household income equal to or less than 60% of SMI.
  - Borrowers whose primary income is not from a fixed income source must meet the additional following criteria:
    - Pre-assistance loan-to-value (LTV) must be greater than 80%; and
    - Post-assistance LTV must be greater than 80%. Post-assistance LTV may go below 80% only if no more than \$20,000 is provided toward a principal reduction in order to lower the post-assistance housing-to-income (HTI) ratio to 38%.
- **For Negative Equity Reduction** (i.e., principal reduction of a non-delinquent borrower’s primary mortgage that is in a severe negative equity position to an amount as close to and not less than 100% LTV ratio as the amount of per-household assistance will permit to reduce the risk of potential default by borrower):
  - Eligible financial hardship: A negative equity position in which the primary mortgage LTV is 110% or more. Borrower must be current on the primary mortgage at the time of PRP application.
  - Pre-assistance primary mortgage payment meets NAHAC’s definition of an affordable payment.

**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. Funds may be applied to cure delinquent first mortgage loan arrearages and non-escrowed property taxes and homeowners' association dues, fees and assessments.
- Current unpaid principal balance (which includes the interest-bearing unpaid principal balance and any existing non-interest bearing forbearance balance) of the first-lien mortgage cannot exceed the current GSE loan amount.

**7. Program Exclusions**

- Borrowers with liquid assets, other than exempt retirement assets, in excess of the total amount of assistance provided, or \$30,000, whichever is less.
- Borrowers 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 100%. Post-assistance LTV ratio may be less than 100% only if it is necessary in order to provide the homeowner an affordable payment.
- Borrowers with a post-assistance total monthly first-lien mortgage payment PITI including any escrowed or non-escrowed assessments as applicable is 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 that is abandoned, vacant or condemned.
- Property that has more than two (2) mortgages.

**8. Structure of Assistance**

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



- 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.
- 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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| <b>9. Per Household Assistance</b>                         | The maximum amount of mortgage principal reduction receivable by a qualified borrower is \$100,000.   |
| <b>10. Duration of Assistance</b>                          | Program funds will be distributed as a one-time payment to the servicer.  |
| <b>11. Estimated Number of Participating Households</b>    | Approximately 2,352 households could be assisted under this program, assuming an average assistance amount of \$41,000.   |
| <b>12. Program Inception/ Duration</b>                     | This program began on March 1, 2010, and will continue until all funds are committed or December 31, 2020, whichever occurs first.  |
| <b>13. Program Interactions with Other HFA Programs</b>    | Borrowers may receive assistance from more than one (1) HHF Program as long as the total combined assistance does not exceed \$100,000.   |
| <b>14. Program Interactions with HAMP</b>                  | 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. |
| <b>15. Program Leverage with Other Financial Resources</b> | 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. |