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New Federal NPV Website Elicits Mixed Reactions

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The U.S. Department of the Treasury and the Department of Housing and Urban Development (HUD), as part of the Making Home Affordable program, has launched CheckMyNPV.com, a free website designed to assist homeowners in understanding the net present value (NPV) evaluation process within the Home Affordable Modification Program (HAMP). The website's creation was mandated by the Dodd-Frank Act.

The website enables homeowners to enter NPV input values provided by their servicer or substitute estimated NPV input values and compare the result provided by the website's online calculator. In announcing the new website, the departments recommended that homeowners "share the information provided by the site with their servicer, discuss the factors considered in the NPV evaluation and explore all foreclosure prevention and mitigation options."

The departments added that the website's data "provides only an estimate of a servicer's NPV evaluation and is intended for use only as a guide."

The creation of the new website brought a number of different reactions from industry observers. Richard Rydstrom, chairman of the Coalition for Mortgage Industry Solutions, was pessimistic about the endeavor's setup and potential.

"The website and HAMP NPV re-evaluation information will probably result in enhanced litigation and/or correction of any number of errors, including input or financial, borrower, income, expense or property data mistakes," he says. "However, in practical terms, I have not seen any servicer respond to a borrower's request for NPV detail or forward the input data that it used to run (or re-run) a borrower's NPV calculation.

"With respect to the HAMP NPV calculator," Rydstrom adds, "there are countless issues that may cause differing results, in addition to the accurate characterization of the 33 inputs listed on the NPV input data fields and values form. These may include estimated valuation, ZIP code, proper characterization of the loan interest rate and type, term, debt/expenses, gross monthly income mortgage insurance coverage percentage, forbearance amounts, negative equity and valuation issues, forgiveness issues, investor requirements, and whether five digits were used in the mark-to-market loan-to-value ratio. The explanations may create more questions, and borrowers will need a cogent explanation of why they are denied - not only when the NPV came back negative, but when the NPV came back positive."

Dr. Mark A. Calabria, director of financial regulatory studies at the Cato Institute in Washington, D.C., concurs, adding that the website may be focusing on the wrong issues.

"To the extent that CheckMyNPV helps to reduce confusion, then that is a positive," says Calabria. "However, there is little evidence that either banks or borrowers are confused about the sustainability of most mortgages. If you've lost your job, there's no confusion about your employment status and little more about a borrower's ability to pay. While I am sure these efforts are well intended, they will ultimately make little difference as the housing market continues to correct itself."

Dr. Peter Morici, professor in the department of logistics, business and public policy at the University of Maryland's Robert H. Smith School of Business, notes that the website may have arrived too late to help many homeowners.

"The success rate has not been high," says Morici in regard to the HAMP track record. "But with the banks going through a settlement with the Department of Justice and the states on foreclosures, it pays to try the program. Those that try are likely to do better than those that don't. That said, for some folks, no workout is really possible."

However, the introduction of the website was welcomed by Chris Sorensen, founder of the Los Angeles-based Homeownership Education Learning Program. "In the hands of a HUD counselor or another who actually understands how to derive income in the manner required by servicers, this is an extremely useful and powerful tool," he says. "I have been crying foul for over two years as to why they could provide underwriting guidelines to professionals for originations, but refused to offer guidelines for HUD counselors or others for the modification process. This has been a long time coming."

Diane Thompson, of counsel to the National Consumer Law Center, a Boston-based nonprofit advocacy group, also welcomed the announcement. "The availability of an accurate NPV calculation to homeowners and their advocates should reduce disputes between servicers and homeowners, clarify the application process for homeowners and, in general, create more much-needed transparency for the HAMP program," she says.

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