



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter

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November 27, 2009

Regulatory Capital Standards

Final Rule for Mortgages Modified Under the Making Home Affordable Program

Summary:

On March 4, 2009, the U.S. Department of the Treasury announced guidelines under the *Making Home Affordable Program* (MHAP or HAMP) to promote sustainable loan modifications for homeowners at risk of losing their homes due to foreclosure. The final rule clarifies that a banking organization may retain the risk weight assigned to a mortgage loan before the loan was modified under the MHAP following modification of the mortgage loan.

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FDIC-Supervised Banks (Commercial and Savings)

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Chief Executive Officer
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Related Topics:

Risk-Based Capital Rules
12 CFR Part 325

Attachment:

[Final Rule for Mortgages Modified Under the Making Home Affordable Program - PDF](#) ([PDF Help](#))

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Highlights:

- Mortgage loans risk weighted at 50 percent before modification would continue to be risk weighted at 50 percent after modification provided they continue to meet other applicable prudential criteria. Mortgage loans risk weighted at 100 percent would continue to be risk weighted at 100 percent after modification.
- The final rule clarifies that mortgage loans whose HAMP modifications are in the trial period, and not yet permanent, qualify for the risk-based capital treatment contained in the rule.
- Under the FDIC's general risk-based capital rules, a state nonmember bank may assign a 50 percent risk weight to any modified mortgage loan, provided the loan, as modified, is not 90 days or more past due or in nonaccrual status and meets other applicable criteria for a 50 percent risk weight. Thus, the revisions provided under this final rule relative to the FDIC's risk-based capital rules are clarifying in nature.
- Consistent with current practice, the agencies will continue to allow past due and nonaccrual loans that receive a 100 percent risk weight to return to a 50 percent risk weight under certain circumstances, including after demonstration of a sustained period of repayment performance.