

Freddie Mac Principal Reduction Modification Quick Reference



The Freddie Mac Principal Reduction Modification is a temporary offering designed to assist those borrowers who are most at risk of foreclosure by leveraging the Freddie Mac Streamlined Modification with minor eligibility adjustments. Under this initiative, you will send each eligible borrower a Streamlined Modification Trial Period Plan and a solicitation letter that commits you, and therefore Freddie Mac, to forgive principal following the borrower's successful completion of a Streamlined Modification Trial Period Plan and settlement of the modification. After the Trial Period Plan is completed and the mortgage has converted to a permanent modification, you will forgive all forbearance amounts created as a result of the Streamlined Modification, unless the borrower chooses to opt out of principal reduction (e.g., due to tax considerations). In addition, borrowers in Active Trial Period Plans may also be eligible for a Principal Reduction Modification.

You must implement the Principal Reduction Modification by October 1, 2016 for borrowers who meet the eligibility requirements. However, if your systems are ready prior to October 1st, you may implement sooner. All required solicitations for this modification must be sent on or before December 31, 2016.

This quick reference provides information on the following topics:

- [Eligibility Requirements](#) and [Eligibility Exclusions](#)
- [Impacts to the Loss Mitigation Evaluation Hierarchy](#)
- [Active Trial Period Plans](#)
- [Soliciting Borrowers](#)
- [How to Determine Eligibility for a Principal Reduction Modification Trial Period Plan](#)
- [Preparing and Submitting the Principal Reduction Modification Trial Report to Freddie Mac](#)
- [Determining the Final Modification Terms](#)
- [Borrower Opt-Out Period](#)
- [How to Enter the Principal Reduction Modification into Workout Prospector®](#)
- [How to Settle the Principal Reduction Modification](#)
- [Reporting via EDR](#)
- [Service Incentive Payment](#)

Questions?

For additional information, refer to *Single-Family Seller/Servicer Guide* (Guide) Bulletin 2016-7 or contact Customer Support at 800-FREDDIE.

Eligibility Requirements for Principal Reduction Modifications

The following table highlights the eligibility requirements for a Principal Reduction Modification.

Principal Reduction Modification Eligibility Requirements	
<p>As of March 1, 2016</p>	<ul style="list-style-type: none"> ▪ The mortgage must have a UPB less than or equal to \$250,000, before capitalizing eligible arrearages. ▪ The mortgage must be at least 90 days delinquent. ▪ The property securing the mortgage must not have been an investment property at origination. <p>Note: We have provided you with a list of mortgages that, as of March 1, 2016, based on data provided to us at origination and/or by you, meet the above criteria and will serve as a “starting population.” With the exception of the occupancy requirement, you must validate that the mortgages in the starting population meet the UPB and delinquency requirements outlined above and must evaluate them using the additional eligibility criteria as of the Servicer evaluation date, described below. You may rely on the occupancy status in the starting population list; however, you also may validate a change in occupancy to an owner occupied status as of the evaluation date.</p>

Refer to [How to Access the Principal Reduction Modification Starting Population List](#) in this quick reference for additional information.

Principal Reduction Modification Eligibility Requirements, continued

**As of the
Servicer
Evaluation
Date**

- The mortgage must have a post-modification mark-to-market loan-to-value (MTMLTV) ratio greater than 115% (determined in accordance with Guide Section 9206.10).
- The property may be vacant or condemned.
- The mortgage must have been originated at least 12 months prior to the evaluation date for the Principal Reduction Modification.
- The Principal Reduction Modification must result in a principal and interest (P&I) payment that is less than or equal to the pre-modification P&I payment (determined in accordance with Guide Section 9206.10).
- If the mortgage is secured by a leasehold estate, the term of the lease must not terminate earlier than five years after the maturity date of the proposed modified mortgage. If the current term of the lease terminates earlier than five years after the maturity date, the term of the lease must be renegotiated in order to satisfy this requirements prior to offering the borrower a Trial Period Plan.
- The mortgage must be a conventional first lien mortgage currently owned or guaranteed in whole or in part by Freddie Mac.
- If the borrower made monthly mortgage payments after March 1, 2016 to become less than 90 days delinquent, the borrower must be least 30 days delinquent.
- The mortgage may currently be subject to an unexpired offer to the borrower for another modification provided the borrower is eligible to be converted to a permanent Principal Reduction Modification in accordance with [Active Trial Period Plans](#).
- The borrower may be currently performing under another Trial Period Plan provided the borrower is eligible to be converted to a permanent Principal Reduction Modification in accordance with the requirements outlined in [Active Trial Period Plans](#).
- A mortgage that was previously modified with Freddie Mac Standard Modification terms and became 60 days or more delinquent within 12 months of the modification effective date is eligible, only if it became current, subsequently re-defaulted and meets all other eligibility requirements outlined in Guide Bulletin 2016-7. The mortgage must have been 90 days delinquent as of March 1, 2016 and a minimum of 30 days delinquent as of the evaluation date.

How to Access the Principal Reduction Modification Starting Population List

After you access the Servicer Performance Profile website on FreddieMac.com, perform the following steps to access your organization’s Principal Modification Reduction Starting Population List:

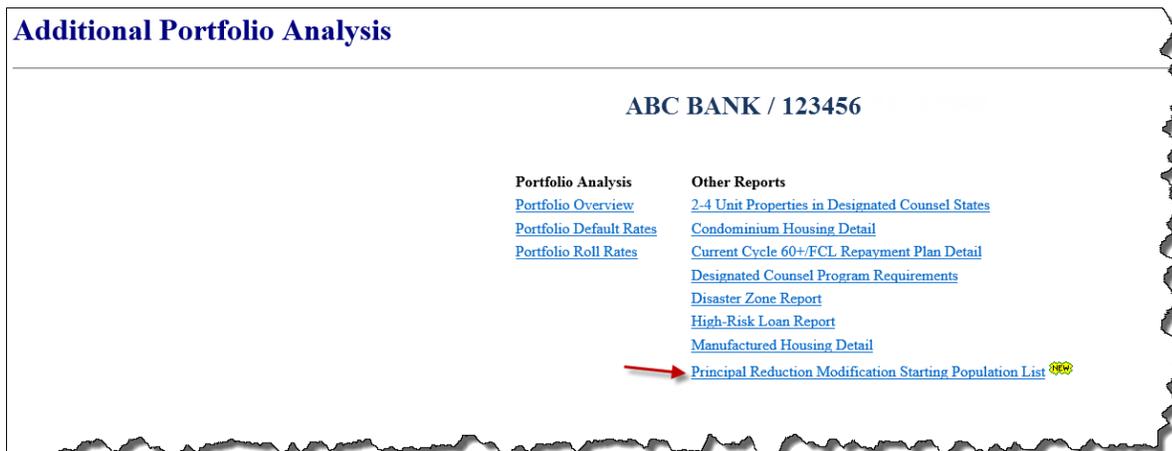
1. Under Additional Resources, click **Additional Portfolio Analysis**.

If you need access to the Servicer Performance Profile website, contact your user administrator or Customer Support at 800-FREDDIE.



The Additional Portfolio Analysis page displays.

2. Under Other Reports, click **Principal Reduction Modification Starting Population List**.



Eligibility Exclusions for Principal Reduction Modifications

Mortgages and/or borrowers with the following characteristics are ineligible for a Principal Reduction Modification.

- A borrower who was previously offered but failed a Streamlined Modification or Streamlined Modification Trial Period Plan.
- A borrower who failed a previous modification Trial Period Plan within 12 months of the evaluation date and the terms of the Trial Period Plan were determined in accordance with the Standard Modification.
- A mortgage subject to an approved short sale or deed-in-lieu of foreclosure transaction.
- The borrower is in an active forbearance or repayment plan as of the Servicer’s evaluation date. You are encouraged to work with borrowers who are transitioning out of a forbearance plan to determine if they are eligible for the Principal Reduction Modification.
- An FHA, VA or Guaranteed Rural Housing mortgage.

- A mortgage previously modified three or more times.
- A mortgage subject to an indemnification or recourse agreement.

Impacts to the Loss Mitigation Evaluation Hierarchy

Prior to Implementation of the Principal Reduction Modification

There are no changes to the existing Freddie Mac loss mitigation evaluation hierarchy prior to your organization's implementation of the Principal Reduction Modification. However, under certain circumstances, you must evaluate borrowers who are in Active Trial Period Plans for principal reduction. Refer to [Active Trial Period Plans](#) in this quick reference.

After Implementation of the Principal Reduction Modification

After your organization implements the Principal Reduction Modification, you must solicit all eligible borrowers for the Principal Reduction Modification, including borrowers who would have otherwise been eligible for the MyCity Modification. You must suppress the MyCity Modification solicitation letter and send the Principal Reduction Modification solicitation letter instead.

If a borrower is solicited for the Principal Reduction Modification and he or she subsequently submits a Borrower Response Package you must evaluate the borrower for Freddie Mac's alternatives to foreclosure in accordance with the existing loss mitigation evaluation hierarchy. If the borrower is eligible for a Principal Reduction Modification and instead accepts another mortgage modification offering, the borrower remains eligible for principal reduction, provided that the mortgage is on the Principal Reduction Modification Starting Population List (starting population) available on the Servicer Performance Profile website. In these instances, you must also send the borrower an opt-out letter and convert forbearance to principal reduction. Refer to [Borrower Opt-Out Period](#) in this quick reference.

Active Trial Period Plans

We will require you to evaluate borrowers who are in, or who have completed, an Active Trial Period Plan for the Principal Reduction Modification in accordance with the eligibility requirements in this section. For eligible borrowers, the terms of the existing modification offer (i.e., the MyCity Modification, Home Affordable Modification Program (HAMP®) modification, Standard Modification or Streamlined Modification terms) will be honored, except that the forbearance amount calculated in accordance with the terms of that specific program will be forgiven after the mortgage modification takes effect and settles on Freddie Mac's systems.

Active Trial Period Plans completed or in process are eligible for the Principal Reduction Modification, provided that:

- The mortgage is on the Principal Reduction Modification Starting Population List we have provided, which requires that as of March 1, 2016, the following conditions are met:
 - Prior to capitalization, the UPB of the mortgage is less than or equal to \$250,000, and
 - The mortgage is at least 90 days delinquent, and
 - At origination, the property securing the mortgage was not an investment property. (**Note:** You may validate occupancy status as of the evaluation date. In these instances, the mortgage may not be on the Principal Reduction Modification Starting Population List, and you must ensure all eligibility requirements are met.)
- The post-modification MTMLTV ratio is greater than 115 percent as of the evaluation date.
- The Trial Period Plan has a first payment due date on or after May 1, 2016, and on or before December 1, 2016.
- The borrower successfully completes the Trial Period Plan.

What is an Active Trial Period Plan?

An "Active Trial Period Plan" in this quick reference refers to any Trial Period Plan (other than a Principal Reduction Trial Period Plan sent to a borrower within 15 days following Servicer implementation) with the first Trial Period Plan payment due on or after May 1, 2016 and on or before December 1, 2016, regardless of whether the Trial Period Plan has been completed or if it is still in process.

- The borrower executes and returns the mortgage modification agreement in a timely manner.

Note: After the Active Trial Period Plan is completed and the mortgage has converted to a permanent modification you will forgive all forbearance amounts created as a result of the modification, unless the borrower chooses to opt out of principal reduction (e.g., due to tax considerations). If the borrower opts out of the principal reduction, the deferred principal is payable upon maturity of the loan modification, sale or transfer of the property, or when the interest-bearing UPB is paid off. Interest will not accrue on the forborne (or deferred) principal.

Converting Active Trial Period Plans to Principal Reduction Modifications

This section explains how to apply principal reduction to Active Trial Period Plans that meet the eligibility requirements outlined in [Active Trial Period Plans](#).

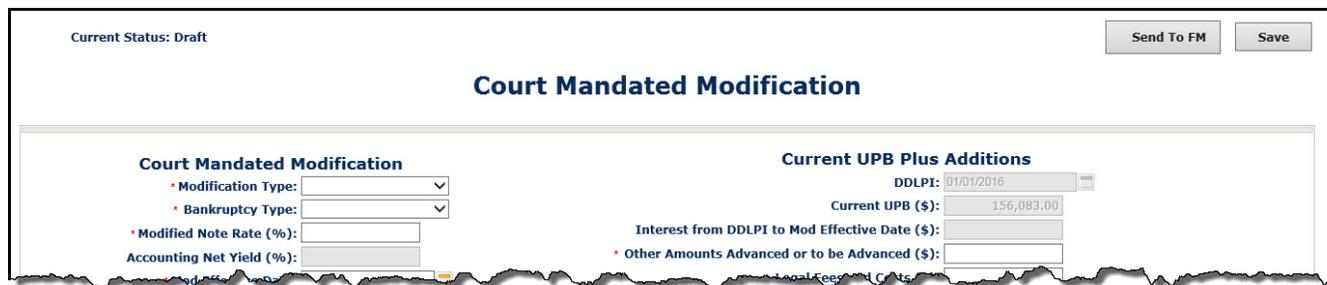
Standard Modifications, Streamlined Modifications, and MyCity Modifications in Active Trial Period Plans

After the trial period is complete, and the modification is still in “Trial Period – Approve” status in Workout Prospector, perform the following steps to convert Active Trial Period Plans for Standard Modifications, Streamlined Modifications, and MyCity Modifications to a Principal Reduction Modification and submit it to us. **Do not change the modification status to “Modification Program – Approve” or settle the modification in Workout Prospector.**

1. Access the modification model in Workout Prospector and make any necessary adjustments to reflect the final modification terms. Refer to [Determine the Final Modification Terms](#) in this quick reference.
2. Click **Save** to save the final modification terms. We also recommend that you print the screen and retain it for your records. **Leave the model in “Trial Period – Approve” status. Do not put the model in “Modification Program – Approve” status.**
3. After you receive the executed modification documents from the borrower and determined that the borrower has completed the Trial Period Plan and complied with all of its terms, access the modification model in Workout Prospector, and select Court Mandated Mod from the Modification Type pick list on the Mortgage Attributes or Modeling Attributes screen.



The Court Mandated Modification screen displays.



4. Complete all required fields on the Court Mandated Modification screen and transmit the model to us. Refer to [Enter the Principal Reduction Modification into Workout Prospector](#) in this quick reference for detailed steps on how to complete this screen.

5. Monitor the status of the modification. After we change the status to “Approve”, complete the appropriate actions with the borrower, and then prepare and submit Form 1128, *Loss Mitigation Transmittal Worksheet*, to NPL_Settlement@FreddieMac.com to settle the modification.

Active Trial Period Plans for HAMP Modifications

To apply principal reduction to a HAMP modification following an Active Trial Period Plan, process and settle the modification in accordance with Guide Chapter 9205. For information about entering and settling HAMP modifications in Workout Prospector, refer to the [Workout Prospector Users' Guide](#).

After the HAMP modification is settled in Workout Prospector, submit Form 1205-PR, *Post Settlement Correction Request for the Principal Reduction Modification*, to Post_settlement_correction@FreddieMac.com to apply the principal forbearance amount as principal reduction to the mortgage.

Determine Eligibility for a Principal Reduction Modification Trial Period Plan

For eligible borrowers not in an Active Trial Period Plan, determine the terms and process the Principal Reduction Modification as a Streamlined Modification in your proprietary system. The following steps outline how to determine eligibility for a Trial Period Plan based on estimated modification terms. Perform these steps during your evaluation of a borrower for a Trial Period Plan and, then again, to determine the final modification terms, when the final capitalized amounts are known. **Note:** Reasonable changes in capitalization amounts between what was estimated at the time of evaluation for a Trial Period Plan and the final modification terms may not impact the previous eligibility determination.

1. Capitalize known and estimated arrearages per the requirements of Guide Section 9206.15 to arrive at the post-modification gross UPB.
2. Calculate the post-modification (post-capitalization) MTMLTV ratio by dividing the sum of the interest-bearing UPB, any applicable non-interest bearing UPB, and/or arrearages that may be capitalized in accordance with the Guide, by the property valuation specified in Guide Section 9206.8.

Example: Interest-bearing and non-interest-bearing UPB = \$200,000 Arrearages = \$10,000
 Property valuation = \$100,000
 $(\$200,000 + \$10,000) \div \$100,000 = 210\%$ post-modification MTMLTV ratio

As of the evaluation date, the mortgage must have a post-modification MTMLTV ratio greater than 115 percent to be eligible for a Principal Reduction Modification.

3. Determine the interest rate you will use to calculate the Trial Period Plan payment. If the post-modification MTMLTV ratio is greater than 115 percent, use the fixed-rate published on the Standard Modification Interest Rate Web page in effect on the date of the borrower’s evaluation. (Use this rate regardless of whether the existing mortgage is a fixed-rate, step-rate, or ARM.) Obtain the current Standard Modification Interest Rate at: www.FreddieMac.com/singlefamily/service/standardmodrate.html. Freddie Mac reserves the right to adjust the interest rate based on market conditions.

Note: The interest rate that is used for the final modification must be the same interest rate used to evaluate the borrower for a Trial Period Plan.

4. Extend amortization to 480 months from the modification effective date.
5. Refer to the following to determine the forbearance amount (principal reduction):
 - Calculate the following amounts:
 - Principal forbearance required to create a post-modification (post-capitalization) interest-bearing MTMLTV ratio of 115 percent
 - 30 percent of the estimated post-modification (post-capitalization) gross UPB
 - Choose the lesser of the two amounts as the forbearance amount (principal reduction).
 - Proceed to step 6 with the interest-bearing UPB.

Note: After the Trial Period Plan is completed and the mortgage has converted to a permanent modification you will forgive all forbearance amounts created as a result of the Streamlined Modification, unless the borrower chooses to opt out of principal reduction (e.g., due to tax considerations). If the borrower opts out of the principal reduction, the deferred principal is payable upon maturity of the loan modification, sale or transfer of the property, or when the interest-bearing UPB is paid off. Interest will not accrue on the forborne (or deferred) principal.

6. Calculate the estimated modified P&I payment.
7. Answer the following question: Is the estimated modified P&I payment equal to or less than the current P&I payment?

If the answer is:	Then:
Yes	<ul style="list-style-type: none"> ▪ Add the estimated P&I payment to the required monthly escrow payment to arrive at the Trial Period Plan payment for a modification with a 480-month amortization term. ▪ Offer the borrower a Trial Period Plan with an amortization term of 480 months and the Trial Period Plan payment calculated in this step.
No	The mortgage does not meet the eligibility requirements for a Principal Reduction Modification. Review exception guidelines. You may submit an exception request if prudent or seek other alternatives to foreclosure.

Soliciting Borrowers

Principal Reduction Modification Solicitation Requirements

The following outlines the solicitation requirements for the Principal Reduction Modification.

If the borrower:	Then:
<p>Is <u>not</u> in an Active Trial Period Plan as of October 1, 2016</p>	<p>You must send at least one Principal Reduction Solicitation Letter (see Attachment A to Bulletin 2016-7) to each eligible borrower by no later than October 15, 2016, along with the Streamlined Modification Trial Period Plan offer. You must also provide an opt-out letter (see Attachment B to Bulletin 2016-7), which may be sent with the solicitation letter, or at any point during the Trial Period Plan, provided the opt-out letter is sent by no later than 30 days after you receive an executed mortgage modification agreement.</p> <div data-bbox="867 510 1463 806" style="border: 1px solid black; background-color: #e1f5fe; padding: 5px;"> <p>Use of the Principal Reduction Modification Solicitation Letter template and the opt-out letter template is optional. However, these templates reflect the minimum amount of information and level of specificity that complies with the requirements within Bulletin 2016-7. If you use the templates, you must revise them as necessary to comply with applicable law.</p> </div>
<p>Is in an Active Trial Period Plan as of October 1, 2016</p>	<p>You must send an opt-out letter to every borrower who is eligible for principal reduction in accordance with the eligibility requirements outlined in Active Trial Period Plans. In these instances, you may send the opt-out letter as early as is feasible, provided it is sent on or before the later of:</p> <ul style="list-style-type: none"> ▪ 30 days after your implementation of the Principal Reduction Modification, or ▪ 30 days after your receipt of an executed mortgage modification agreement. <p>In all cases, regardless of the timing of your implementation date or the date you receive an executed mortgage modification agreement, you must send the opt-out letter no later than December 31, 2016.</p>

You may continue to solicit the borrower throughout the foreclosure process up to 60 days prior to a foreclosure sale date for a judicial foreclosure or 30 days prior to a foreclosure sale date for a non-judicial foreclosure, provided you cease all solicitations on or before December 31, 2016.

You must send the following documents to eligible borrowers who are not in an Active Trial Period Plan as of October 1, 2016:

- The Principal Reduction Modification Solicitation Letter
- Streamlined Modification Trial Period Plan Notice (Review Based on MTMLTV Ratio Greater than or Equal to 80%), available in Guide Exhibit 93, *Evaluation Model Clauses*

If you receive a complete Borrower Response Package after the date the Principal Reduction Modification Solicitation Letter is sent to the borrower and prior to sending the modification agreement, you must acknowledge receipt of the package and comply with applicable law with respect to evaluation of that package.

Note: If the mortgage is covered by mortgage insurance, you must obtain approval of the Principal Reduction Modification from the mortgage insurer (MI) before you offer the borrower a Trial Period Plan.

Required Solicitations for Streamlined Modifications

The following outlines the required solicitations for Streamlined Modifications.

If you:	Then:
<p>Have <u>not</u> implemented the Principal Reduction Modification as of July 15, 2016</p>	<p>No later than July 15, 2016, you must send at least one additional Streamlined Modification solicitation to all borrowers with mortgages that:</p> <ul style="list-style-type: none"> ▪ Appear on the Principal Reduction Modification Starting Population List (starting population), and ▪ Have a post-modification MTMLTV ratio greater than 115 percent, and ▪ Are otherwise eligible for the Streamlined Modification. <p>Note: You must evaluate any borrower who accepts the Streamlined Modification Trial Period Plan offer and is in an Active Trial Period Plan as of October 1, 2016, for principal reduction in accordance with the requirements in Active Trial Period Plans. For those determined to be eligible, you may send the opt-out letter as early as is feasible, provided it is sent on or before the later of:</p> <ul style="list-style-type: none"> ▪ 30 days after your implementation of the Principal Reduction Modification, or ▪ 30 days after your receipt of an executed mortgage modification agreement. <p>In all cases, regardless of the timing of your implementation date or the date you receive an executed mortgage modification agreement, you must send the opt-out letter no later than December 31, 2016.</p>
<p>Have implemented the Principal Reduction Modification as of July 15, 2016</p>	<p>No additional solicitations are required. You must proceed with Principal Reduction Modification evaluations and solicitations in accordance with the requirements in Bulletin 2016-7 (e.g., solicitations within 15 days of implementation).</p>

Prepare and Submit the Principal Reduction Modification Trial Report to Freddie Mac

By the third business day of each month, you must submit a Principal Reduction Modification Trial Report to us. The report must be cumulative and include all existing Principal Reduction Modification Trial Period Plans as well as new Principal Reduction Modification Trial Period Plans initiated in the prior month. Update the report monthly and email it to Shortsales@FreddieMac.com.

Include the following information in the report:

- Title: Principal Reduction Modification Trial Report
- Freddie Mac Loan Number
- Servicer Loan Number
- Servicer Name
- Date Trial Approved (the date you sent the solicitation offer or opt-out notice for Active Trial Period Plans to the borrower)
- Forgiven Amount
- Date Final Modification Settled
- Opt-Out – Yes or No

Determine the Final Modification Terms

As you prepare the final modification agreement, you must adjust the terms of the mortgage by completing the steps outlined below. A borrower who successfully completes a Trial Period Plan may not be denied a modification due to changes in the amount of capitalization. Reasonable changes in capitalization amounts between what was estimated at the time of evaluation are permitted.

The final terms of the modified mortgage must be a fixed interest rate, fully amortizing mortgage with the same interest rate used for calculating the Trial Period Plan payment.

Perform the following steps to determine the final terms of the modification:

1. Calculate the post-modification (post-capitalized) MTMLTV ratio as of the accounting cycle prior to the due date of the first modified payment. The post-modification MTMLTV ratio must be greater than 115 percent.

Note: The post-modification MTMLTV ratio is determined by dividing the sum of the interest-bearing UPB, any applicable non-interest bearing UPB, and/or arrearages that may be capitalized in accordance with the Guide, by the property valuation specified in Guide Section 9206.8.

2. Capitalize arrearages to arrive at the post-modification gross UPB.
3. Adjust the interest rate. The interest rate that is used for the final modification must be the same interest rate used for the Trial Period Plan.
4. Extend the amortization term to 480 from the modification effective date.
5. Calculate these two amounts:
 - Principal forbearance required to create a post-modification interest-bearing MTMLTV ratio of 115 percent
 - 30 percent of the post-modification gross UPB

6. Choose the lesser of the two amounts in step 5 as the forbearance amount (principal reduction).

Note: After the Trial Period Plan is completed and the mortgage has converted to a permanent modification you will forgive all forbearance amounts created as a result of the Streamlined Modification, unless the borrower chooses to opt out of principal reduction (e.g., due to tax considerations). If the borrower opts out of the principal reduction, the deferred principal is payable upon maturity of the loan modification, sale or transfer of the property, or when the interest-bearing UPB is paid off. Interest will not accrue on the forbore (or deferred) principal.

7. Calculate the modified P&I payment.
8. Prepare a modification agreement to reflect the terms calculated in the steps above and the requirements of Guide Section 9206.16.

Borrower Opt-Out Period

You must provide the borrower the opportunity to opt out of the Principal Reduction Modification. To do this, you must send the borrower an opt-out letter (see Attachment B to Bulletin 2016-7). You may send the opt-out letter as early as the date you send the solicitation letter, but no later than within 30 days of your receipt of the executed modification agreement.

The opt-out letter must:

- Explain how the Principal Reduction Modification works.
- Inform the borrower of possible tax implications.
- Describe the steps the borrower must take to opt out of the Principal Reduction Modification.

The borrower must contact you via phone or in writing to exercise his or her right to opt out of the Principal Reduction Modification within 30 days of the date of the opt-out letter. If the borrower opts out of the write-off option post-settlement, you must notify us by submitting Form 1205-PR, *Post Settlement Correction Request for the Principal Reduction Modification*, to Post_settlement_correction@FreddieMac.com.

Enter the Principal Reduction Modification into Workout Prospector®

After the borrower successfully completes the Trial Period Plan and executes the modification agreement, you must use Workout Prospector to enter the terms of the Principal Reduction Modification and submit it to Freddie Mac. To do this, access Workout Prospector and perform the steps outlined below.

1. Access and complete the Court Mandated Modification screen (shown below).

Refer to the following as you complete this screen.

Field Definition	
Modification Type	Select "Litigation" from the picklist.
Bankruptcy Type	This field is not available when "Litigation" is selected as the Modification Type.
Modified Note Rate	The interest rate payable under the Note as of the effective date of the modification. The value must be between zero percent and 15 percent.
Accounting Net Yield	The accounting net yield (ANY) based on the modified mortgage terms. The ANY is the difference between the modified Note rate and the servicing spread on the modified mortgage. This value automatically calculates when you enter a value in the Modified Note Rate field.
Mod Effective Date	Enter the date that the new interest rate is effective, which is also the effective date of the modification. The date you enter must be the first day of a month. Otherwise, the field will automatically change the date to the first of the month when you leave the data field. For example, if you enter 4/05/2016, the date will automatically change to 4/01/2016. The date cannot be a future date.

Field Definition	
First Payment Due Date	The date that the first modified mortgage payment is due for the modification. This field automatically populates when you enter the Mod Effective Date.
Term of the Mod (In Months)	Enter the full term of the modified mortgage, reflected in number of months. The number of months cannot exceed 480.
Maturity Date	The date that the modified mortgage matures. This field automatically populates when you enter a value in Term of the Mod field.
Confirmation Date	Enter the current date.
P&I	The principal and interest portion of the borrower's monthly payment for the modified mortgage. This value automatically calculates when you enter a value in the Interest Bearing Modified UPB field. This field is available for edit only when the Balloon check box is selected.
UPB at Confirmation	Enter the interest-bearing UPB as of the end of the trial period. This should equal the unpaid principal balance reported to Freddie Mac as of the last accounting cycle cutoff prior to the first modified payment due date.
DDLPI at Confirmation	Enter the due date of the last paid installment as of the modification effective date, which is the DDLPI you reported to Freddie Mac as of the last accounting cycle cutoff in the month prior to the first modified payment due date. The date you enter must be the first day of a month. Otherwise, the field will automatically change the date to the first of the month when you leave the data field. For example, if you enter 4/05/2016, the date will automatically change to 4/01/2016. The Interest from DDLPI to Mod Effective Date field automatically populates when you enter a date in this field.
UPB Write Down	Enter zero in this field for Principal Reduction Modifications.
Balloon	Do not select this check box. Not applicable to Principal Reduction Modifications.
Step Rate	Do not select this check box. Not applicable to Principal Reduction Modifications.
DDLPI	The due date of the last paid installment as of the modification effective date, which is the DDLPI you reported to Freddie Mac as of the last accounting cycle cutoff in the month prior to the first modified payment due date. This field automatically populates and is not available for edit.
Current UPB	The unpaid principal balance reported to Freddie Mac as of the last accounting cycle cutoff prior to the first modified payment due date. This field automatically populates and is not available for edit.

Field Definition	
Interest from DDLPI to Mod Effective Date	<p>The amount of interest accrued from the DDLPI to the modification effective date.</p> <p>This field automatically populates when you enter values in the DDLPI at Confirmation and UPB at Confirmation fields.</p>
Other Amounts Advanced or to be Advanced	<p>The total amount for any of the following expenses:</p> <ul style="list-style-type: none"> ▪ Funds advanced by you, or to be advanced and paid to a third party during the trial period for the payment of real estate taxes and insurance premiums (Reminder: You may only capitalize the first incurred late fee, interest, or penalty associated with the late payment of real estate taxes on a non-escrowed mortgage.) ▪ Any other expenses that were advanced and paid to a third party as specified in Guide Sections 9301.34 and 9701.5, provided that they were paid to a third party during the trial period. <p>If there are no other amounts advanced or to be advanced, enter zero in this field.</p>
Legal Fees and Costs	<p>Foreclosure expenses, including legal fees and costs incurred as part of the foreclosure process, incurred from the DDLPI to the effective date of the modification.</p> <p>If there are no legal fees or costs, enter zero in this field.</p>
Property Preservation Expenses	<p>Property preservation expenses, including property inspection fees, incurred from the DDLPI to the effective date of the modification.</p> <p>If there are no property preservation expenses, enter zero in this field.</p>
Total Additions Plus Current UPB	<p>This field automatically populates and is calculated as follows: Current UPB + Interest from DDLPI to Mod Effective Date + Other Amounts Advanced or to be Advanced + Legal Fees and Costs + Property Preservation Expenses</p>
Amount Held in Suspense/ Restricted Escrow	<p>The sum of the following:</p> <ul style="list-style-type: none"> ▪ Funds held in suspense, which include funds held for payments received but unapplied during the trial period ▪ Restricted escrow
Total Write-off	<p>The total amount to be written off. This field automatically populates and is calculated as follows: Total Additions Plus Current UPB – Interest Bearing Modified UPB</p>
Deferred Non-Interest Bearing UPB	<p>Do not enter a value in this field for Principal Reduction Modifications.</p>
Interest Bearing Modified UPB	<p>Enter the UPB of the modified mortgage as of the modification effective date. This amount does not include any forbore principal.</p>

2. Access and document the following information on the Comments screen (shown below):



- Indicate the modification is a Principal Reduction Modification.
- Provide a breakdown of the terms of the Principal Reduction Modification. Include the following:
 - Rate
 - Term
 - Interest-bearing UPB
 - Interest-rate change date (effective date of the modification)
 - First payment due date
 - Forbearance/forgiven amount

3. Transmit the model to Freddie Mac.

For additional information, refer to the [Workout Prospector Users' Guide](#).

Settle the Principal Reduction Modification

Monitor the status of the modification. After we change the status to “Approve”, complete the appropriate actions with the borrower, and then prepare and submit Form 1128, *Loss Mitigation Transmittal Worksheet*, to NPL_Settlement@FreddieMac.com to settle the modification. Credit for principal reduction will be issued after the modification is settled.

Report the Principal Reduction Modification via EDR

You must notify us of the Principal Reduction Modification via EDR. To do this, report default action code TM (Alternative Modification Trial Period) with the Trial Period Plan effective date for each month of the trial period and for any interim month, even if the borrower has filed for bankruptcy. For borrowers who are in Active Trial Period Plans for other types of modifications, report via EDR according to existing reporting requirements. For additional information about reporting Trial Period Plans, refer to the [EDR Quick Reference Guide](#).

Servicer Incentive Payment

You will receive incentives for successfully settled Principal Reduction Modifications based on the borrower’s delinquency at the time of the Trial Period Plan effective date.

Servicer Incentive Payments for Principal Reduction Modifications		
Days Delinquent – OR – Days from DDLPI		Each settled Principal Reduction Modification receives...
Less than or equal to 120	Less than or equal to 150	\$1,600.00
121-210	151-240	\$1,200.00
Greater than 210	Greater than 240	\$400.00

To receive compensation, you must successfully settle a Principal Reduction Modification by complying with all eligibility, underwriting, documentation, closing, and reporting requirements, including submitting accurate closing data to Freddie Mac, within two months after the trial period ends. Please note that the use of an interim month does not extend this two-month settlement requirement as an interim month is not part of the trial period.