

Freddie Mac Standard and Streamlined Modification

Reference Guide

June 2016

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Introduction

The Freddie Mac Standard Modification (Standard Modification) provides borrowers—who are ineligible for the Home Affordable Modification Program (HAMP®) or have previously defaulted on a HAMP modification and are 60 days or more delinquent (and the property is a primary residence, second home, or investment property), or current or less than 60 days delinquent and in imminent default (and the property is a primary residence)—an option to resolve their delinquency and sustain homeownership. Eligible borrowers will receive Standard Modification terms with an interest rate that more closely aligns with current market conditions and a term that is extended to 480 months from the date of the modification, provided the modification terms result in a modified principal and interest (P&I) payment that is equal to or less than the pre-modified P&I mortgage payment.

The Freddie Mac Streamlined Modification (Streamlined Modification) provides severely delinquent eligible borrowers an opportunity to avoid further stages of delinquency and eliminates the requirement for a Borrower Response Package. Although the Streamlined Modification has different eligibility and ineligibility criteria than Standard Modification, the Streamlined Modification uses the same terms and nearly identical procedure to determine eligibility for a Trial Period Plan based on estimated modification terms. Evaluate borrowers who are at least 90 days delinquent, or borrowers with a step-rate mortgage that have become at least 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment, for a Streamlined Modification. Borrowers who reach the applicable Streamlined Modification delinquency threshold (i.e., borrowers who become 90 days delinquent, or borrowers with step-rate mortgages who become 60 days delinquent) remain eligible even if a subsequent payment is received following the borrower evaluation or solicitation that results in the borrower becoming less delinquent than the eligible delinquency threshold.

You must obtain mortgage insurance (MI) approval before offering a Trial Period Plan or ensure that the applicable MI has provided a delegation of authority that applies to the requested modification.

All Freddie Mac Servicers are delegated to approve a Freddie Mac Standard and Streamlined Modification per *Single-Family Seller/Servicer Guide* (Guide) Sections 9206.1 through 9206.18.

Refer to Guide Chapter 9101 for additional information if the mortgage is secured by a primary residence and the borrower is denied a HAMP or Standard modification based upon the First Complete Borrower Response Package.

If you have any questions, contact your servicing representative or Customer Support (800-FREDDIE).

This reference guide:

- Defines a loan modification
- Identifies ineligible criteria for Standard and Streamlined Modifications
- Illustrates the Standard and Streamlined Modification Process
- Conveys how to solicit and evaluate a borrower
- Describes eligibility and documentation requirements where applicable
- Explains how to determine estimated and final modification terms
- Outlines trial period guidelines and Servicer incentive payments

What is a Loan Modification?

A loan modification is a written agreement that you enter into with the borrower that permanently changes one or more of the original terms of the Note, such as:

- An increase in the amount of the unpaid principal balance (UPB) caused by capitalization of interest or non-interest arrearages, such as escrow amounts and/or other advances
- A change in the Note rate, monthly payment, or maturity date
- A forbearance of a portion of the principal balance (no write-off or permanent reduction of the UPB of the mortgage is allowed)
- A change in the product type (e.g., adjustable-rate mortgage to a fixed-rate mortgage)

Freddie Mac Standard Modifications

This section addresses the ineligible and eligible criteria, the process timeline, and solicitation and evaluation requirements for a Standard Modification.

Ineligible Criteria for Standard Modifications

Mortgages ineligible for a Standard Modification include:

- FHA/VA and Guaranteed Rural Housing loans
- Mortgages that have been previously modified three or more times
- Mortgages previously modified with the modification terms in Guide Section 9206.10 and the mortgage became 60 or more days delinquent within 12 months of the modification effective date and the borrower has not brought the mortgage current following the delinquency
- Mortgages with 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 Guide Section 9206.10
- Mortgages subject to recourse
- Mortgages secured by second homes or non-owner occupied properties (i.e., investment properties) where the borrower is current or less than 60 days delinquent

Any mortgage that does not meet the eligibility requirements is not eligible for you, the Servicer, to approve under delegated authority, but you may seek Freddie Mac approval if you believe the borrower should be considered for a Standard Modification. For additional information, refer to “Exceptions” on page 4.

Eligibility Requirements for Standard Modifications

The following table highlights the borrower, property, mortgage, and housing expense-to-income ratio eligibility requirements for a Standard Modification. For more information on these eligibility requirements refer to Guide Section 9206.5.

Standard Modification Eligibility Requirements	
Borrower	<p>The borrower must be:</p> <ul style="list-style-type: none"> ▪ 60 days or more delinquent, or ▪ Current or less than 60 days delinquent, occupy the property as a primary residence, and determined to be in imminent default in accordance with Guide Section 9206.7 <p style="padding-left: 40px;">Note: Verify the borrower is occupying the primary residence with a credit report.</p> <p>Refer to Guide Section 9206.7 for the imminent default evaluation process and requirements.</p> <p>The borrower must demonstrate:</p> <ul style="list-style-type: none"> ▪ Eligible hardship per Guide Section 9202.2 that is causing or expected to cause a long term or permanent decrease in income and/or increase in expenses ▪ Stable verified income to support a monthly payment <p style="padding-left: 40px;">Note: Unemployment is considered a temporary hardship and unemployment benefits are <u>not</u> a source of eligible income.</p> <p>Borrowers must be determined ineligible for HAMP or received, but defaulted on, a HAMP Trial Period Plan or a HAMP modification. Borrowers that defaulted on a prior HAMP modification or non-HAMP modification are eligible for consideration for a Standard Modification, except as otherwise prohibited by Guide Section 9206.6.</p>

Standard Modification Eligibility Requirements, continued

<p>Property</p>	<p>The existing mortgaged property must be:</p> <ul style="list-style-type: none"> ▪ Owner-occupied (primary residence) Note: The property must be a primary residence if current or less than 60 days delinquent and in imminent default in accordance with Guide Section 9206.7. ▪ Second home or non-owner occupied* (investment property) <p>*Note: Property may be vacant but not condemned per Guide Section 9206.5.</p>
<p>Mortgage</p>	<ul style="list-style-type: none"> ▪ The mortgage must: <ul style="list-style-type: none"> – Be a conventional first-lien mortgage currently owned in whole or part by Freddie Mac – Have been originated at least 12 months prior to the evaluation date ▪ The estimated post-modification P&I payment must be less than or equal to the pre-modification P&I payment. <p>Note: For borrowers participating in the Servicemembers Civil Relief Act (SCRA), when you determine if the modified mortgage results in a P&I payment that is less than or equal to the pre-modification P&I payment, you must consider the P&I payment in effect prior to granting the SCRA relief instead of the temporarily reduced monthly payment based on the SCRA interest rate cap. If the mortgage being modified is an adjustable-rate mortgage or an interest only mortgage, you must consider the monthly payment due (whether that payment due is a P&I payment or an interest-only payment) in effect at the time you determine eligibility for a Standard Modification Trial Period Plan.</p> ▪ If the mortgage is subject to an indemnification agreement, you have discretion to approve the mortgage modification provided the following conditions are met: <ul style="list-style-type: none"> – The modified mortgage retains its credit enhancement. – If you are not the credit enhancement provider, you must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a modification agreement that complies with the requirements in Guide Chapter 9206; and – You remit to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified mortgage. If the mortgage is subject to a partial indemnification, each year you will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Freddie Mac will determine the Modification Loss Amounts in accordance with a process described in Guide Bulletin 2016-5. <p>Note: You are not eligible to receive an incentive for completing a modification on a mortgage that is subject to an indemnification agreement. Refer to Guide Section 9204.6 for more information.</p> ▪ If the mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the borrower a Trial Period Plan.

Standard Modification Eligibility Requirements, continued

Housing Expense-to-Income Ratio	<p>The estimated post-modification housing expense-to-income ratio* must be equal to or greater than 10 percent and less than or equal to 55 percent.</p> <p>For primary residences, calculate by taking the monthly PITIAS payment divided by monthly gross income as defined in Guide Section 9206.10. Refer to page 12 for additional information about the PITIAS payment.</p> <p>Refer to Guide Section 9206.5 for requirements for second homes and investment properties.</p> <p>*Note: The P&I portion of the estimated post-modification housing expense-to-income ratio is based on the estimated P&I payment determined at the time of evaluation and not at the time of final modification approval. The estimated P&I payment is based on the estimated interest-bearing UPB that you expect the borrower to have at the time of modification following the trial period. The estimated interest-bearing UPB is based on estimated capitalization amounts of interest and non-interest arrearages that accrue during the trial period plus amounts that have accrued prior to your evaluation.</p>
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Exceptions

If a borrower does not meet the eligibility requirements outlined in Guide Section 9206.5, he or she is ineligible for a Standard Modification under your delegated authority. However, if you believe, based on an evaluation of a complete Borrower Response Package, that the borrower should be considered for a Standard Modification, you must transmit the exception request via Workout Prospector®. Refer to the [Workout Prospector Users' Guide](#) for additional information. In addition, if there is a risk of property ownership and the mortgage is not otherwise eligible for a Standard Modification, you may submit a recommendation to Freddie Mac to consider a Standard Modification.

You may send the following exceptions to Freddie Mac for consideration:

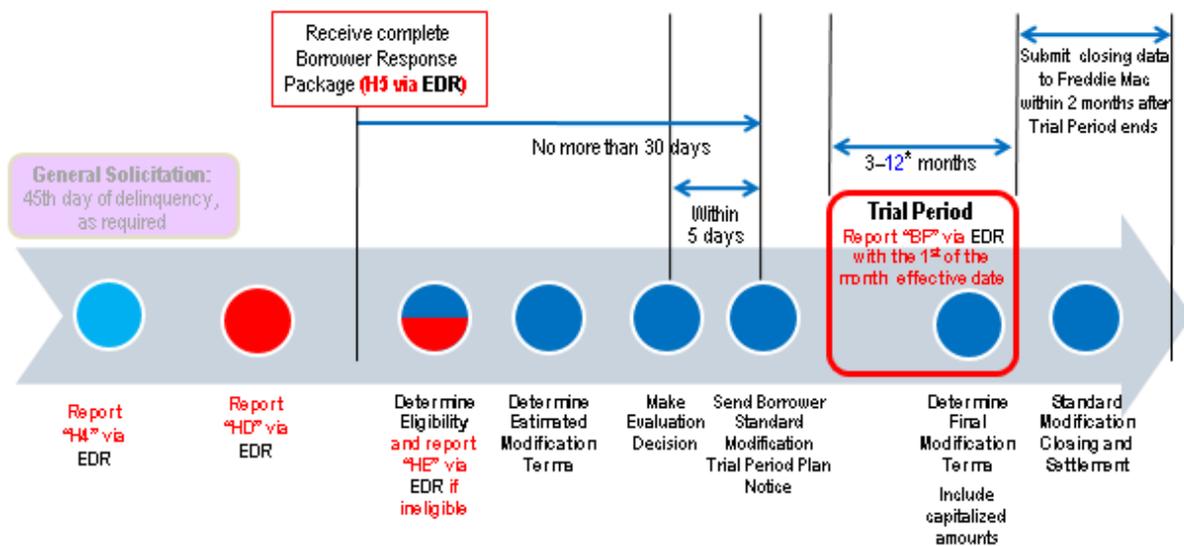
- Borrower's hardship is not covered under the definition of eligible hardship in Guide Section 9202.2
- Risk of property ownership
- Mortgages that have been previously modified three or more times
- Mortgages previously modified with the modification terms determined in accordance with Guide Section 9206.10 and the mortgage became 60 or more days delinquent within 12 months of the Modification Effective Date and the borrower has not brought the mortgage current following the delinquency
- Borrowers who, within 12 months of the evaluation date, failed a Trial Period Plan and the terms of that Trial Period Plan were determined in accordance with Guide Section 9206.10

Standard Modification Process

The Standard Modification process is as follows:

- Solicit eligible borrowers who are 31 days or more delinquent.
- Evaluate complete Borrower Response Packages and determine eligibility.
- Determine estimated modification terms.
- Offer a Trial Period Plan.
- Start the trial period.
- Determine the final modification terms.
- Complete loan modification closing and settlement activities.

The following diagram illustrates the Standard Modification process and its associated timelines.



*NOTE: You may use an interim month for processing at the end of trial period; however, this month is not counted as part of the trial period and therefore no payment is required during this month. In addition, use of an interim month does not extend the Standard Modification settlement requirement of being within two months. The interim month should follow the trial period prior to the first modified payment due date. Borrowers in trial plans who subsequently file for bankruptcy may have the trial period extended up to an aggregate of 12 months (effective for loan modifications with Trial Period Plan Effective dates 11/1/2014 and after).

Soliciting the Borrower for a Standard Modification

Borrower solicitation must follow the requirements in Guide Section 9102.5. Generally, you may begin soliciting borrowers who are 31 or more days delinquent in accordance with the processes and timelines set forth in Guide Section 9102.5 in order to determine the reason for delinquency and solicit them for possible alternatives to foreclosure.

If you have not achieved quality right party contact and a resolution to the delinquency, you are required to send at least one Borrower Solicitation Package or solicitation letter to the delinquent borrower no later than the 45th day after the due date of an unpaid monthly installment.

You may send either:

- A Borrower Solicitation Package, which includes the following:
 - Guide Exhibit 1145, *Freddie Mac Borrower Solicitation Letter*, and
 - Form 710, *Uniform Borrower Assistance Form*, and
 - Internal Revenue Service (IRS) Form 4506T-EZ, *Short Form, Request for Individual Tax Return Transcript* or Form 4506-T, *Request for Transcript of Tax Return*, if borrower is self-employed and/or files income tax based on a fiscal calendar year, and/or receives rental income, and
 - Frequently asked questions (FAQs) and foreclosure rescue scam information.

OR

- Guide Exhibit 1145 and elect to send Form 710, IRS Form 4506T-EZ or 4506-T, FAQs and foreclosure rescue scam information upon establishing quality right party contact.

You may also provide the FAQs and foreclosure rescue scam information on your web site and provide a link to that information in the Borrower Solicitation Letter.

If you have achieved quality right party contact and have obtained from the borrower a resolution to the delinquency, you are not required to send the Borrower Solicitation Package. However, you must comply with any early intervention notice that may be required under applicable law. If the borrower fails to perform under the conditions of a relief or workout option, you must resume collection efforts, including sending the Borrower Solicitation Package.

Note: When soliciting borrowers who may be eligible for HAMP, you must include Form 710A, *Government Monitoring Data*, in the Borrower Solicitation Package. Do not include the form if the borrower does not meet the basic eligibility criteria for HAMP (e.g., not owner-occupied, originated after January 1, 2009). See Guide Section 9205.4 for more information.

Evaluating the Borrower for a Standard Modification

Before evaluating a borrower for a Standard Modification, you must follow the evaluation hierarchy outlined in Guide Section 9201.2.

In general, in order to consider a borrower for a Standard Modification the following criteria must be met:

- For a current borrower, determination that a refinance or relief refinance is not available
- Determination that a reinstatement or relief option is not feasible
- Determination of ineligibility, default or rejection for HAMP per Guide Chapter 9205

You should consider a borrower for a Standard Modification if the borrower:

- Lacks sufficient monthly income to support current mortgage payments and if the mortgage is not escrowed, any other amounts due related to the mortgage
- Suffers or suffered an eligible hardship

Refer to Guide Section 9202.2 for a description of eligible hardships and the associated documentation requirements that the borrower must provide to document it.

Documentation Requirements for Standard Modifications

A complete Borrower Response Package per Guide Section 9102.5 is required for all borrowers. The information provided in the Borrower Response Package will assist you in determining modification eligibility and, if applicable, make a determination regarding imminent default.

A complete Borrower Response Package includes the following:

- Completed and signed Form 710, *Uniform Borrower Assistance Form*
- Hardship documentation per Guide Section 9202.2
- Income documentation per Guide Section 9202.3
- Completed and signed IRS Form 4506T-EZ or 4506-T if the borrower is self-employed and/or files income tax based on a fiscal calendar year, and/or receives rental income
- If applicable, imminent default hardship documentation per Guide Section 9206.7 for borrowers less than 60 days delinquent

Determine the Post-Modification MTMLTV Ratio

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

Determine Eligibility for a Standard Modification Trial Period Plan Based on Estimated Modification Terms: Post-Modification MTMLTV Ratio Greater than or Equal to 80 Percent

Complete the steps outlined below to determine eligibility for a Standard Modification Trial Period Plan based on estimated modification terms when the post-modification MTMLTV ratio is greater than or equal to 80 percent. 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. Verify that the post-modification (post-capitalization) MTMLTV ratio is **greater than or equal to 80 percent**.
2. Capitalize known and estimated arrearages per the requirements of Guide Section 9206.15 to arrive at the post-modification gross UPB.
3. 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 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 table to determine your next step:

If the post-modification MTMLTV ratio is:	Then:
Greater than 115 percent	<ul style="list-style-type: none"> ▪ Calculate the following amounts: <ul style="list-style-type: none"> – Principal forbearance required to create a post-modification (post-capitalization) interest-bearing MTMLTV ratio of 115 percent, and – 30 percent of the estimated post-modification (post-capitalization) gross UPB ▪ Choose the lesser of the two amounts as the forbearance amount. ▪ Proceed to step 6 with the interest-bearing UPB. <p>Note: Interest will not accrue on the forborne (or deferred) principal. Deferred principal is payable upon maturity of the loan modification, sale or transfer of the property, or the interest-bearing UPB is paid off.</p>
Equal to or less than 115 percent	Proceed to step 6 with the total UPB calculated in step 2.

6. Calculate the estimated modified P&I payment.

7. Answer the following questions:

- Is the estimated modified P&I payment equal to or less than the current P&I payment?
- Is the post-modification housing expense-to-income ratio greater than or equal to 10 percent and less than or equal to 55 percent? (Refer to page 12 in this reference guide for information on how to calculate this ratio.)

If the answer is:	Then:
Yes to both questions	<ul style="list-style-type: none"> ▪ Add the estimated P&I payment to the required escrow payment to arrive at the Trial Period Plan payment for 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 you calculated in this step.
No to at least one question	The mortgage does not meet the eligibility requirements for a Standard Modification. Review exception guidelines. You may submit an exception request if prudent or seek other alternatives to foreclosure. Refer to Guide Sections 9206.5 and 9206.10 for additional information.

Determine Eligibility for a Standard Modification Trial Period Plan Based on Estimated Modification Terms: Post-Modification MTMLTV Ratio Less than 80 Percent

Complete the steps outlined below to determine eligibility for a Standard Modification Trial Period Plan based on estimated modification terms when the post-modification MTMLTV ratio is less than 80 percent. 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. Verify that the post-modification (post-capitalization) MTMLTV ratio is **less than 80 percent**.
3. Determine the interest rate you will use to calculate the Trial Period Plan payment:

If the existing mortgage is:	Then:
A fixed-rate mortgage (This excludes step-rate mortgages.)	You must use the existing interest rate on the mortgage to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
An ARM or step-rate mortgage and the existing interest rate is less than Freddie Mac’s posted rate for Standard Modifications	You must use Freddie Mac’s posted interest rate for Standard Modifications to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
An ARM or step-rate mortgage and the existing interest rate is equal to or greater than Freddie Mac’s posted rate for Standard Modifications	You must use the existing interest rate on the mortgage to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
<p>The Standard Modification interest rate referenced above is the Standard Modification interest rate posted on www.FreddieMac.com/singlefamily/service/standardmoderate.html as of the date you evaluate and determine the borrower’s eligibility for a Trial Period Plan. Freddie Mac reserves the right to adjust the interest rate based on market conditions.</p> <p>Note: The interest rate used for the final modification must be the same interest rate used to evaluate the borrower for a Trial Period Plan.</p>	

4. Extend amortization to 480 months from the modification effective date.
5. Calculate the estimated monthly P&I payment.
6. Answer the following questions:
 - Is the estimated modified P&I payment equal to or less than the current P&I payment?
 - Is the post-modification housing expense-to-income ratio greater than or equal to 10 percent and less than or equal to 55 percent? (Refer to page 12 in this reference guide for information on how to calculate this ratio.)

If the answer is:	Then:
Yes to both questions	<ul style="list-style-type: none"> ▪ Add the estimated P&I payment to the required escrow payment to arrive at the Trial Period Plan payment for a 480-month amortization term. ▪ Proceed to step 7.
No to at least one question	The mortgage does not meet the eligibility requirements for a Standard Modification. Review exception guidelines. You may submit an exception request if prudent or seek other alternatives to foreclosure. Refer to Guide Sections 9206.5 and 9206.10 for additional information.

- Reduce the amortization terms to 360 months and 240 months and repeat steps 5 and 6 to determine if the borrower is also eligible for the 360-month and 240-month amortization term options.

If:	Then:
The 360-month amortization term results in an estimated monthly P&I payment that is at least 20 percent less than the current contractual P&I payment	<p>Include this option in the Trial Period Plan Notice.</p> <p>If the 360-month amortization term results in an estimated monthly P&I payment that is not at least 20 percent less than the current contractual P&I payment, you may not include it in the Trial Period Plan Notice and you may proceed without calculating the 240-month amortization term option.</p>
The 240-month amortization term results in an estimated monthly P&I payment that is at least 20 percent less than the current contractual P&I payment	<p>Include this option and the 360-month amortization option in the Trial Period Plan Notice.</p> <p>If the 240-month amortization term results in an estimated monthly P&I payment that is not at least 20 percent less than the current contractual P&I payment, you may not include it in the Trial Period Plan Notice.</p>

When offered multiple amortization term options in the Trial Period Plan Notice, the borrower must accept one of the amortization terms offered by submitting its associated monthly payment in accordance with Guide Section 9206.11. The borrower cannot select a different amortization term once the first Trial Period Plan payment has been made.

When a borrower is offered two or three amortization terms in accordance with Guide Section 9206.10, if the borrower's first Trial Period Plan payment does not precisely match one of the amortization terms provided in the Trial Period Plan, then you must consider the borrower to have accepted the shortest amortization term that the payment covers for both the Trial Period Plan and the modification agreement.

Example: The borrower is offered Trial Period Plan payments of \$500 based on a 480-month term, \$750 based on a 360-month term, and \$900 based on a 240-month term.

If the borrower's first Trial Period Plan payment equals:	Then the borrower has accepted the following amortization term:
\$500 to \$749.99	480 months
\$750 to \$899.99	360 months
\$900 or greater	240 months

Post-Modification Housing Expense-to-Income Ratio Calculations – Standard Modification Only

Follow the steps below to calculate the post-modification housing expense-to-income ratio. You will use this value in step 6 when determining eligibility for a Standard Modification.

Step 1: Calculate the PITIAS payment.

The PITIAS payment is the payment that reflects the monthly housing expense on a mortgage and is the sum of the following:

- A modified monthly P&I payment
- Monthly pro rata amount for real estate taxes, plus applicable monthly escrow cushion
- Monthly pro rata amount for property and flood insurance, if applicable, plus applicable monthly escrow cushion
- Monthly pro rata amount of homeowner's association dues, Condominium Unit or cooperative unit maintenance fees, and ground rent, as applicable, and
- If applicable, the projected monthly escrow shortage payment. See Guide Sections 9206.15 and 9205.8.

Step 2: Calculate the post-modification housing expense-to-income ratio as follows:

Property Type	Calculation
Primary Residence	PITIAS Payment ÷ Monthly Gross Income
Second Home	(PITIAS payment of the subject property + PITIAS payment of the borrower's primary residence) ÷ Monthly Gross Income
Investment Property with Positive or Zero Net Rental Income	PITIAS payment of primary residence ÷ (Monthly gross income + Net rental income)
Investment Property with Negative Net Rental Income	(PITIAS payment of primary residence + Negative net rental income) ÷ Monthly Gross Income

Freddie Mac Streamlined Modifications

This section addresses the ineligible and eligible criteria, the process timeline, and solicitation and evaluation requirements for a Streamlined Modification.

Note: This reference guide does not include information on Freddie Mac Principal Reduction Modifications. For detailed information and instructions, refer to the [Freddie Mac Principal Reduction Modification Quick Reference](#) and [Guide Bulletin 2016-7](#).

Ineligible Criteria for Streamlined Modifications

If a borrower or mortgage is determined ineligible for a Streamlined Modification, the borrower must provide a complete Borrower Response Package to be evaluated for a loan modification or must meet all applicable requirements to be determined eligible for the most appropriate workout solution per the evaluation hierarchy in Guide Section 9201.2.

Mortgages and/or borrowers with the following characteristics are ineligible for a Streamlined 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 Guide Section 9206.10.
- A borrower who is currently performing under another Trial Period Plan, forbearance plan or repayment plan.
- A mortgage previously modified with the modification terms in Guide Section 9206.10 and the mortgage became 60 or more days delinquent within 12 months of the modification effective date and the borrower has not brought the mortgage current following the delinquency.
- A mortgage subject to an approved short sale or deed-in-lieu of foreclosure transaction.
- A mortgage currently subject to an unexpired offer to the borrower for another modification or other alternative to foreclosure, such as a forbearance or repayment plan.
- An FHA, VA or Guaranteed Rural Housing mortgage.
- A mortgage previously modified three or more times.
- A mortgage subject to recourse.

Eligibility Requirements for a Streamlined Modification

The following table highlights the borrower, property, and mortgage eligibility requirements for a Streamlined Modification. For more information on these eligibility requirements, refer to Guide Section 9206.3.

Streamlined Modification Eligibility Requirements	
Borrower	<ul style="list-style-type: none"> ▪ The borrower must be at least 90 days delinquent or the borrower has a step-rate mortgage and has become at least 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment. ▪ The borrower is not ineligible based on the ineligible exclusions. <p>Note: Borrowers who reach the applicable Streamlined Modification delinquency threshold (i.e., borrowers who become 90 days delinquent or borrowers with step-rate mortgages who become 60 days delinquent, remain eligible even if a subsequent payment is received following the borrower evaluation or solicitation that results in the borrower becoming less delinquent than the eligible delinquency threshold.</p>
Property	<p>The existing mortgaged property must be:</p> <ul style="list-style-type: none"> ▪ Owner-occupied (primary residence) ▪ Second home or non-owner occupied (investment property) <p>Note: Property may be vacant or condemned.</p>
Mortgage	<ul style="list-style-type: none"> ▪ The mortgage must: <ul style="list-style-type: none"> – Be a conventional first-lien mortgage currently owned in whole or part or guaranteed by Freddie Mac – Have been originated at least 12 months prior to the evaluation date ▪ Streamlined Modifications must result in a P&I payment that is less than or equal to the pre-modification P&I payment. ▪ If the mortgage is subject to an indemnification agreement, you have discretion to approve the mortgage modification provided the following conditions are met: <ul style="list-style-type: none"> – The modified mortgage retains its credit enhancement. – If you are not the credit enhancement provider, you must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a modification agreement that complies with the requirements in Guide Chapter 9206; and – You remit to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified mortgage. If the mortgage is subject to a partial indemnification, each year you will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Freddie Mac will determine the Modification Loss Amounts in accordance with a process described in Guide Bulletin 2016-5. <p>Note: You are not eligible to receive an incentive for completing a modification on a mortgage that is subject to an indemnification agreement. Refer to Guide Section 9204.6 for more information.</p>

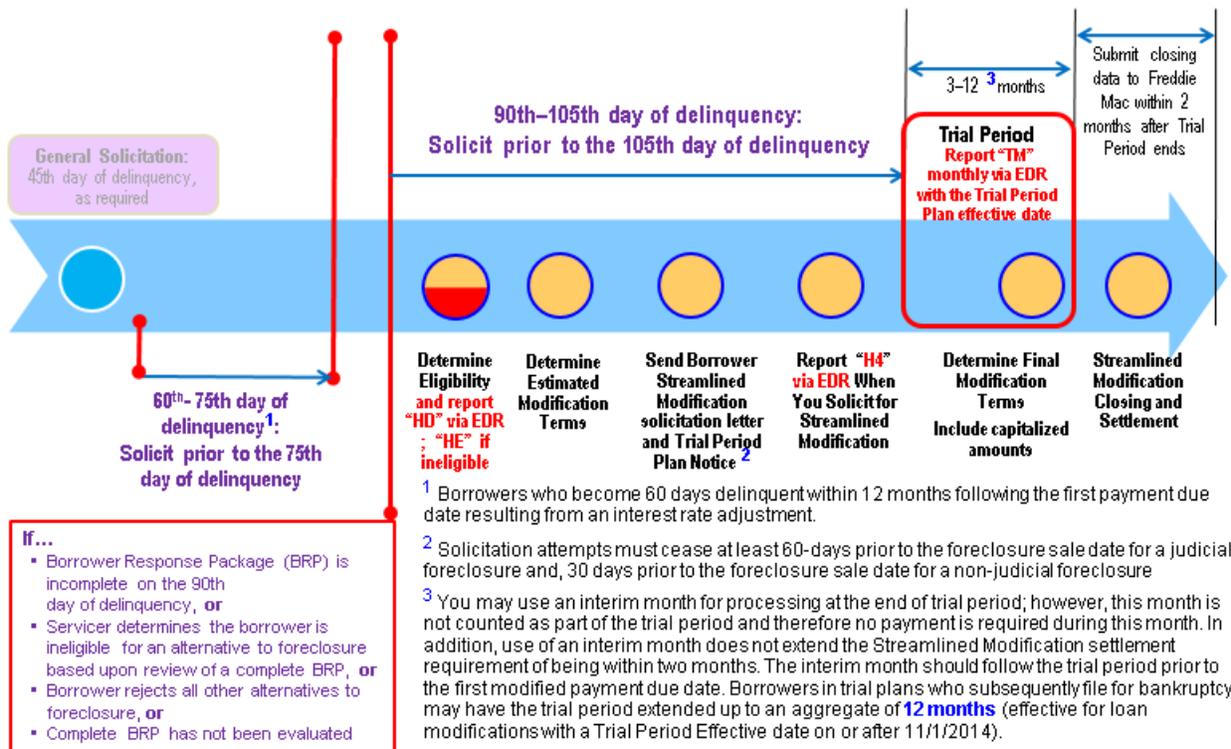
Streamlined Modification Eligibility Requirements	
Mortgage, continued	<ul style="list-style-type: none"> If the mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the borrower a Trial Period Plan. The mortgage is not ineligible based on the ineligible exclusions.

Streamlined Modification Process

The Streamlined Modification process is as follows:

- Evaluate and determine eligibility.
- Determine the estimated modification terms for Trial Period Plan offer.
- Solicit eligible borrowers (offer Trial Period Plan).
- Start the trial period.
- Determine the final modification terms.
- Complete loan modification closing and settlement activities.

The following diagram illustrates the Streamlined Modification process and its associated timelines.



Soliciting the Borrower for a Streamlined Modification

You must offer an eligible borrower a Streamlined Modification once the borrower reaches the applicable delinquency threshold if:

- You have not received a complete Borrower Response Package, or
- You previously conducted an evaluation of a complete Borrower Response Package and determined that the borrower was not eligible for an alternative to foreclosure, or
- The borrower has rejected all other alternatives to foreclosure offered by you, or
- You have received a complete Borrower Response Package, but you have not completed your evaluation of the package prior to the date the Streamlined Modification solicitation will be sent to the borrower.

If a borrower is eligible, you must send a Streamlined Modification solicitation letter and a Streamlined Modification Trial Period Plan Notice within 15 days of your eligibility determination. You may use Guide Exhibit 1191, *Streamlined Modification Solicitation Letter* or Guide Exhibit 1191B, *Streamlined Modification Solicitation Letter for Day 60 Rate Reset*, as applicable, and the Streamlined Modification Trial Period Plan Notice in Guide Exhibit 93. Modify these documents as necessary to comply with applicable law and to address specific situations such as the inclusion or exclusion of certain escrow language. See *Trial Period* in this reference guide for more information.

Even if a borrower is eligible for the Streamlined Modification, they may qualify for a Freddie Mac MyCity Modification or HAMP modification with a lower P&I payment. Therefore, the Streamlined Modification Solicitation Letter must include the date the borrower must return a complete Borrower Response Package in order to be evaluated for a MyCity Modification (if the mortgaged premises is located in an eligible geographic location in accordance with Bulletin 2014-25) or for a HAMP modification, as applicable. The response date in the solicitation letter must be after the scheduled due date for the second Trial Period Plan payment and prior to the date you anticipate sending the modification agreement to the borrower for signature.

You are required to send at least one solicitation to eligible borrowers. If the borrower does not respond to the initial Streamlined Modification solicitation and otherwise remains eligible, then you may continue to solicit the borrower for a Streamlined Modification at your discretion. You must continue to comply with the solicitation requirements described in Guide Section 9102.5, including the requirement that you continue to try to contact and solicit the borrower for alternatives to foreclosure throughout the delinquency and foreclosure process up to 60 days prior to the foreclosure sale date for a judicial foreclosure or up to 30 days prior to the foreclosure sale date for a non-judicial foreclosure, unless:

- You have established direct contact with the borrower and the borrower does not want to pursue an alternative to foreclosure, or
- You have evaluated the borrower for alternatives to foreclosure in accordance with the Guide and determined that foreclosure is the appropriate course of action.

Refer to Guide Section 9102.5, *Evaluation Hierarchy, Borrower Solicitation and Communication*, for complete borrower solicitation requirements.

Determine the Post-Modification MTMLTV Ratio

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

Determine Eligibility for a Streamlined Modification Trial Period Plan Based on Estimated Modification Terms: Post-Modification MTMLTV Ratio Greater than or Equal to 80 Percent

Complete the following steps to determine eligibility for a Streamlined Modification Trial Period Plan based on estimated modification terms when the post-modification MTMLTV ratio is greater than or equal to 80 percent. 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. Verify that the post-modification (post-capitalization) MTMLTV ratio is **greater than or equal to 80 percent**.
3. 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 table to determine your next step:

If the post-modification MTMLTV ratio is:	Then:
Greater than 115 percent	<ul style="list-style-type: none"> ▪ Calculate the following amounts: <ul style="list-style-type: none"> – 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. ▪ Proceed to step 6 with the interest-bearing UPB. <p>Note: Interest will not accrue on the forborne (or deferred) principal. Deferred principal is payable upon maturity of the loan modification, sale or transfer of the property, or the interest-bearing UPB is paid off.</p>
Equal to or less than 115 percent	Proceed to step 6 with the total UPB calculated in step 2.

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 Streamlined Modification. Review exception guidelines. You may submit an exception request if prudent or seek other alternatives to foreclosure. Refer to Guide Sections 9206.5 and 9206.10 for additional information.

Determine Eligibility for a Streamlined Modification Trial Period Plan Based on Estimated Modification Terms: Post-Modification MTMLTV Ratio Less than 80 Percent

Complete the steps outlined below to determine eligibility for a Standard Modification Trial Period Plan based on estimated modification terms when the post-modification MTMLTV ratio is less than 80 percent. 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. Verify that the post-modification (post-capitalization) MTMLTV ratio is **less than 80 percent**.
3. Determine the interest rate you will use to calculate the Trial Period Plan payment:

If the existing mortgage is:	Then:
A fixed-rate mortgage (This excludes step-rate mortgages.)	You must use the existing interest rate on the mortgage to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
An ARM or step-rate mortgage and the existing interest rate is less than Freddie Mac's posted rate for Standard Modifications	You must use Freddie Mac's posted interest rate for Standard Modifications to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
An ARM or step-rate mortgage and the existing interest rate is equal to or greater than Freddie Mac's posted rate for Standard Modifications	You must use the existing interest rate on the mortgage to calculate the Trial Period Plan payment and use that same rate to establish the terms of the permanent modification.
<p>The Standard Modification interest rate referenced above is the Standard Modification interest rate posted on www.FreddieMac.com/singlefamily/service/standardmodrate.html as of the date you evaluate and determine the borrower's eligibility for a Trial Period Plan. Freddie Mac reserves the right to adjust the interest rate based on market conditions.</p> <p>Note: The interest rate used for the final modification must be the same interest rate used to evaluate the borrower for a Trial Period Plan.</p>	

4. Extend amortization to 480 months from the modification effective date.
5. Calculate the estimated monthly P&I payment.
6. 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 escrow payment to arrive at the Trial Period Plan payment for a 480-month amortization term. ▪ Proceed to step 7.
No	The mortgage does not meet the eligibility requirements for a Streamlined Modification. Review exception guidelines. You may submit an exception request if prudent or seek other alternatives to foreclosure. Refer to Guide Sections 9206.5 and 9206.10 for additional information.

- Reduce the amortization terms to 360 months and 240 months and repeat steps 5 and 6 to determine if the borrower is also eligible for the 360-month and 240-month amortization term options.

If:	Then:
The 360-month amortization term results in an estimated monthly P&I payment that is at least 20 percent less than the current contractual P&I payment	<p>Include this option in the Trial Period Plan Notice.</p> <p>If the 360-month amortization term results in an estimated monthly P&I payment that is not at least 20 percent less than the current contractual P&I payment, you may not include it in the Trial Period Plan Notice and you may proceed without calculating the 240-month amortization term option.</p>
The 240-month amortization term results in an estimated monthly P&I payment that is at least 20 percent less than the current contractual P&I payment	<p>Include this option and the 360-month amortization option in the Trial Period Plan Notice.</p> <p>If the 240-month amortization term results in an estimated monthly P&I payment that is not at least 20 percent less than the current contractual P&I payment, you may not include it in the Trial Period Plan Notice.</p>

The borrower must accept one of the amortization terms and associated monthly payment options provided in the Trial Period Plan Notice in accordance with Guide Section 9206.11. The borrower cannot select a different amortization term once the first Trial Period Plan payment has been made.

When a borrower is offered two or three amortization terms in accordance with Section 9206.10, if the borrower's first Trial Period Plan payment does not precisely match one of the amortization terms provided in the Trial Period Plan, then you must consider the borrower to have accepted the shortest amortization term that the payment covers for both the Trial Period Plan and the modification agreement.

Example: The borrower is offered Trial Period Plan payments of \$500 based on a 480-month term, \$750 based on a 360-month term, and \$900 based on a 240-month term.

If the borrower's first Trial Period Plan payment equals:	Then the borrower has accepted the following amortization term:
\$500 to \$749.99	480 months
\$750 to \$899.99	360 months
\$900 or greater	240 months

Complete Borrower Response Package Received

Eligible borrowers are not required to complete a borrower response package. However, if you receive a complete Borrower Response Package from the borrower prior to the borrower reaching the applicable Streamlined Modification delinquency threshold, you must acknowledge receipt of the package and review it for alternatives to foreclosure following the evaluation hierarchy in Guide Section 9201.2.

If you receive a complete Borrower Response Package after the date the Streamlined Modification solicitation is sent to the borrower, but prior to sending the modification agreement, you must acknowledge receipt of the package and if the borrower has **accepted** the Streamlined Modification Trial Period Plan, follow the requirements in the table below:

If:	Then:
The mortgages premises is located within a jurisdiction that is eligible for the Freddie Mac MyCity Modification in accordance with Bulletin 2014-24	<ul style="list-style-type: none"> ▪ Evaluate the borrower for a MyCity Modification. ▪ If the borrower is eligible for the MyCity Modification, you must offer the modification option that provides for the lowest P&I payment between the Streamlined Modification and the MyCity Modification.
The borrower and/or mortgage is ineligible for the MyCity Modification	<ul style="list-style-type: none"> ▪ Evaluate the borrower for a HAMP modification. ▪ If the borrower is eligible for the HAMP modification, you must offer the modification option that provides for the lowest P&I payment between the Streamlined Modification and the HAMP modification.

If the borrower has **not accepted** the Streamlined Modification Trial Period Plan, review the borrower for all alternatives to foreclosure per Guide Chapters 9203, 9204, and 9205 according to the evaluation hierarchy in Guide Section 9201.2.

When the Borrower Qualifies for a MyCity Modification

If the borrower qualifies for a MyCity Modification and the post-modified monthly P&I payment under the MyCity Modification is less than the P&I payment available under the Streamlined Modification, you must offer the borrower the MyCity Modification.

In these situations,

- Send the borrower a Streamlined Modification Trial Period Plan Notice in Guide Exhibit 93, and edit the offer letter as follows:
 - Reflect the terms of the MyCity Modification.
 - Remove the language in the body of the letter and in the “Frequently Asked Questions” section that requires the borrower to submit a complete Borrower Response Package to facilitate a review for a HAMP modification.
 - Indicate that a restart of the trial period is not required and that if the borrower complies with the terms of the Streamlined Modification Trial Period Plan and executes the MyCity Modification modification agreement, he or she will receive the MyCity Modification terms.
- Allow the borrower to continue making the required Streamlined Modification Trial Period Plan payments.
- Send the borrower a MyCity Modification modification agreement reflecting the MyCity Modification terms upon successful completion of the Streamlined Modification Trial Period Plan.
- Convert the existing Streamlined Modification Trial Period Plan to a MyCity Modification Trial Period Plan by transmitting an exception request via the Standard Modification exception path in Workout Prospector®. You must clearly communicate on the Comments screen in Workout Prospector that you have approved the borrower for a MyCity Modification and include the following information as applicable:
 - Servicer contact name, e-mail address and telephone number.
 - Indicate "MyCity Modification Processing Request."
 - Modified interest rate (modified Note rate).
 - Term of modification (term of the modified Note in months).

- Amount of deferred UPB (for mortgages with partial principal forbearance)
- Report MyCity Modification Trial Period Plan activity using default action code BF (Standard Modification Trial Period) in accordance with the requirements in Guide Section 9206.13.

When the Borrower does not Qualify for a MyCity Modification

If the borrower does not qualify for a MyCity Modification based on a review of a complete Borrower Response Package received during the trial period, take the following actions:

- Communicate the evaluation decision to the borrower. Provide notices or disclosures, if any, required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth-in-Lending Act, and other applicable law or regulation.
- Allow the borrower to continue making the required Streamlined Modification Trial Period Plan payments.
- Modify the mortgage reflecting the terms of the Streamlined Modification upon successful completion of the Streamlined Modification Trial Period Plan and receipt of an executed modification agreement.

When the Borrower Qualifies for a HAMP Modification

If the borrower qualifies for a HAMP modification and the post-modified monthly P&I payment under the HAMP modification is less than the P&I payment available under the Streamlined Modification, you must offer the borrower the HAMP modification.

In these situations,

- Send the borrower Form 1118, *HAMP Agreement Cover Letter*, stating a restart of the trial period is not required and if the borrower completes the Streamlined Modification Trial Period Plan successfully and executes the HAMP Modification Agreement, he or she will receive the HAMP modification terms.
- Allow the borrower to continue making the required Streamlined Modification Trial Period Plan payments.
- Send the borrower Form 3157, *Home Affordable Modification Agreement*, reflecting the HAMP modification terms, upon successful completion of the Streamlined Modification Trial Period Plan.
- Convert the existing Streamlined Modification Trial Period Plan to a HAMP Trial Period Plan in Workout Prospector®.
- Report the conversion via EDR. If a mortgage is converting from a Streamlined Modification Trial Period Plan to a HAMP modification without a restart of the trial period pursuant to the requirements in Guide Section 9206.3), you must report at least one month of HAMP Trial Period Plan activity via EDR to complete the reporting of the HAMP Trial Period Plan. To do this, report default reason code HMP (Home Affordable Modification Program) and default action code 09 (Forbearance) no later than the third business day of the month in which the modification became effective for the prior month's activity. You must report the original Trial Period Plan Effective Date that you reported for the Streamlined Modification when reporting the HAMP Trial Period Plan activity.
- Report the conversion to the Program Administrator for HAMP, via the HAMP Reporting Tool. Refer to the Program Administrator for specific reporting requirements on reporting HAMP loan-level data in the HAMP Reporting Tool.

When the Borrower does not Qualify for a HAMP Modification

If the borrower does not qualify for a HAMP modification based on a review of a complete Borrower Response Package received during the trial period, take the following actions:

- Communicate the evaluation decision to the borrower. Refer to Guide Chapter 9101 for additional information if the mortgage is secured by a primary residence and the borrower is denied a HAMP modification based upon the First Complete Borrower Response Package.
- Allow the borrower to continue making the required Streamlined Modification Trial Period Plan payments.
- Modify the mortgage reflecting the terms of the Streamlined Modification upon successful completion of the Streamlined Modification Trial Period Plan and receipt of an executed modification agreement.

Additional Requirements for Standard Modifications and Streamlined Modifications

The following sections provide additional requirements that are applicable for Standard and Streamlined Modifications unless otherwise specified.

Property Valuation Requirements

You must obtain a property valuation for each mortgage you consider for a Standard or Streamlined Modification. The property valuation must be less than 90 days old on the date you evaluate the borrower for the modification. Use the value you obtain to determine the MTMLTV ratio. If the mortgage is covered by mortgage insurance, you must ensure that the property value you obtain is based on a property valuation type that is consistent with the MI's requirements.

Note: If you previously obtained a Freddie Mac compliant property valuation (e.g., Freddie Mac-provided Broker's Price Opinion (BPO), Freddie Mac-provided appraisal, or an appraisal in compliance with Guide Chapter 5601), you are not required to obtain a new property valuation and may use the Freddie Mac compliant property valuation if it is less than 90 days old on the date you evaluate the borrower for a loan modification.

If the mortgage is secured by:	Then:
<p>A 1- or 2-unit dwelling (excluding manufactured housing, a dwelling subject to a leasehold estate or a cooperative unit)</p>	<p>You may choose one of the following options:</p> <p>Option One: Home Value Explorer® (HVE®)</p> <ul style="list-style-type: none"> ▪ The HVE point value estimate must be obtained through one of Freddie Mac's distributors. ▪ You may use the HVE point value estimate provided it has a Forecast Standard Deviation that is no greater than 0.20, which corresponds to a Confidence Level of "H" (high) or "M" (medium). ▪ Detailed information about HVE and Freddie Mac's distributors is available at http://www.FreddieMac.com/hve/hve.html. <p>Option Two: Automated Valuation Model (AVM)</p> <ul style="list-style-type: none"> ▪ Freddie Mac's BPOdirect® website <p>When an automated value is displayed in the BPOdirect "Auto Value" field, you may use that automated value in accordance with Guide Section 9202.17. Detailed information about BPOdirect is available at https://bpodirect.com.</p> ▪ Freddie Mac's AVM Report <p>The AVM report is limited to mortgages that are more than 30 days delinquent.</p> <p>When an automated value is displayed in the "Current AVM Value" field in the report provided by Freddie Mac at http://www.freddiemac.com/singlefamily/service/mha_modification.html, you may use that automated value. You may access the AVM report using your Mortgage Servicing products user ID and password. This report will be updated by the last Friday of each month.</p>
<p>A 3- or 4-unit dwelling, a manufactured home, a dwelling subject to a leasehold estate or a cooperative unit</p> <p style="text-align: center;">-OR-</p> <p>A 1- or 2-unit dwelling and an HVE point value estimate or automated value is not available or does not meet the requirements in Option One or Option Two above</p>	<p>Then you must:</p> <p>Order a BPO/property valuation through Freddie Mac's BPOdirect website at https://www.bpodirect.com in accordance with Guide Section 9202.17.</p> <p>Note: Consistent with the requirement in Guide Section 8101.1 to act in the most timely, efficient and responsible manner to protect Freddie Mac's interests, you may not order a BPO through BPOdirect for a 1- or 2-unit dwelling if you are permitted to use an available HVE point value estimate or automated value in accordance with the requirements of Option One or Option Two above.</p>

Examples of Calculations for Standard and Streamlined Modifications

This section outlines examples of calculations for Standard and Streamlined Modifications including examples with and without forbearance. The steps identified in the examples below correspond to the specific steps outlined in the procedures on pages 6 through 9 and 15 through 17 in this reference guide.

In all examples, assume the fixed rate published on the Standard Modification Interest Rate Web page in effect on the date of the borrower's evaluation is 4.625 percent. As a reminder, you can obtain the current Standard Modification Interest Rate at: www.FreddieMac.com/singlefamily/service/standardmodrate.html.

Example 1 – Post-Modification MTMLTV Ratio Equal to or Greater than 80 Percent and Less than 115 Percent

- Gross UPB (interest bearing + any applicable non-interest bearing) before capitalization: \$190,000
- Property value: \$180,000
- Current P&I Payment: \$1,080.12
- Taxes: \$100.00
- Insurance: \$50.00
- Homeowner Association Fees: \$25.00
- Escrow Shortage: \$0.00
- Borrower's gross monthly income: \$2,800.00
- Primary Residence
- Interest Arrearage: \$8,200
- Tax Advance: \$1,800
- Fixed-rate Mortgage
- Current Interest Rate: 4.5 percent

Step 1: Capitalize known and estimated arrearages.

$\begin{array}{r} \$ 8,200 \text{ (interest)} \\ \$ 1,800 \text{ (tax advance)} \\ \hline \$10,000 \text{ Total Capitalization} \end{array}$	$\begin{array}{r} \$190,000 \text{ (gross UPB before capitalization)} \\ + \$ 10,000 \text{ (Total Capitalization)} \\ \hline \$200,000 = \text{Estimated Post-modification Gross UPB} \end{array}$
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Step 2: Calculate the post-modified (post-capitalized) MTMLTV ratio.

$(\$190,000 + \$10,000) \div \$180,000 = 111.1\%$ Post-modified MTMLTV Ratio

111.1 percent is not greater than 115 percent; therefore, the mortgage is not eligible for forbearance.

Step 3: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The post-modification MTMLTV ratio is equal to or greater than 80 percent. Therefore, adjust the interest rate to the fixed-rate published on the Standard Modification Interest Rate Web page in effect on the date of the borrower's evaluation. For this example, we will use a 4.625 percent fixed-rate.

Step 4: Extend the amortization term to 480 months.

Step 5: This step is not applicable. You cannot forbear principal, as the post-modification MTMLTV ratio is equal to or less than 115 percent.

Step 6: Calculate the estimated modified P&I payment.

Using the estimated post-modification gross UPB of \$200,000, calculated in step 2, a 4.625 percent fixed interest rate, and a new amortization term of 480 months, the estimated modified P&I payment is **\$915.26**. This amount does not include escrow amounts.

Step 7: Answer the following questions:

- **Is the estimated modified P&I payment equal to or less than the current P&I payment?**
Yes. The estimated modified P&I payment of \$915.26 is less than the current P&I payment of \$1,080.12.
- **Is the post-modification housing expense-to-income ratio greater than or equal to 10 percent and less than or equal to 55 percent? This determination is not applicable to Streamlined Modifications.**

Post-modification housing expense-to-income ratio = PITIAS ÷ Borrower's gross monthly income

Calculate the PITIAS:

Estimated P&I	\$ 915.26
+ Taxes	\$ 100.00
+ Insurance	\$ 50.00
+ Homeowner Association Fees	\$ 25.00
+ Escrow Shortage	\$ 0.00
Post-Modification PITIAS	\$1,090.26

\$1,090.26 (PITIAS) ÷ 2,800 (borrower's gross monthly income) = 38.9378% post-modification housing expense-to-income ratio

Yes. The post-modification housing expense-to-income ratio of 38.9378 percent is greater than or equal to 10 percent and less than or equal to 55 percent.

You may proceed to offering the Trial Period Plan. The Trial Period Plan payment is \$1,065.26, which includes \$150 for escrowed taxes and insurance provided applicable law permits establishment of an escrow account. Note: Homeowner association fees are not escrowed. The amortization term is 480 months.

Example 2a – Post-Modification MTMLTV Ratio Less than 80 Percent; 480-Month Amortization Term Offered

- Gross UPB (interest bearing + any applicable non-interest bearing) before capitalization: \$190,000
- Property Value: \$270,000
- Current P&I Payment: \$1,147.84
- Taxes: \$100.00
- Insurance: \$50.00
- Homeowner Association Fees: \$25.00
- Escrow Shortage: \$0.00
- Borrower’s Gross Monthly Income: \$2,800.00
- Primary Residence
- Interest Arrearage: \$8,200
- Tax Advance: \$1,800
- Fixed-rate Mortgage
- Current Interest Rate: 5.125 percent
- Remaining Term: 288 months

Step 1: Capitalize known and estimated arrearages.

<p>\$ 8,200 (interest)</p> <p><u>\$ 1,800 (tax advance)</u></p> <p>\$10,000 Total Capitalization</p>	<p>\$190,000 (gross UPB before capitalization)</p> <p><u>+ \$ 10,000 (Total Capitalization)</u></p> <p>\$200,000 = Estimated Post-modification Gross UPB</p>
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Step 2: Calculate the post-modified (post-capitalized) MTMLTV ratio.

$(\$190,000 + \$10,000) \div \$270,000 = 74.1\%$ Post-modified MTMLTV Ratio

74.1 percent is less than 80 percent; therefore, the mortgage is not eligible for forbearance.

Step 3: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The post-modification MTMLTV ratio is less than 80 percent, and the mortgage is a fixed-rate mortgage. Therefore, you must use the existing interest rate on the mortgage to calculate the Trial Period Plan payment and establish the terms of the permanent modification. For this example, we will use a 5.125 percent fixed-rate.

Step 4: Extend the amortization term to 480 months.

Step 5: Calculate the estimated modified P&I payment.

Using the estimated post-modification gross UPB of \$200,000, calculated in step 2, a 5.125 percent fixed interest rate, and a new amortization term of 480 months, the estimated modified P&I payment is **\$981.01** – a payment savings of \$166.83 or 14.5 percent. This amount does not include escrow amounts.

Step 6: Answer the following questions:

- **Is the estimated modified P&I payment equal to or less than the current P&I payment?**

Yes. The estimated modified P&I payment of \$981.01 is less than the current P&I payment of \$1,147.84.

- **Is the post-modification housing expense-to-income ratio greater than or equal to 10 percent and less than or equal to 55 percent? This determination is not applicable to Streamlined Modifications.**

Post-modification housing expense-to-income ratio = PITIAS ÷ Borrower’s gross monthly income

Calculate the PITIAS:

Estimated P&I	\$ 981.01
+ Taxes	\$ 100.00
+ Insurance	\$ 50.00
+ Homeowner Association Fees	\$ 25.00
+ Escrow Shortage	<u>\$ 0.00</u>
Post-Modification PITIAS	\$1,156.01

$\$1,156.01$ (PITIAS) \div $2,800$ (borrower's gross monthly income) = 41.2861% Post-modification housing expense-to-income ratio

Yes. The post-modification housing expense-to-income ratio of 41.2861 percent is greater than or equal to 10 percent and less than or equal to 55 percent.

Step 7: The post-modification MTMLTV ratio is less than 80 percent. Therefore, reduce the amortization term to 360 months and, if necessary, to 240 months and repeat steps 5 and 6.

The 480-month amortization term provides a proposed modified P&I payment of $\$981.01$ – a payment savings of $\$166.83$ or 14.5 percent. The 360-month amortization term provides a proposed modified P&I payment of $\$1088.97$ – with a payment savings of $\$58.87$ or 5.1 percent. Therefore, the borrower is not eligible for a 360-month amortization term because it did not result in at least a 20 percent reduction from the current P&I payment. Since the 360-month amortization term did not result in a 20 percent or greater reduction from their current P&I payment, neither will the 240-month amortization term.

You may proceed to offering the Trial Period Plan. The Trial Period Plan payment is $\$1,131.01$ which includes $\$150$ for escrowed taxes and insurance provided applicable law permits establishment of an escrow account. Note: Homeowner association fees are not escrowed. The amortization term is 480 months.

Example 2b – Post-Modification MTMLTV Ratio Less than 80 Percent; 480-Month Amortization Term Offered

- Gross UPB (interest bearing + any applicable non-interest bearing) before capitalization: \$190,000
- Property Value: \$270,000
- Current P&I Payment: \$1,280.12
- Taxes: \$100.00
- Insurance: \$50.00
- Homeowner Association Fees: \$25.00
- Escrow Shortage: \$0.00
- Borrower’s Gross Monthly Income: \$2,800.00
- Primary Residence
- Interest Arrearage: \$8,200
- Tax Advance: \$1,800
- Adjustable-rate Mortgage
- Current Interest Rate: 4.5 percent
- Remaining Term: 236 months

Step 1: Capitalize known and estimated arrearages.

\$ 8,200 (interest) <u>\$ 1,800 (tax advance)</u> \$10,000 Total Capitalization	\$190,000 (gross UPB before capitalization) + <u>\$ 10,000 (Total Capitalization)</u> \$200,000 = Estimated Post-modification Gross UPB
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Step 2: Calculate the post-modified (post-capitalized) MTMLTV ratio.

$(\$190,000 + \$10,000) \div \$270,000 = 74.1\%$ Post-modified MTMLTV Ratio

74.1 percent is less than 80 percent; therefore, the mortgage is not eligible for forbearance.

Step 3: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The post-modification MTMLTV ratio is less than 80 percent, and the mortgage is an adjustable-rate mortgage, with a current interest rate that is less than Freddie Mac’s posted rate for Standard Modifications. Therefore, adjust the interest rate to the fixed-rate published on the Standard Modification Interest Rate Web page in effect on the date of the borrower’s evaluation. For this example, we will use a 4.625 percent fixed-rate.

Step 4: Extend the amortization term to 480 months.

Step 5: Calculate the estimated modified P&I payment.

Using the estimated post-modification gross UPB of \$200,000, calculated in step 2, a 4.625 percent fixed interest rate, and a new amortization term of 480 months, the estimated modified P&I payment is **\$915.26** – a payment savings of \$364.86 or 28.55 percent. This amount does not include escrow amounts.

Step 6: Answer the following questions:

- **Is the estimated modified P&I payment equal to or less than the current P&I payment?**
Yes. The estimated modified P&I payment of \$915.26 is less than the current P&I payment of \$1,280.12.
- **Is the post-modification housing expense-to-income ratio greater than or equal to 10 percent and less than or equal to 55 percent? This determination is not applicable to Streamlined Modifications.**

Post-modification housing expense-to-income ratio = PITIAS ÷ Borrower’s gross monthly income

Calculate the PITIAS:

Estimated P&I	\$ 915.26
+ Taxes	\$ 100.00
+ Insurance	\$ 50.00
+ Homeowner Association Fees	\$ 25.00
+ Escrow Shortage	<u>\$ 0.00</u>
Post-Modification PITIAS	\$1,090.26

$\$1,090.26$ (PITIAS) \div $2,800$ (borrower's gross monthly income) = 38.9378% Post-modification housing expense-to-income ratio

Yes. The post-modification housing expense-to-income ratio of 38.9378 percent is greater than or equal to 10 percent and less than or equal to 55 percent.

Step 7: The post-modification MTMLTV ratio is less than 80 percent. Therefore, reduce the amortization term to 360 months and, if necessary, to 240 months and repeat steps 5 and 6.

The 480-month amortization term provides a proposed modified P&I payment of $\$915.26$ – a payment savings of $\$364.86$ or 28.55 percent. The 360-month amortization term provides a proposed modified P&I payment of $\$1028.28$ – with a payment savings of $\$251.84$ or 19.7 percent. Therefore, the borrower is not eligible for a 360-month amortization term because it did not result in a 20 percent or greater reduction from their current P&I payment. Since the 360-month amortization term did not result in a 20 percent or greater reduction from their current P&I payment, neither will the 240-month amortization term.

You may proceed to offering the Trial Period Plan. The Trial Period Plan payment is $\$1,065.26$ which includes $\$150$ for escrowed taxes and insurance provided applicable law permits establishment of an escrow account. Note: Homeowner association fees are not escrowed. The amortization term is 480 months.

Example 2c – Post-Modification MTMLTV Ratio Less than 80 Percent; 480-Month and 360-Month Amortization Term Offered

- Gross UPB (interest bearing + any applicable non-interest bearing) before capitalization: \$190,000
- Property Value: \$270,000
- Current P&I Payment: \$1,480.12
- Taxes: \$100.00
- Insurance: \$50.00
- Homeowner Association Fees: \$25.00
- Escrow Shortage: \$0.00
- Borrower’s Gross Monthly Income: \$2,800.00
- Primary Residence
- Interest Arrearage: \$8,200
- Tax Advance: \$1,800
- Adjustable-rate Mortgage
- Current Interest Rate: 4.5 percent
- Remaining Term: 180 months

Step 1: Capitalize known and estimated arrearages.

\$ 8,200 (interest) <u>\$ 1,800 (tax advance)</u> \$10,000 Total Capitalization	\$190,000 (gross UPB before capitalization) + <u>\$ 10,000 (Total Capitalization)</u> \$200,000 = Estimated Post-modification Gross UPB
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Step 2: Calculate the post-modified (post-capitalized) MTMLTV ratio.

$(\$190,000 + \$10,000) \div \$270,000 = 74.1\%$ Post-modified MTMLTV Ratio

74.1 percent is less than 80 percent; therefore, the mortgage is not eligible for forbearance.

Step 3: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The post-modification MTMLTV ratio is less than 80 percent, and the mortgage is an adjustable-rate mortgage, with a current interest rate that is less than Freddie Mac’s posted rate for Standard Modifications. Therefore, adjust the interest rate to the fixed-rate published on the Standard Modification Interest Rate Web page in effect on the date of the borrower’s evaluation. For this example, we will use a 4.625 percent fixed-rate.

Step 4: Extend the amortization term to 480 months.

Step 5: Calculate the estimated modified P&I payment.

Using the estimated post-modification gross UPB of \$200,000, calculated in step 2, a 4.625 percent fixed interest rate, and a new amortization term of 480 months, the estimated modified P&I payment is **\$915.26** – a payment savings of \$564.86 or 38.16 percent. This amount does not include escrow amounts.

Step 6: Answer the following questions:

- **Is the estimated modified P&I payment equal to or less than the current P&I payment?**

Yes. The estimated modified P&I payment of \$915.26 is less than the current P&I payment of \$1,480.12.

- **Is the post-modification housing expense-to-income ratio greater than or equal to 10 percent and less than or equal to 55 percent? This determination is not applicable to Streamlined Modifications.**

Post-modification housing expense-to-income ratio = PITIAS ÷ Borrower’s gross monthly income

Calculate the PITIAS:

Estimated P&I	\$ 915.26
+ Taxes	\$ 100.00
+ Insurance	\$ 50.00
+ Homeowner Association Fees	\$ 25.00
+ Escrow Shortage	<u>\$ 0.00</u>
Post-Modification PITIAS	\$1,090.26

$\$1,090.26$ (PITIAS) \div $2,800$ (borrower's gross monthly income) = 38.9378% Post-modification housing expense-to-income ratio

Yes. The post-modification housing expense-to-income ratio of 38.9378 percent is greater than or equal to 10 percent and less than or equal to 55 percent.

Step 7: The post-modification MTMLTV ratio is less than 80 percent. Therefore, reduce the amortization term to 360 months and, if necessary, to 240 months and repeat steps 5 and 6.

The 480-month amortization term provides a proposed modified P&I payment of $\$915.26$ – a payment savings of $\$564.86$ or 38.16 percent. The 360-month amortization term provides a proposed modified P&I payment of $\$1,028.28$ – with a payment savings of $\$451.84$ or 30.53 percent. The 240-month amortization term provides a proposed modified P&I payment of $\$1,278.83$ – a payment savings of $\$201.29$ or 13.59 percent.

In addition to the 480-month amortization term, the borrower is eligible for a 360-month amortization term because it resulted in a 20 percent or greater reduction from their current P&I payment. The borrower is not eligible for a 240-month amortization term because it did not result in a 20 percent or greater reduction from their current P&I payment.

You may proceed to offering the Trial Period Plan. You must offer the borrower two options: the option of a Trial Period Plan based on a 480-month amortization term with a monthly trial period payment of $\$1,065.26$ or a 360-month amortization term with a monthly trial period payment of $\$1,178.28$.

The trial period payments include $\$150$ for escrowed taxes and insurance provided applicable law permits establishment of an escrow account. Note: Homeowner association fees are not escrowed.

Example 2d – Post-Modification MTMLTV Ratio Less than 80 Percent; 480-Month, 360-Month, and 240-Month Amortization Term Offered

- Gross UPB (interest bearing + any applicable non-interest bearing) before capitalization: \$190,000
- Property Value: \$270,000
- Current P&I Payment: \$1,680.12
- Taxes: \$100.00
- Insurance: \$50.00
- Homeowner Association Fees: \$25.00
- Escrow Shortage: \$0.00
- Borrower’s Gross Monthly Income: \$2,800.00
- Primary Residence
- Interest Arrearage: \$8,200
- Tax Advance: \$1,800
- Adjustable-rate Mortgage
- Current Interest Rate: 4.5 percent
- Remaining Term: 148 months

Step 1: Capitalize known and estimated arrearages.

<p>\$ 8,200 (interest)</p> <p><u>\$ 1,800</u> (tax advance)</p> <p>\$10,000 Total Capitalization</p>	<p>\$190,000 (gross UPB before capitalization)</p> <p><u>+ \$ 10,000 (Total Capitalization)</u></p> <p>\$200,000 = Estimated Post-modification Gross UPB</p>
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Step 2: Calculate the post-modified (post-capitalized) MTMLTV ratio.

$(\$190,000 + \$10,000) \div \$270,000 = 74.1\%$ Post-modified MTMLTV Ratio

74.1 percent is less than 80 percent; therefore, the mortgage is not eligible for forbearance.

Step 3: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The post-modification MTMLTV ratio is less than 80 percent, and the mortgage is an adjustable-rate mortgage, with a current interest rate that is less than Freddie Mac’s posted rate for Standard Modifications. Therefore, adjust the interest rate to the fixed-rate published on the Standard Modification Interest Rate Web page in effect on the date of the borrower’s evaluation. For this example, we will use a 4.625 percent fixed-rate.

Step 4: Extend the amortization term to 480 months.

Step 5: Calculate the estimated modified P&I payment.

Using the estimated post-modification gross UPB of \$200,000, calculated in step 2, a 4.625 percent fixed interest rate, and a new amortization term of 480 months, the estimated modified P&I payment is **\$915.26** – a payment savings of \$764.86 or 45.52 percent. This amount does not include escrow amounts.

Step 6: Answer the following questions:

- **Is the estimated modified P&I payment equal to or less than the current P&I payment?**

Yes. The estimated modified P&I payment of \$915.26 is less than the current P&I payment of \$1,480.12.

- **Is the post-modification housing expense-to-income ratio greater than or equal to 10 percent and less than or equal to 55 percent? This determination is not applicable to Streamlined Modifications.**

Post-modification housing expense-to-income ratio = PITIAS ÷ Borrower’s gross monthly income

Calculate the PITIAS:

Estimated P&I	\$ 915.26
+ Taxes	\$ 100.00
+ Insurance	\$ 50.00
+ Homeowner Association Fees	\$ 25.00
+ Escrow Shortage	<u>\$ 0.00</u>
Post-Modification PITIAS	\$1,090.26

$\$1,090.26$ (PITIAS) \div $2,800$ (borrower's gross monthly income) = 38.9378% Post-modification housing expense-to-income ratio

Yes. The post-modification housing expense-to-income ratio of 38.9378 percent is greater than or equal to 10 percent and less than or equal to 55 percent.

Step 7: The post-modification MTMLTV ratio is less than 80 percent. Therefore, reduce the amortization term to 360 months and, if necessary, to 240 months and repeat steps 5 and 6.

The 480-month amortization term provides a proposed modified P&I payment of $\$915.26$ – a payment savings of $\$764.86$ or 45.52 percent. The 360-month amortization term provides a proposed modified P&I payment of $\$1,028.28$ – with a payment savings of $\$651.84$ or 38.80 percent. The 240-month amortization term provides a proposed modified P&I payment of $\$1,278.83$ – a payment savings of $\$401.29$ or 23.88 percent.

In addition to the 480-month amortization term, the borrower is also eligible for a 360-month amortization term and 240-month amortization term because they both resulted in a 20 percent or greater reduction from their current P&I payment.

You may proceed to offering the Trial Period Plan. You must offer the borrower all three options: the option of a Trial Period Plan based on a 480-month amortization term with a monthly trial period payment of $\$1,065.26$, a 360-month amortization term with a monthly trial period payment of $\$1,178.28$, and a 240-month amortization term with monthly trial period payment of $\$1,428.83$.

The trial period payments include $\$150$ for escrowed taxes and insurance provided applicable law permits establishment of an escrow account. **Note:** Homeowner association fees are not escrowed.

Examples 3 and 4 – Post-Modification MTMLTV Ratio Greater than 115 Percent

- Gross UPB (interest bearing + any applicable non-interest bearing) before capitalization: \$190,000
- Taxes: \$100.00
- Insurance: \$ 50.00
- Homeowner Association Fees: \$25.00
- Escrow Shortage: \$0.00
- Borrower’s Gross Monthly Income: \$2,800.00
- Primary Residence
- Interest Arrearage: \$8,200
- Tax Advance: \$1,800
- Current P&I Payment: **Example 3 = \$776.34** **Example 4 = \$1,164.51**
- Property Value: **Example 3 = \$100,000** **Example 4 = \$150,000**

Step 1: Capitalize known and estimated arrearages.

$\begin{array}{r} \$ 8,200 \text{ (interest)} \\ + \$ 1,800 \text{ (tax advance)} \\ \hline \$10,000 \text{ Total Capitalization} \end{array}$	$\begin{array}{r} \$190,000 \text{ (gross UPB before capitalization)} \\ + \$ 10,000 \text{ (total capitalization)} \\ \hline \$200,000 = \text{Estimated Post-modification Gross UPB} \end{array}$
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Step 2: Calculate post-modified (post-capitalized) MTMLTV ratio.

Example 3
$\begin{array}{l} \$190,000 \text{ (gross UPB before capitalization)} \\ + \$10,000 \text{ (interest arrearage and tax advance)} \\ \div \$100,000 \text{ (property value)} \\ \hline 200\% \text{ Post-modified MTMLTV ratio} \end{array}$

Example 4
$\begin{array}{l} \$190,000 \text{ (gross UPB before capitalization)} \\ + \$10,000 \text{ (interest arrearage and tax advance)} \\ \div \$150,000 \text{ (property value)} \\ \hline 133.3\% \text{ Post-modified MTMLTV ratio} \end{array}$

The post-modification (post-capitalized) MTMLTV ratio is greater than or equal to 115 percent.

200 percent is greater than 115 percent; therefore, eligible for forbearance.

133.3 percent is greater than 115 percent; therefore, eligible for forbearance.

Step 3: Determine the interest rate you will use to calculate the Trial Period Plan payment.

The post-modification MTMLTV ratio is equal to or greater than 80 percent. Therefore, adjust the interest rate to the fixed-rate published on the Standard Modification Interest Rate Web page that is in effect on the date of the borrower’s evaluation. For this example, use a 4.625 percent fixed-rate.

Step 4: Extend the amortization term to 480 months.

Step 5: The post-modified (post-capitalized) MTMLTV ratio is greater than 115 percent. Therefore, calculate these two amounts:

A. Forbearance amount to achieve 115 percent post-modified MTMLTV ratio

$$\begin{array}{l} 115\% \times \$100,000 \text{ (property valuation)} = \$115,000 \\ \$200,000 \text{ (post-modification gross UPB)} \\ -115,000 \\ \hline \$ 85,000 \text{ (Forbearance amount A)} \end{array}$$

$$\begin{array}{l} 115\% \times \$150,000 \text{ (property valuation)} = \$172,500 \\ \$200,000 \text{ (post-modification gross UPB)} \\ -172,500 \\ \hline \$ 27,500 \text{ (Forbearance amount A)} \end{array}$$

B. Forbearance amount at 30 percent of estimated post-modification gross UPB

$$\begin{array}{l} \$200,000 \text{ (estimated post-modification post-capitalized gross UPB)} \\ \times 30\% \\ \hline \$ 60,000 \text{ (Forbearance amount B)} \end{array}$$

$$\begin{array}{l} \$200,000 \text{ (estimated post-modification post-capitalized gross UPB)} \\ \times 30\% \\ \hline \$ 60,000 \text{ (Forbearance amount B)} \end{array}$$

Choose the lesser of the two amounts (A or B) as the forbearance amount.

In Example 2, \$60,000 must be forborne, as it is the lesser of the two forbearance amount calculations.

\$200,000 (Estimated post-modification **post-capitalized** gross UPB)
 – 60,000 (forbearance amount **B**)
 \$140,000 (Estimated post-modification interest-bearing UPB)

$140,000 \div 100,000 = 140\%$ Post-modification MTMLTV ratio

In Example 3, \$27,500 must be forborne, as it is the lesser of the two forbearance amount calculations.

\$200,000 (Estimated post-modification **post-capitalized** gross UPB)
 – 27,500 (forbearance amount **A**)
 \$172,500 (Estimated post-modification interest-bearing UPB)

115% = Post-modification MTMLTV ratio

Step 6: Calculate the estimated modified P&I payment.

\$640.68 Estimated Modified Principal & Interest Payment (\$140,000 interest-bearing UPB)

\$789.41 Estimated Modified Principal & Interest Payment (\$172,500 interest-bearing UPB)

Step 7: Answer the following questions:

- Is the estimated modified P&I payment equal to or less than the current P&I payment?

The estimated modified P&I payment of \$640.68 is **less than** the \$776.34 current P&I payment.

The estimated modified P&I payment of \$789.41 is **less than** the \$1164.51 current P&I payment.

- Is the post-modification housing expense-to-income ratio greater than or equal to 10 percent and less than or equal to 55 percent? **This determination is not applicable to Streamlined Modifications.**

Post-modification housing expense-to-income ratio = PITIAS ÷ Borrower’s gross monthly income

Calculate the PITIAS payment:

Estimated P&I	\$640.68
+ Taxes	\$100.00
+ Insurance	\$ 50.00
+ HOA Fees	\$ 25.00
+ Escrow Shortage	\$ 0.00
Post-modification PITIAS	\$815.68

Post-modification housing expense-to-income ratio:
 \$815.68 (PITIAS) ÷ 2,800 (borrower’s gross monthly income) = 29.1314% which is ≥ 10% and ≤ 55%

The post-modification housing expense-to-income ratio of 29.1314 percent is greater than or equal to 10 percent and less than or equal to 55 percent. You may proceed to processing the Trial Period Plan.

The trial period payment is \$790.68 because homeowner association fees are not escrowed.

Estimated P&I	\$789.41
+ Taxes	\$100.00
+ Insurance	\$ 50.00
+ HOA Fees	\$ 25.00
+ Escrow Shortage	\$ 0.00
Post-modification PITIAS	\$964.41

Post-modification housing expense-to-income ratio:
 \$964.41 (PITIAS) ÷ 2,800 (borrower’s gross monthly income) = 34.4432% which is ≥ 10% and ≤ 55%

The post-modification housing expense-to-income ratio of 34.4432 percent is greater than or equal to 10 percent and less than or equal to 55 percent. You may proceed to processing the Trial Period Plan.

The trial period payment is \$939.41 because homeowner association fees are not escrowed.

Trial Period

Eligible borrowers are required to successfully complete a three-month trial period prior to closing the modification to demonstrate their ability and willingness to sustain the modified payment amount. If a borrower defaults during the trial period, the borrower is no longer eligible to be modified.

For borrowers in bankruptcy, you may extend the Trial Period Plan as necessary to accommodate delays in obtaining court approvals or receiving a full remittance of the borrower's trial period payments when they are made to a trustee, but you must not extend the trial period beyond nine months, resulting in a total twelve-month trial period.

You may use an interim month at the end of the Trial Period Plan for processing; however, no payment is required during the interim month.

Refer to Guide Section 9206.11 for requirements related to the Standard and Streamlined Modification Trial Period.

Processing the Trial Period Plan Offer

Standard Modifications

For Standard Modifications, you must send the borrower a borrower evaluation notice relaying your decision within five days of the evaluation decision but no later than 30 days of receipt of a complete Borrower Response Package. If the borrower is approved for Standard Modification, you must send a Standard Modification Trial Period Plan Notice. A model letter is available in Guide Exhibit 93, *Evaluation Model Clauses*, or you may use your own proprietary Trial Period Plan notice provided it reflects the same level of specificity.

You are authorized to make the following changes to the Standard Modification Trial Period Plan Notice:

- Require borrower cash contributions be used to pay for expenses and delinquent amounts that may not be capitalized.
- Changes necessary to be in compliance with applicable laws and regulations.
- Waive any debt related to a previously discharged Chapter 7 bankruptcy.
- Delete language to prevent an escrow account from being established, if applicable.

If the borrower's mortgage has a post-modified MTMLTV ratio less than 80 percent, you must revise the Trial Period Plan Notice to include:

- The amortization term and its associated Trial Period Plan payment calculated for each of the amortization terms below when the associated monthly principal and interest (P&I) payment reduction condition is met:
 - A 480-month amortization term. (The estimated modified P&I payment must be less than or equal to the current contractual P&I payment.)
 - A 360-month amortization term. (The estimated modified P&I payment must be at least 20 percent less than the current contractual P&I payment.)
 - A 240-month amortization term. (The estimated modified P&I payment must be at least 20 percent less than the current contractual P&I payment.)

The Trial Period Plan payment for each option must include the estimated modified P&I payments plus applicable monthly escrow payments.

When more than one amortization term is included in the Trial Period Plan Notice you must include:

- A disclosure explaining that once the borrower selects an amortization term by submitting the corresponding payment, the term is contractually binding and he or she will not have the option to change the term.
- A disclosure explaining that if the first Trial Period Plan payment sent does not precisely match the Trial Period Plan payment associated with one of the amortization terms offered, then the shortest term that the payment covers will become the amortization term for the modification upon successful completion of the Trial Period Plan. (See Guide Section 9206.11 for an example.)
- A disclosure stating a failed Trial Period Plan or failed modification may make the borrower ineligible for a future modification.
- A statement reminding the borrower that once the mortgage has been modified, he or she can always pay more than the contractual payment without penalty if he or she desires to pay down the debt faster.

Streamlined Modifications

If the borrower is approved for a Streamlined Modification, you must send the Streamlined Modification Trial Period Plan Notice, in Guide Exhibit 93, with Guide Exhibit 1191, *Streamlined Modification Solicitation Letter*, or Guide Exhibit 1191B, *Streamlined Modification Solicitation Letter for Day 60 Rate Reset*, as applicable, according to the requirements described in Guide Section 9102.5.

If a borrower is eligible, you must send a Streamlined Modification Solicitation Letter and a Streamlined Modification Trial Period Plan Notice within 15 days of your eligibility determination. You may use Form 1191, *Streamlined Modification Solicitation Letter* or Guide Exhibit 1191B, *Streamlined Modification Solicitation Letter for Day 60 Rate Reset*, as applicable, and the Streamlined Modification Trial Period Plan Notice in Guide Exhibit 93. These documents may be modified as necessary to comply with applicable law and to address specific situations, such as the inclusion or exclusion of certain escrow language or conditional language to obtain MI or bankruptcy court approval.

If the borrower's mortgage has a post-modified MTMLTV ratio less than 80 percent, you must revise the Trial Period Plan Notice to include:

- The amortization term and its associated Trial Period Plan payment calculated for each of the amortization terms below when the associated monthly principal and interest (P&I) payment reduction condition is met:
 - A 480-month amortization term. (The estimated modified P&I payment must be less than or equal to the current contractual P&I payment.)
 - A 360-month amortization term. (The estimated modified P&I payment must be at least 20 percent less than the current contractual P&I payment.)
 - A 240-month amortization term. (The estimated modified P&I payment must be at least 20 percent less than the current contractual P&I payment.)

The Trial Period Plan payment for each option must include the estimated modified P&I payments plus applicable monthly escrow payments.

When more than one amortization term is included in the Trial Period Plan Notice, you must include:

- A disclosure explaining that once the borrower selects an amortization term by submitting the corresponding payment, the term is contractually binding and he or she will not have the option to change the term.
- A disclosure explaining that if the first Trial Period Plan payment sent does not precisely match the Trial Period Plan payment associated with one of the amortization terms offered, then the shortest term that the payment covers will become the amortization term for the modification upon successful completion of the Trial Period Plan. (See Guide Section 9206.11 for an example.)
- A disclosure stating a failed Trial Period Plan or failed modification may make the borrower ineligible for a future modification.
- A statement reminding the borrower that once the mortgage has been modified, he or she can always pay more than the contractual payment without penalty if he or she desires to pay down the debt faster.

Determining the Effective Date and Due Date of the Trial Period Plan

Determine the Trial Period Plan effective date and the due date of the first Trial Period Plan payment as follows:

Borrower Trial Period Plan Evaluation Notice Send Date	Trial Plan Effective Date	Trial Plan Due Date of First Trial Payment
On or before 15th of the month	First day of the next month	First day of the next month
After the 15th of the month	First day of the month after the next month	First day of the month after the next month

If after sending the Trial Period Plan notice the borrower agrees to begin the trial period earlier than the effective date requirements stated in the table above, you may begin the trial period on the first day of the next month.

Bankruptcy

Borrowers in a trial period plan who subsequently file for bankruptcy may not be denied a modification on the basis of the bankruptcy filing. You and your counsel must:

- Work with borrower and borrower’s counsel to obtain court and/or trustee approvals required in accordance with local court rules and procedures.
- Extend the Trial Period Plan as necessary to accommodate delays in obtaining court approvals or receiving a full remittance of the borrower’s trial period payments when they are made to a trustee, but you must not extend the trial period beyond nine months, resulting in a total twelve-month trial period.
- Notify the borrower if a trial extension is permitted. The borrower must make trial period payments for each month of the trial period, including any extension month in order to remain eligible for a modification.

Chapter 13

If a borrower is in an active Chapter 13 bankruptcy and has made post-petition payments on the mortgage in the amount required by the Trial Period Plan, you should not:

- Object to confirmation of borrower’s Chapter 13 plan, or
- Move for relief from automatic bankruptcy stay, or
- Move for dismissal of a Chapter 13 case

Chapter 7

Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the mortgage and who did not reaffirm the mortgage debt under applicable law are eligible for the Standard Modification.

Modification is contingent on the bankruptcy court’s approval of the modification and release of the mortgage from the bankruptcy plan prior to the due date of the first modified mortgage payment. You should modify the Trial Period Plan notice accordingly to reflect the fact that a borrower’s eligibility for a modification is conditioned on court and/or trustee approval to remove the mortgage from the bankruptcy prior to modification.

Servicing Technology and Reporting

You must use Workout Prospector to process borrower evaluations for Standard and Streamlined Modifications unless otherwise directed by Freddie Mac. Review the [Workout Prospector Users’ Guide](#) for detailed information about how to enter and transmit data using Workout Prospector.

It is important that you report Trial Period Plan activity accurately and timely via EDR. Accurate and timely Trial Period Plan reporting in accordance with the requirements outlined in the Guide is imperative to many servicing-related activities, including, but not limited to, eligibility for workout compensation and effective foreclosure timeline management. Exhibit 82, *EDR Transmission Code List*, includes default action codes. Use the table below to identify what default action codes you are required to report by the third business day of each month for the previous month’s activity. For additional information, refer to the [EDR Quick Reference Guide](#).

EDR Code	Name	Use to report when the borrower...	Report code and the...
H4	Solicitation Letter Sent	Was sent a solicitation letter.	Date you sent the letter one time in the month following the month the event took place.
H5	Complete Borrower Response Package Received	Sent and you received a Complete Borrower Response Package.	Date you received the complete Borrower Response Package, one time, in the month following when the event took place.
HD	Modification in Review	Is being evaluated for the Standard Modification.	Date you begin reviewing the loan, one time, in the month following the month the event took place.

EDR Code	Name	Use to report when the borrower...	Report code and the...
HE	Ineligible/Cancel Modification	Is ineligible for a Standard Modification.	Date you made the decision, one time, in the month following the month the event took place.
BF	Standard Modification Trial Period	Has entered into a trial period for the Standard Modification.	Trial period start date each month during the trial period and any interim month. Note: Do not report default action code 09 (Forbearance) with this code.
TM	Alternative Modification Trial Period	Has entered into a trial period for a Streamlined Modification.	Trial period start date each month during the trial period and any interim month.

If an interim month is used, report default action code **TM** or **BF** and the trial period plan effective date as the default action date until the default action codes no longer apply once the mortgage is modified.

When reporting default action code 20 (Reinstatement), the reinstatement action date should be after the trial period end date. For example, if the trial period end date is 3/31/2015, the full reinstatement action date should be 4/1/2015.

If the borrower fails the Trial Period Plan, report any initiated or resumed foreclosure activity via EDR.

Completing the Trial Period

Once the trial period has completed successfully, ensure the modified mortgage complies with the conditions outlined in Guide Section 9206.12. Loan settlement guidelines for expenses, delinquent amounts and capitalization rules are located in Guide Sections 9206.15 and 9206.16. Submit the modification for settlement via the Loan Modification Settlement screen in Workout Prospector once the workout is complete.

Determining 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 for a Trial Period Plan and the final Standard or Streamlined Modification terms 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. If the post-modification MTMLTV ratio is less than 115 percent, the mortgage is not eligible for forbearance. Follow steps 2 through 4 and then proceed to step 7.

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 per the requirements of Guide Section 9206.15 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 the borrower accepted (e.g., 480, 360 or 240) from the modification effective date.
5. If the post-modification (post-capitalized) MTMLTV ratio is greater than 115 percent, 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.

Note: Interest will not accrue on the forbore (or deferred) principal. Deferred principal is payable upon maturity of the loan modification, sale or transfer of the property, or refinance.

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.

Follow the requirements in Guide Section 9206.18 to complete the processing of the modification.

Servicer Incentive Payment

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

Servicer Incentive Payments for Standard and Streamlined Loan Modifications		
Days Delinquent – OR – Days from DDLPI		Each settled Standard Loan Modification receives...
Less than or equal to 120	150	\$1600.00
121-210	151-240	\$1200.00
Greater than 210	Greater than 240	\$400.00

To receive compensation, you must successfully settle a Standard and Streamlined 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.

Ineligible Incentive Payment Warnings

It is important to report your Standard and Streamlined Modification data accurately, consistently and within specified time requirements. Failure to do so will cause your status to be ineligible for a compensation incentive.

This section highlights actions to avoid when reporting Standard and Streamlined Modification data through Workout Prospector and EDR. You will receive the error messages in Incentive ManagerSM. Once you receive these messages in Incentive Manager, it is too late to take action to reverse your ineligible compensation status.

Error Message	Explanation												
Trial Period Data Mismatch	<ol style="list-style-type: none"> 1. The Standard or Streamlined Modification data has been submitted for settlement in Workout Prospector, but the trial period date has not been reported through EDR. 2. The Standard or Streamlined Modification Trial Period start data in Workout Prospector does not match trial period data reported through EDR. 												
Trial Period not reported in current cycle	<p>The trial period start date was not reported in the current cycle. The month of the of servicing cycle when the Standard or Streamlined Modification is reported is not the same as the month of the trial period start date the first time default action code BF or TM is reported.</p> <p>Example:</p> <table border="1"> <thead> <tr> <th>Loan Number</th> <th>Servicing Cycle</th> <th>Trial Period Start Date</th> <th>Compensation Eligibility</th> </tr> </thead> <tbody> <tr> <td>111111111</td> <td>11/30/2014</td> <td>11/01/2014</td> <td>Eligible</td> </tr> <tr> <td>222222222</td> <td>11/30/2014</td> <td>10/01/2014</td> <td>Not Eligible</td> </tr> </tbody> </table>	Loan Number	Servicing Cycle	Trial Period Start Date	Compensation Eligibility	111111111	11/30/2014	11/01/2014	Eligible	222222222	11/30/2014	10/01/2014	Not Eligible
Loan Number	Servicing Cycle	Trial Period Start Date	Compensation Eligibility										
111111111	11/30/2014	11/01/2014	Eligible										
222222222	11/30/2014	10/01/2014	Not Eligible										

Error Message	Explanation
Servicer Inaccurate/Inconsistent Reporting	The Standard or Streamlined Modification Trial Period start date in subsequent EDR cycles was updated more than once. This was completed through a manual process.
Servicer Inaccurate/Inconsistent Reporting	The Standard or Streamlined Modification Trial Period start date in subsequent EDR cycles was back-dated. This was completed through a manual process.
Servicer Inaccurate/Inconsistent Reporting	The same Standard or Streamlined Modification Trial Period start date was not reported for three consecutive months via EDR.
Servicer Data Error/Delays	<p>The Standard or Streamlined Modification settlement data in Workout Prospector was reported within two months from the EDR trial period end date but the workout does not settle due to failed loan modification edits.</p> <p>You reported default action code 20 (Reinstatement) with an action date prior to the third trial period payment.</p>
Loan Exceeds Compensation Limit	The Standard or Streamlined Modification Trial Period completed successfully and the modification settled; however, this loan already had two prior modification incentive payments paid. The incentive payment for the third modification will not be paid.

The information contained in this document is not a substitute for the information found in the Freddie Mac Single-Family Seller Servicer Guide and/or the terms of your Master Agreement and/or Master Commitment and/or other Purchase Documents.