



Home Affordable Modification Program

A proactive and efficient workout solution to help borrowers avoid foreclosure whenever possible.

Freddie Mac is pleased to play a key role in sustaining homeownership and supporting the U.S. Department of the Treasury's Making Home Affordable Program. A Home Affordable Modification offers a strong foreclosure prevention solution by expanding eligibility to borrowers who are delinquent as well as borrowers whose default is imminent. The program provides federal incentives to encourage all parties to engage in loan modifications and avoid home foreclosure.

› Program Eligibility

- The program is effective immediately for mortgages originated on or before January 1, 2009, and will expire December 31, 2012.
- Properties are single-family 1-4 unit primary residences, including condos, cooperatives, *Single-Family Seller/Servicer Guide* (Guide)-eligible manufactured homes, and conforming jumbos. Servicers must verify that the borrower is occupying the property as a primary residence.
- First-lien mortgages owned, securitized, or guaranteed by Freddie Mac are eligible with current unpaid principal balances up to:
 - 1 Unit - \$729,750
 - 2 Units - \$934,200
 - 3 Units - \$1,129,250
 - 4 Units - \$1,403,400
- FHA, VA, and RHS guaranteed mortgages are eligible, subject to the relevant agency's guidelines.
- Borrowers may be current or less than 31 days delinquent and in imminent default with a hardship that can be documented, or 31 days or more delinquent.
- There must be affirmation of financial hardship.
- Borrowers who may be in foreclosure, in pending litigation involving the mortgage, or who are in active bankruptcy are eligible for this program.
- Mortgages can be previously modified, but borrowers may not have previously entered into a *Trial Period Plan* under the Home Affordable Modification program.
- Borrowers must currently have a monthly housing expense-to-income ratio greater than 31 percent.

› Key Features

- The program strives to create a more affordable first lien housing payment of principal, interest, taxes, insurance, homeowner/condo association fees, and escrow shortages that is as close as possible, but no less than, 31 percent of the borrower's gross monthly household income.
- Borrowers with a monthly total debt payment-to-income ratio equal to or greater than 55 percent must agree to enter free HUD-approved credit counseling.
- Servicers must proactively solicit delinquent borrowers, and may leverage program documents and tools. Servicers cannot solicit borrowers who are current or less than 31 days delinquent.
- Servicers should reduce the monthly mortgage payment using a sequential process that may include capitalization of arrearages, rate reduction, term extension, and principal forbearance.
- A Trial Period is required during which the borrower must remit the estimated new monthly payments. Servicers enter into a Trial Period Plan with the borrower during the Trial Period, followed by a Modification Agreement upon successful completion of the Trial Period.
- Borrowers and Servicers may receive incentives for timely payments, subject to certain requirements.

HOME AFFORDABLE MODIFICATION PROGRAM	
Solicitation of Borrowers	<ul style="list-style-type: none"> • Servicers must solicit borrowers who are 31 days or more delinquent on their mortgages no later than the 50th day of delinquency. • Servicers cannot solicit borrowers who are current or less than 31 days delinquent. • At a current borrower's request to be considered for a Home Affordable Modification, Servicers must first evaluate the borrower for eligibility for a Freddie Mac Relief Refinance Mortgage. If the borrower is not eligible, the Servicer must then determine whether the borrower is in imminent default.
FEES AND INCENTIVES	
Fees Paid by Borrower	<ul style="list-style-type: none"> • No modification-related fees charged to the borrower. • No cash contribution required, unless borrower elects to fund the escrow shortage in a lump sum.
Fees Paid by Servicer	<ul style="list-style-type: none"> • Notary, recordation, and other required fees. • May request reimbursement for certain modification costs that would otherwise be paid by the borrower.
Servicer Incentives	<ul style="list-style-type: none"> • \$1,000 paid upon successful completion of the borrower's Trial Period and modification process. • Up to \$1,000 each year for three years, accrues monthly and considered earned as of each anniversary of the effective date of the Trial Period Plan as long as the borrower continues in the program. • The payment of this incentive will be forfeited should the borrower become 90-days or more delinquent at any time during this three-year period. Incentives accrue each month during which the borrower is less than 90 days delinquent and are awarded yearly. • An additional \$500 incentive payment for each modification for an eligible borrower who was current (less than 31 days delinquent) and in imminent default and remained current during the Trial Period Plan.
Borrower Incentives	<ul style="list-style-type: none"> • Borrowers who remain current on their modification receive a "Pay for Performance" incentive in the form of a principal reduction of up to \$1,000 per year for five years. Beginning with the first Trial Period month, this incentive accrues monthly for each month the Borrower remains current under the Trial Period Plan through the modification. This incentive is considered earned as of each anniversary of the effective date of the Trial Period Plan. • The payment of these incentives will be forfeited and the borrower will no longer be eligible for these incentives thereafter should the borrower become 90-days or more delinquent at any time during this five-year period. • Servicers are expected to report the incentive accrual on the first lien mortgage to the borrower on a monthly basis.
Incentives	<ul style="list-style-type: none"> • To qualify for Servicer "Pay for Success" payments and borrower "Pay for Performance" incentive payments, the modification must reduce the modified monthly PITIAS payment by a minimum of 6 percent from monthly mortgage payment used to determine eligibility (<i>De minimis constraint</i>). • When paid, Servicer annual "Pay for Success" payments and borrower "Pay for Performance" will be the lesser of (i) \$1,000 or (ii) half the reduction in the borrower's annualized monthly payment. • Servicers may not report a borrower past due to a credit reporting agency if a borrower does not submit funds in an amount at least equivalent to a Trial Period payment during the interim month or for purposes of accruing incentives for a timely first modified payment.

For More Information:

- Call (800) FREDDIE.
- Contact your Freddie Mac representative.
- Visit Freddie Mac's Home Affordable Modification Web page at www.FreddieMac.com/singlefamily/service/mha_modification.html
- Additional information about the federal Making Home Affordable program can be found at www.makinghomeaffordable.gov.

Servicer understands that this document may not incorporate every requirement under, and is not to be relied on as a replacement or substitute for, the information contained in the Single-Family Seller/Servicer Guide (Guide) or Guide Bulletin. Servicer is responsible for complying with the requirements of the Guide and relevant Guide Bulletins(s), notwithstanding the extent to which they may be inconsistent with this document. Refer to Chapter C65 of the Single-Family Seller/Servicer Guide.