

Bulletin

NUMBER: 2009-19

TO: All Freddie Mac Servicers

July 13, 2009

SUBJECTS

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are updating the Guide to incorporate the following changes to the **Home Affordable Modification Program (“HAMP”)** requirements that were announced on **July 6, 2009**:

- Revising the requirements for preparing the Trial Period Plan to provide new guidance on determining the [Trial Period Plan Effective Date](#) and the date on which the first payment is due under the Trial Period Plan
- Providing additional guidance to Servicers on when they must [report to Fannie Mae, as program administrator](#), for the Trial Period and loan modification set up
- Revising the requirements for reporting to Freddie Mac through [Electronic Default Reporting \(EDR\)](#) that the Borrower has made the first Trial Period payment, and revising the weekly summary-level program activity reporting requirements in the Program Performance Reporting Spreadsheet to align with the new guidance
- Revising the requirements for [entering into a Modification Agreement](#) to provide Servicers the option to include an interim month between the end of the Trial Period and the due date of the first modified payment, in the event the Borrower is late in paying the final Trial Period payment

Background

In Supplemental Directive 09-03, the United States Department of the Treasury (Treasury) announced new guidance with respect to the commencement of Trial Periods under HAMP, including guidance on the Trial Period Plan Effective Date and the date the first payment under the Trial Period Plan is due. This Supplemental Directive also revised requirements with respect to when non-GSE servicers must report to Fannie Mae, as program administrator for Treasury, that a Trial Period has commenced and when they must report the loan set up file for a modification. Supplemental Directive 09-03 also provided servicers with the option to delay the due date of the first modified payment by including an interim month for processing the modification in the event the Borrower’s last Trial Period payment is received after its due date.

In our **July 6, 2009** Single-Family Advisory e-mail, Freddie Mac announced these same requirements to Servicers who service Mortgages for Freddie Mac and instructed Servicers to immediately incorporate these requirements into their processes. We also advised Servicers of changes to Freddie Mac reporting requirements to align them with the new guidance, and advised Servicers that the Borrower Qualification Worksheet may not be used for Mortgages for which the due date of the first modified payment has been delayed by one month.

With this Bulletin, we are updating the Guide to reflect the changes announced on **July 6, 2009**.

PROGRAM REQUIREMENTS

Determining Trial Period Plan Effective Date

A Borrower's Trial Period starts on the Trial Period Plan Effective Date, which is a field in the Trial Period Plan that is completed by the Servicer. If the Servicer sends the Trial Period Plan to the Borrower on or before the 15th day of a calendar month, then the Servicer should insert the first day of the next month as the Trial Period Plan Effective Date. If the Servicer sends the Trial Period Plan to the Borrower after the 15th day of a calendar month, the Servicer should use the first day of the month after the next month as the Trial Period Plan Effective Date. This determination should be based on the date of the cover letter used to send the Trial Period Plan to the Borrower.

For example, if the Servicer completes the Trial Period Plan and sends it to the Borrower on June 10, the cover letter should reflect June 10 and the Servicer should insert July 1 in the Trial Period Plan Effective Date field of the Trial Period Plan. If the Servicer completes the Trial Period Plan and sends it to the Borrower on June 17, the cover letter should reflect June 17 and the Servicer should insert August 1 in the Trial Period Plan Effective Date field of the Trial Period Plan.

We are revising the definition of Trial Period Plan Effective Date in [Guide Section C65.1](#) to reflect this change.

Determining due date of first Trial Period payment

The date that the first Trial Period payment is due under the terms of the Trial Period Plan must be the same date as the Trial Period Plan Effective Date.

Expiration of the Trial Period Plan offer

The Servicer must receive the Borrower's first Trial Period payment on or before the last day of the month in which the Trial Period Plan Effective Date occurs (Trial Period Plan Offer Deadline). If the Servicer does not receive the Borrower's first Trial Period payment by the Trial Period Plan Offer Deadline, the Servicer *must* consider the Trial Period Plan offer to have expired.

We are revising [Section C65.7\(a\)](#) to reflect these changes.

Servicers are reminded, as provided in [Sections C65.5](#) and [C65.7](#), that, even if the Borrower's first Trial Period payment was received by the Trial Period Plan Offer Deadline, the Servicer may, in its discretion, consider the offer of a Trial Period Plan to have expired either at the end of 60 days from the date the Trial Period Plan offer was sent or the last day of the month in which the first Trial Period payment is due under the Trial Period Plan, whichever is later, if the Borrower has not submitted both executed Trial Period Plans and all required documentation. Further, a Servicer must not execute the Trial Period Plan or return it to the Borrower until after confirming the Borrower meets all eligibility criteria based on the Borrower's verified documentation.

Reporting to Fannie Mae as program administrator

Pursuant to [Section C65.11\(b\)](#), Servicers must register with Fannie Mae in its capacity as program administrator (formerly referred to as "financial agent") and provide Trial Period HAMP loan level data to Fannie Mae. We are revising this Guide section to reflect the new timeframes for reporting that a Trial Period payment has been received and for reporting the loan set up file for the modification.

Trial Period

A Servicer should begin Trial Period reporting once it receives the Borrower's first Trial Period payment (as long as that payment is received on or before the last day of the month in which the Trial Period Plan Effective Date occurs), regardless of whether the Servicer has received an executed copy of the Trial Period Plan or the required income verification and other documentation from the Borrower. The Servicer must provide to Fannie Mae, as program administrator, the Trial Period set up attributes set forth in Appendix A of the HAMP Servicer Reporting Requirements available on www.HMPAdmin.com no later than the fourth business day of the month immediately following the month in which the Trial Period Plan Effective Date occurs, provided the Servicer has received the first Trial Period payment on or before the

Trial Period Plan Offer Deadline.

For example, if the Trial Period Plan Effective Date is July 1 and the Servicer receives the Borrower's first Trial Period payment on or before July 31 (this would include any Trial Period payments received by the Servicer prior to July 1), the Servicer must report the Trial Period set up attributes to Fannie Mae by the fourth business day of August. If the Servicer receives the Borrower's first Trial Period payment in June, with a the Trial Period Plan Effective Date of July 1, the Servicer would still report the Trial Period set up attributes by the fourth business day of August.

Loan set up for the modification

A Servicer is required to provide to Fannie Mae, as program administrator, the loan set up attributes set forth in Appendix A of the HAMP Servicer Reporting Requirements available on www.HMPAdmin.com no later than the fourth business day of the month in which the first modified payment is due.

For example, if the first modified payment is due September 1, the Servicer must provide to Fannie Mae the loan set up attributes no later than the fourth business day of September.

EDR and summary level reporting to Freddie Mac

EDR

We are revising [Section C65.7\(b\)](#) to reflect that Servicers must report default action code "09 – Forbearance Plan" and the Trial Period Plan Effective Date through EDR in the reporting cycle for the month in which the Trial Period Plan Effective Date occurs, provided the Servicer has received the first Trial Period payment on or before the Trial Period Plan Offer Deadline (which is the last day of the month in which the Trial Period Plan Effective Date occurs), even if the Servicer has yet to receive an executed copy of the Trial Period Plan or the required income verification and other documentation from the Borrower. (As a reminder, beginning **October 1, 2009**, Servicers must also report default reason code "HMP" together with default action code "09" when reporting the commencement of the Trial Period.)

Summary level reporting to Freddie Mac

Pursuant to [Section C65.11\(a\)](#), Servicers must report summary level activity to Freddie Mac on a weekly basis. As communicated to Servicers in our **July 6, 2009** Single-Family Advisory e-mail, we have revised the Microsoft Excel[®] spreadsheet, Program Performance Reporting Spreadsheet, that Servicers must use to report key summary level activity, to reflect the new requirements.

The revised template, Program Performance Reporting Spreadsheet, is available on our web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html. Servicers must use the revised template to report key summary level program activity starting with the weekly summary due **July 13, 2009**.

Commencement of modification

Preparation of HAMP modification agreement – extension option

A Servicer preparing the HAMP Modification Agreement should allow sufficient processing time for the Servicer to prepare the Modification Agreement and provide it to the Borrower for execution, so that the Borrower has sufficient time to return it to the Servicer and make the first modified payment by its due date, which is the first day of the month following the final Trial Period month. However, in the event the

Borrower does not pay the final Trial Period payment on or before the due date set forth in Section 2 of the Trial Period Plan, the Servicer may, at its option, prepare the Modification Agreement such that the first modified payment is due the first day of the second month following the final Trial Period month. In this case, the interest will begin to accrue at the modified interest rate on the modified principal balance, starting on the first day of the month following the final Trial Period month (i.e., to accommodate the first modified payment of interest in arrears). In either instance, the Modification Effective Date and the due date for the first modified payment under the Modification Agreement must be the same date.

For example, if the final Trial Period payment is due March 1 and the Servicer elects the option described above, the Borrower is not required to make any payment during April, and the first payment under the Modification Agreement is due, on May 1. During the month of March, interest will accrue at the current rate under the current loan documents. The modified interest rate will take effect on April 1 and the modified payment due on May 1 will pay interest in arrears that accrued during April on the modified principal balance at the modified interest rate.

A Servicer must treat all Borrowers the same in applying the option described above by selecting, in its discretion and evidenced by a written policy, the date by which the final Trial Period payment must be submitted (“cutoff date”) before the Servicer applies the option. The cutoff date must be after the due date for the final Trial Period payment as set forth in Section 2 of the Trial Period Plan.

If the Servicer elects this option, the Borrower will not be required to submit additional funds during the month (the “interim month”) between the final Trial Period month and the month in which the first modified payment is due. For example, if the last Trial Period month is March and the Servicer elects the interim month option, the Borrower is not required to submit any additional funds during April, and the first payment under the Modification Agreement is due, on May 1. In this example, because the first modified payment will be due one month later, interest will not begin to accrue on the modified principal balance at the modified interest rate until one month later (i.e., starting April 1 rather than on March 1 had no interim month been added).

We have revised [Section C65.7\(c\)](#) to incorporate this option; we have also revised the definition of the Modification Effective Date in [Section C65.1](#).

Incentive compensation impact

Neither the Borrower nor the Servicer will be entitled to accrue incentive compensation for the interim month if the Borrower does not submit funds in an amount that is at least equivalent to the Trial Period payment during the interim month. The Servicer must modify the Home Affordable Modification Agreement Cover Letter to inform the Borrower of (i) the delay of the Modification Effective Date and first modified payment due date by one month and (ii) the effects of the interim month, including, but not limited to, the delay in the effective date of the modified interest rate, any increase in the delinquent interest capitalized, and the loss of one month’s accrual of the incentive payment if the Borrower does not submit funds in an amount that is at least equivalent to the Trial Period payment during the interim month.

[Section C65.9](#) has been revised to reflect this change.

Loan set up record

The Servicer should report the length of the Trial Period on the loan set up record for the approved modification it reports to Fannie Mae as program administrator, excluding the interim month if the Borrower does not submit funds in an amount that is at least equivalent to the Trial Period payment during the interim month, and including the interim month if the Borrower does submit such funds. As provided above, the Servicer must provide to Fannie Mae, as program administrator, the loan set up attributes set forth in Appendix A of the HAMP Servicer Reporting Requirements available on www.HMPAdmin.com no later than the fourth business day of the month in which the first modified payment is due. In the event the Borrower submits funds during the interim month, the effects of the interim month and associated curtailment of principal or reduced capitalization of arrearages on the terms of the Modification Agreement may not alter the Servicer’s previous determination of the Borrower’s eligibility at the time the Servicer executed the Trial Period Plan.

Reminder: Borrower Qualification Worksheet may not be used

As communicated to Servicers in our **July 6, 2009** Single-Family Advisory e-mail, the Borrower Qualification Worksheet may not be used to determine the final modification terms for Mortgages for which the Servicer utilized an interim month at the end of the Trial Period and delayed the due date of the first modified payment as provided in [Section C65.7\(c\)](#).

Servicers are reminded that they are responsible for the accuracy of all data entered into the Borrower Qualification Worksheet, that it is entered correctly, and for the integrity of the results. In addition, Servicers may not use the Borrower Qualification Worksheet for any purpose other than to assist them in connection with their servicing of Mortgages for Freddie Mac under [Guide Chapter C65](#).

CONCLUSION

Freddie Mac remains focused on assisting troubled Borrowers with Freddie Mac-owned Mortgages avoid preventable foreclosure. The changes announced in this Bulletin are part of our ongoing efforts to promote sustainable homeownership and stabilize communities and neighborhoods across the nation.

If after reviewing this Bulletin you have any questions about HAMP or Freddie Mac's role in the Program, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia J. McClung". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Patricia J. McClung
Vice President
Offerings Management