

Bulletin

NUMBER: 2009-6

TO: All Freddie Mac Servicers

March 11, 2009

SUBJECTS

With this *Single-Family Seller/Servicer Guide* (Guide) Bulletin, we are:

- Introducing eligibility, processing, underwriting and other requirements for the Home Affordable Modification Program (“Program”)
- Reminding Servicers that the Streamlined Modification Program (SMP) is retired and providing guidance to Servicers with respect to Borrowers under consideration for a modification under the SMP
- Introducing a new Borrower Qualification Worksheet (“Worksheet”) that Servicers must use to qualify Borrowers for the Program and calculate the terms of a modification under the Program

Effective dates

Home Affordable Modification Program

Servicers may begin offering modifications under the Program immediately for eligible Mortgages originated on or before **January 1, 2009**.

The Program will expire on **December 31, 2012**. On or before that date, Borrowers must have executed and submitted the Workout Plan, made the first Trial Period payment and provided all other required documentation to the Servicer. We will continue to make incentive payments for up to three years or five years, as applicable, from the effective date of the Workout Plan.

Streamlined Modification Program

As announced in the March 4, 2009 Single-Family Advisory e-mail, the SMP, announced in our December 12, 2008 Bulletin, is retired. Servicers must no longer solicit Borrowers for a modification under the SMP and instead must evaluate Borrower eligibility for a modification under the Program.

Background

On March 4, 2009, the administration announced the Making Home Affordable Program, designed to address the crisis in the housing market. A key component of that program is the new Home Affordable Modification Program, which provides consistent guidelines for modifications for Mortgages owned or guaranteed by Freddie Mac and Fannie Mae, as well as other financial institutions receiving assistance under the Financial Stability Plan. The goal of the Program is to help troubled Borrowers who, due to hardship, have either defaulted on their Mortgages or whose default is imminent, and to help stabilize neighborhoods and communities that are being severely impacted by declining home values and an increasing number of foreclosures.

Borrowers who are current or less than 31 days delinquent must first be evaluated for the Freddie Mac Relief Refinance MortgageSM offering announced in Guide Bulletin 2009-5, dated March 4, 2009. If the Servicer determines that the Borrower is not eligible for that offering, then the Servicer should evaluate the Borrower's eligibility for a modification under the Program.

The key features of the Program include:

- Allowing delinquent Borrowers and Borrowers who are less than 31 days past due or current on their Mortgage, but whose default is imminent, one opportunity to qualify for a modification under the Program
- Solving for a target monthly mortgage payment that is as close as possible to, but not less than, 31% of the Borrower's gross monthly income
- Calculation of a monthly total debt payment-to-income ratio and requiring Borrowers to obtain counseling from a Department of Housing and Urban Development-approved counseling agency if the ratio is equal to or greater than 55%
- A Trial Period, or forbearance plan, under which the Borrower will be required to make three monthly payments at the estimated modified payment amount as a precondition of the modification
- Incentives to Servicers for completed modifications under the Program, an additional incentive for successful modifications for current Borrowers whose default is imminent, and additional "pay for success" incentives for up to three years if the Borrower continues to perform under the modified Mortgage
- Incentives for Borrowers who remain current on the modified Mortgage in the form of a principal reduction of up to \$1,000 per year for five years if the Borrower continues to perform under the modified Mortgage.

We will provide further details regarding payment of the "pay for success" incentives and how to implement the Borrower incentives in a subsequent announcement.

Another feature of the Program is the use of a net present value (NPV) test for each Mortgage. The NPV test will be used to determine Program eligibility and the economic cost of modifying a Mortgage under the Program. At this time, the NPV test is still in development and will be distributed to Servicers at a later date.

Mortgages that are modified under this Program will not be eligible to be modified again under the Program. In this situation, Servicers should seek other Freddie Mac loss mitigation alternatives.

Program documentation

The documentation and forms developed for use with the Program are identified in Guide Section C65.2 and will be available on our web site at

http://www.freddiemac.com/singlefamily/service/mha_modification.html, with the exception of the Uniform Instruments (Form 3156, *Workout Plan*, and Form 3157, *Modification Agreement*), which will be available on the Freddie Mac Uniform Instrument web site (**<http://www.freddiemac.com/uniform/>**) with our other Special Purpose Instruments. We will notify Servicers when the documents and forms are available.

Servicers must use the Uniform Instruments for each Borrower to whom a modification offer is being made. Permitted changes to the Workout Plan and Modification Agreement may be found in Section C65.7(e). Servicers are strongly encouraged to use the other Program documents provided.

SERVICING REQUIREMENTS

Home Affordable Modification Program

Eligibility, processing, underwriting and other requirements for the Program have been added to the Guide in new Chapter C65, *Home Affordable Modification Program*. Section C65.10 also applies to all Mortgages for which there has been a partial principal forbearance, including Mortgages modified under the SMP. Chapter C65 is also attached to this Bulletin as [Exhibit A](#).

In addition, the requirements of Section C65.11, *Program activity reporting requirements*, also apply to Mortgages modified under the SMP.

Retiring the Streamlined Modification Program

As announced in the March 4, 2009 Single-Family Advisory e-mail, the SMP is retired. Servicers must no longer solicit Borrowers for a modification under the SMP and instead must evaluate Borrower eligibility for a modification under the Program.

We are providing the following instructions to Servicers with respect to Mortgages in the SMP Trial Period or Mortgages for which a solicitation offer or Workout Plan has been sent to a Borrower:

- If a Borrower who was solicited or in contact with the Servicer regarding the SMP or any other workout arrangement expresses an interest in pursuing a modification under this new Program, the Servicer must automatically consider the Borrower for a modification under the Program
- If a Borrower has not yet responded to an SMP modification offer, the Servicer must solicit the Borrower for a modification under the Program
- If the Borrower contacts the Servicer to request a modification under the Program and is in the SMP Trial Period, then the Servicer must:
 - Re-qualify the Borrower under the Program pursuant to all the requirements specified in Chapter C65
 - Restart the Trial Period if the Borrower is eligible to enter into a Workout Plan under the Program

Any Mortgage originally underwritten under the SMP, but subsequently modified under the Program as provided above, will be eligible for the Servicer and Borrower incentives under the Program.

Borrower Qualification Worksheet

Freddie Mac is developing a Borrower Qualification Worksheet, which we will make available to Servicers on our web site at a later date. Servicers must use the Worksheet (as if the Worksheet was included in Exhibit 88, *Servicing Tools*) to qualify Borrowers under the Program, calculate the target monthly mortgage payment and identify the viable modification scenarios under the Program. Until the Worksheet is available, Servicers must solicit delinquent Borrowers and begin preliminary Borrower qualification in accordance with Chapter C65.

Servicers are responsible for the accuracy of all data entered into the Worksheet and ensuring that all data is entered accurately.

Foreclosure sale suspensions for Borrowers under consideration for a Freddie Mac foreclosure alternative

As announced on March 4, 2009, Servicers should suspend foreclosure sales on owner-occupied properties where the Borrower may be eligible for a modification under the Program.

For Mortgages eligible for the Program, the Servicer must not complete foreclosure sales until the Servicer has completed efforts to contact the Borrower and has determined that either (i) the Borrower is unresponsive or (ii) the Borrower does not have the capacity or willingness to participate in the Program or any other Freddie Mac workout program.

For Mortgages that are ineligible for the Program, Servicers must determine on a case-by-case basis whether additional foreclosure relief should be extended to allow time for another alternative to foreclosure to be completed or whether the Servicer should proceed with the foreclosure sale. Servicers are not required to seek approval from Freddie Mac to proceed with foreclosure sales after March 6, 2009, if the Servicer has determined that a successful alternative to foreclosure is not possible.

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 the Program 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