Bulletin

NUMBER: 2010-1

TO: All Freddie Mac Servicers January 26, 2010

SUBJECTS

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

- Announcing the following changes to the **Home Affordable Modification Program (HAMP)**:
  - Introducing Freddie Mac's Imminent Default Indicator™, a new HAMP servicing tool that Servicers must use as part of the imminent default evaluation, and revising our requirements for determining imminent default:
    - To require that Borrowers who are current or less than 60 days delinquent be evaluated for imminent default before being considered for a HAMP Trial Period Plan
    - To provide revised imminent default evaluation and process requirements
    - To provide additional guidance with respect to the income documentation and verification requirements for Borrowers who must be evaluated for imminent default
  - Providing additional requirements on the implementation of the HAMP 2009-2010 Conversion Campaign ("Conversion Campaign") frequently asked question (FAQ) #1222-01
  - Reminding Servicers that they must implement and comply with the requirements of the critical, permanent HAMP waiver announced by the United States Department of the Treasury ("Treasury") on **December 16, 2009**, with respect to the elimination of the 25% Trial Period restart rule
  - Reminding Servicers that they must comply with the requirements of Supplemental Directive 09-10, *Temporary Review Period for Active Trial Modifications Scheduled to Expire on or before January 31, 2010* ("SD 09-10"), announced by Treasury on **December 23, 2009**
- Announcing the revision of our Servicing requirements on **all Mortgages being modified** to eliminate the requirement for Servicers to obtain a subordination agreement from any junior lienholders unless the title insurer requires it to issue a title endorsement. This change is applicable to modifications completed under Guide Chapter C65, *Home Affordable Modification Program,* or Chapter B65, *Workout Options*.

EFFECTIVE DATES

All changes included in this Bulletin are effective immediately except as otherwise noted.

IMMINENT DEFAULT

With Bulletin 2009-10 (Home Affordable Modification Program), we provided Servicers with the criteria for determining whether a Borrower is in imminent default, which include a manual calculation of the Borrower's Debt Coverage Ratio ("DCR Ratio") and a Cash Reserves test.

With this Bulletin, we are making several changes to our requirements for determining imminent default, including:

- Mandating the use of Imminent Default Indicator
- Requiring that Borrowers who are current or less than 60 days delinquent be evaluated for imminent default before being considered for a HAMP Trial Period Plan
- Providing new imminent default evaluation and process requirements, eliminating the existing DCR Ratio test, and revising the Cash Reserves requirements

The complete revised imminent default requirements are described in Attachment A, *Determining Imminent Default Under Single-Family Seller/Servicer Guide Section C65.4,* attached to, and made a part of, this Bulletin. Effective for new imminent default evaluations conducted on or after **March 1, 2010**, Servicers should only look to the requirements in Attachment A.

Imminent Default Indicator

Overview

Imminent Default Indicator is a new Freddie Mac HAMP servicing tool that uses statistical models and economic data in conjunction with specific data elements submitted by the Servicer to help determine whether a Borrower of a Freddie Mac Mortgage is in imminent default. Imminent Default Indicator must be used as part of any new imminent default evaluation conducted on or after **March 1, 2010**.

When used in accordance with the requirements of this Bulletin, Imminent Default Indicator is designed to:

- Provide a consistent and standard approach to evaluating whether Borrowers with Cash Reserves below the threshold are in imminent default
- Help Servicers perform their due diligence to better assess a distinct Borrower risk profile
- Assist Servicers with determining whether a key segment of the market is eligible for HAMP consideration: Borrowers who are likely to lose their property and yet are either current on their Mortgage but are having difficulty making their payments or who have already missed one payment

Access to and use of Imminent Default Indicator

Once available, Imminent Default Indicator will be accessible from Freddie Mac's Servicing Technology Tools web site at **http://www.freddiemac.com/singlefamily/service/tools.html**. Servicers must access Imminent Default Indicator using their existing Workout Prospector® user ID and password. An updated version of the Imminent Default Indicator Technical Specifications is available on our HAMP web site.

An Imminent Default Indicator users' guide will soon be available on our HAMP web site. The users' guide will provide instructions on data elements and file formats, uploading an input file, downloading the output file and understanding error messages.

License Agreement

With this Bulletin, we are adding new Exhibit 90, *Imminent Default Indicator™ License Agreement*, to the Guide. Servicers using Imminent Default Indicator are deemed to be bound by all of the provisions of Exhibit 90 to the same degree as if they had signed such agreement as a "Licensee."

Imminent default evaluation for Borrowers who are current or less than 60 days delinquent

Currently, Borrowers who are current or less than 31 days delinquent must be determined to be in imminent default before being considered for a HAMP Trial Period Plan. Effective **March 1, 2010**, Borrowers who are **current or less than 60 days delinquent** must be determined to be in imminent default before being considered for a HAMP Trial Period Plan. An imminent default evaluation is necessary when the status of the Mortgage is current or less than 60 days delinquent as of the date the Servicer performs the initial evaluation of the Borrower's financial condition using the Cash Reserves test and the Imminent Default Indicator test as described below.

This change does not affect our requirement that Servicers must solicit Borrowers who are 31 days or more delinquent for a modification under HAMP. However, if a Borrower who is between 31 and 59 days, inclusive, delinquent responds to a solicitation, the Servicer must determine that the Borrower is in imminent default before considering the Borrower for a HAMP Trial Period Plan. As a reminder, pursuant to Guide Section C65.5:

- Borrowers who are current or less than 31 days delinquent and contact the Servicer to inquire about HAMP eligibility must first be evaluated for eligibility for a Freddie Mac Relief Refinance Mortgage℠ (refer to Chapter A24, *Freddie Mac Relief Refinance Mortgages – Same Servicer*)
- Servicers may not solicit a Borrower who is current or less than 31 days delinquent for a modification under HAMP

The standards for determining "imminent default" for purposes of HAMP eligibility under Chapter C65 do not alter the definition of "default" under the Mortgage documents.

Revised imminent default evaluation requirements and process

General requirements

A Servicer may only make a determination of imminent default based on verified information documented in accordance with Attachment A, and may not offer a Borrower who is current or less than 60 days delinquent a HAMP Trial Period Plan based on stated income. Until the Servicer has verified eligibility based on its receipt and review of all required income and other documentation in accordance with Chapter C65, as amended by Bulletins 2009-26, 2009-28 and Attachment A, the Servicer may not send the Borrower any of the following approval documents:

- Form 1117, *Home Affordable Modification Program Trial Period Plan Notice (Verified Income)*
- HAMP approval letter pursuant to the Servicer Response requirements of Supplemental Directive 09-07, *Home Affordable Modification Program – Streamlined Borrower Evaluation Process* ("SD 09-07"), announced by Treasury on October 8, 2009
- Form 3157, *Home Affordable Modification Agreement*

Revised imminent default evaluation process

The revised imminent default evaluation process is as follows:

- **Cash Reserves test** – The Servicer must verify that the Borrower has less than $25,000 in Cash Reserves before continuing with the imminent default evaluation. If the Borrower's Cash Reserves are equal to or greater than $25,000, then the Borrower is not in imminent default.
- **Imminent Default Indicator test** – Once the Servicer has determined that the Borrower's Cash Reserves are less than $25,000, the Servicer must continue the imminent default evaluation using Imminent Default Indicator. If the Imminent Default Indicator result equals "1," then the Servicer's imminent default evaluation of the Borrower is complete and the Servicer must proceed to evaluate the Borrower for a modification under HAMP in accordance with the requirements of Chapter C65. If the Imminent Default Indicator result equals "2," then the Servicer must proceed to the third test (i.e., the Imminent Default Hardship test) to determine if the hardship that the Borrower is experiencing qualifies as one of the specific Imminent Default Hardships. A Servicer **may not** skip the Imminent Default Indicator evaluation of the Borrower and proceed straight to the Imminent Default Hardship test as part of the evaluation.
- **Imminent Default Hardship test** – When the Borrower's Cash Reserves are less than $25,000 and the Imminent Default Indicator result is "2," the Servicer must validate whether the Borrower is experiencing a specific type of HAMP hardship that occurred after the Mortgage was originated, which currently causes, and is expected to continue to cause, a long-term or permanent decrease in income or an increase in expenses ("Imminent Default Hardship"). An Imminent Default Hardship must be one of the following:
  - Death of the Borrower or co-Borrower;

- Long-term or permanent disability or illness of the Borrower or co-Borrower or dependent family member (in accordance with the Internal Revenue Service's definition of dependent);
- Divorce or legally-documented separation of the Borrower and co-Borrower;
- Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law

If a Borrower who is current or less than 60 days delinquent does not meet the requirements of the sequential imminent default evaluation described above, then he or she is not in imminent default and is ineligible for a modification under HAMP. In this case, the Servicer must consider the Borrower for other alternatives to foreclosure as offered under the Guide.

Refer to **Attachment A, *Determining Imminent Default Under Single-Family Seller/Servicer Guide Section C65.4,*** for the complete requirements for evaluating a Borrower for imminent default.

As a reminder, for new HAMP evaluations conducted on and after **March 1, 2010**, Servicers may no longer use Form 1126, *Borrower Financial Information,* when it is received after March 1, 2010 to collect a Borrower's financial information in lieu of the Form 1114, *Making Home Affordable Program Request for Modification and Affidavit* ("RMA").

Effective date of revised imminent default evaluation and process requirements

The revised requirements described above are effective for all new imminent default evaluations conducted on and after **March 1, 2010**. If a Borrower was determined to be in imminent default based on stated income and using the DCR Ratio and Cash Reserves test prior to March 1, 2010, then the Servicer must reevaluate the Borrower using the same imminent default test used for the initial HAMP evaluation once income documentation is received and verified. Servicers must continue to process Borrowers who were 31-59 days delinquent and determined to be eligible for HAMP prior to March 1, 2010, under the eligibility requirements in effect at the time of the initial evaluation.

Submitting data into Workout Prospector®

As a reminder, when submitting data into Workout Prospector for any Mortgage being evaluated for HAMP, Servicers must ensure that the evaluation date in Workout Prospector accurately reflects the date of the initial evaluation of the Mortgage. Beginning with new evaluations on or after **March 1, 2010**, Servicers must also enter the Imminent Default Indicator result and the Imminent Default Hardship reason, if applicable, into Workout Prospector.

Income documentation and verification requirements for imminent default

In Bulletin 2009-28, Freddie Mac announced changes to the income documentation and verification requirements for imminent default evaluations that became effective immediately. With this Bulletin, we are announcing additional guidance for the income documentation requirements for Borrowers who must first be evaluated for imminent default.

In addition to the income documentation and verification requirements provided in Bulletin 2009-28, effective **March 1, 2010**, Servicers must also use the income documentation and verification requirements provided in SD 09-07 for Borrowers who are current or less than 60 days delinquent, subject to the following exceptions:

- **Unemployment benefits -** For purposes of evaluating a Borrower for imminent default only, a Servicer **may not** include unemployment income in the calculation of the Borrower's monthly gross income when calculating the total monthly debt payment-to-income ratio for input into Imminent Default Indicator; however, the Servicer must consider unemployment income, in accordance with SD 09-07, when calculating the Borrower's Target Payment.
- **Verification of passive and non-wage income -** The 20% threshold for passive and non-wage income provided in SD 09-07 **does not** apply when evaluating a Borrower for imminent default.

Refer to Attachment A, *Determining Imminent Default Under Single-Family Seller/Servicer Guide Section C65.4,* for complete requirements related to the income documentation and verification requirements for Borrowers who must first be evaluated for imminent default.

REQUIREMENTS SPECIFIC TO CONVERSION CAMPAIGN FAQ #1222-01

Conversion Campaign FAQ #1222-01 requires Servicers to modify certain eligible Borrowers retroactively to the date they should have been modified subject to investor restrictions and to undertake, among other steps to effect the modification, the following:

> "any payments made by the borrower after the Modification Effective Date until the time of conversion should be applied retroactively in accordance with the modified terms; however, any shortfalls between the actual payments made by the borrower after the Modification Effective Date (including any missed payments) and payments that are due under the modified terms until the time of conversion, must be advanced by the servicer, capitalized and deferred as a non-interest bearing amount, that is due and payable by the borrower at the time of payoff, maturity or transfer. The servicer may collect this amount subject to the restrictions as the investor may establish including, but not limited to, restrictions on collecting this amount in the event of a short payoff or other disposition of the loan."

With respect to amounts that Servicers are required to advance to Freddie Mac for any shortfalls, Freddie Mac is imposing the following additional requirements on the Servicer's collection of the amount advanced for shortfalls under this Conversion Campaign FAQ #1222-01:

- Amounts advanced for shortfalls may only be collected from the Borrower in connection with a full payoff of the Mortgage. Freddie Mac may impose additional restrictions on collection of this amount.
- A Servicer may not collect amounts advanced for shortfalls in the event Freddie Mac approves a short sale, short payoff or charge-off of the Mortgage or otherwise disposes of the Mortgage

In addition, Servicers must maintain such amounts advanced for shortfalls and deferred as non-interesting bearing amounts in an account that is separate from any amounts deferred as a result of a partial principal forbearance. Servicers must not include such amounts in the Servicer's monthly loan-level reporting to Freddie Mac, nor collect such amounts by increasing the unpaid principal balance via a negative principal reduction transaction.

CRITICAL PERMANENT HAMP PROGRAM WAIVER

Supplemental Directive 09-01 ("SD 09-01"), announced by Treasury on April 6, 2009, required Borrowers to be reevaluated for a HAMP Trial Period if their verified income, evidenced by documentation, exceeded the initial income information used by the Servicer to place the Borrower in a Trial Period by more than 25%. If the reevaluation determined that the Borrower was still eligible for a modification under HAMP, a restart of the Trial Period would have been required.

On December 16, 2009, Treasury issued a permanent waiver that provided that a Servicer should no longer require a Borrower to **restart the Trial Period** in cases where the Borrower's verified income exceeds the initial stated income by more than 25%. Such Borrowers may continue on their existing Trial Period Plans, provided the Servicer determines that the Borrower remains eligible for HAMP based on a review of verified income information and documentation. The Borrower's Trial Period payments would not be adjusted; however, the permanent modification terms must be based on the Borrower's higher verified income.

Servicers must implement this waiver when determining continued eligibility upon receipt of income documentation. With respect to Borrowers in existing Trial Periods based on stated income, Servicers may not require a restart of the Trial Period upon verification of income. Further, for Borrowers who previously have been required to restart a Trial Period, Servicers **may, but are not required to**, apply this waiver retroactively.

Workout Prospector will be updated in the near future to incorporate this waiver. In the interim, Servicers must follow the process communicated in our Single-Family Advisory e-mail dated December 16, 2009.

SUPPLEMENTAL DIRECTIVE 09-10

On December 23, 2009, Treasury announced SD 09-10, *Temporary Review Period for Active Trial Modifications Scheduled to Expire on or Before January 31, 2010,* which established a temporary review period for all active Trial Period Plans scheduled to expire on or before **January 31, 2010**. The review period provides Servicers with additional time to process the large volume of Mortgages in active Trial Periods and remain focused on converting Trial Period Plans into permanent HAMP modifications. During the review period, Servicers must continue to work to make eligibility determinations; however, they may not cancel an active HAMP Trial Period Plan during this time for any reason other than failure to meet the HAMP property eligibility requirements.

As announced in our Single-Family Advisory e-mail on December 23, 2009, Freddie Mac Servicers must comply with the requirements of this Supplemental Directive that became immediately effective on December 23, 2009, when servicing Mortgages for Freddie Mac. Servicers should refer to SD 09-10 for complete requirements and additional information with respect to this temporary review period.

OBTAINING SUBORDINATION AGREEMENTS ON MODIFIED MORTGAGES

We are revising our loan modification requirements on **all Mortgages being modified** to eliminate the requirement for Servicers to obtain a subordination agreement from any junior lienholders unless the title insurer requires a subordination agreement. This change applies to modifications completed under Chapter C65 or Chapter B65.

Servicers are reminded that they must follow all other requirements of Chapter C65 or Chapter B65 as modified by this Bulletin and Bulletin 2009-28 to ensure that the modified Mortgage retains First Lien position.

BULLETIN ATTACHMENTS

Attachment A, *Determining Imminent Default Under Single-Family Seller/Servicer Guide Section C65.4,* has been published with this Bulletin and contains additional HAMP requirements.

GUIDE REVISIONS

Chapters B65, C65, Exhibit 88 and other applicable Guide sections will be updated in a future Bulletin to reflect these changes. The Guide has been updated to include new Exhibit 90.

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,

Patricia J. McClung
Vice President
Offerings Management

Determining Imminent Default Under *Single-Family Seller/Servicer Guide* Section C65.4

Effective for all new imminent default evaluations on or after March 1, 2010

(a) Overview

Borrowers who are current or less than 60 days delinquent that claim an eligible Home Affordable Modification Program (HAMP) hardship, and that otherwise appear to meet the eligibility criteria for HAMP pursuant to *Single-Family Seller/Servicer Guide* ("Guide") Chapter C65, must first be determined to be in imminent default in accordance with this Attachment A before being considered for a HAMP Trial Period Plan.

An imminent default evaluation is necessary when the status of the Mortgage is current or less than 60 days delinquent, as of the date the Servicer performs the initial evaluation of the Borrower's financial condition using the Cash Reserves test and the Imminent Default Indicator™ test as described below. The Servicer must rely on the same Mortgage status used to initiate the imminent default evaluation to complete the imminent default determination process, regardless of whether the Borrower becomes 60 days or more delinquent during the course of the process.

Borrowers who were evaluated for imminent default and preliminarily determined to be eligible to receive a stated income Trial Period Plan offer prior to March 1, 2010, should continue to be evaluated under the imminent default requirements in effect at the time of the initial imminent default evaluation upon receipt of income and other required documentation.

Pursuant to Guide Section C65.5, Servicers may not solicit Borrowers who are current or less than 31 days delinquent for a modification under HAMP. Such Borrowers must contact Servicers to specifically request a modification and must first be screened for a Freddie Mac Relief Refinance Mortgage℠ (refer to Chapter A24, *Freddie Mac Relief Refinance Mortgages – Same Servicer*). If the Borrower is not eligible for a Freddie Mac Relief Refinance Mortgage, the Servicer must then determine whether the Borrower is in imminent default prior to evaluating the Borrower for a HAMP Trial Period Plan.

In the process of making a determination of imminent default, the Servicer must evaluate the Borrower's financial condition in light of the Borrower's hardship and inquire about any circumstances affecting the property securing the Mortgage. The Borrower must identify the hardship type and detail the circumstances of the hardship on the signed and completed MHA Making Home Affordable Program Request for Modification and Affidavit ("RMA"). If the Servicer determines, based on a review of the documentation, that the Borrower has not experienced a hardship, then the Borrower is not eligible for modification under HAMP.

A Borrower who is current or less than 60 days delinquent at the time of the Servicer's initial evaluation is in imminent default if:

- The Borrower's Cash Reserves are less than $25,000 ***and*** the Borrower's Imminent Default Indicator result is "1"; **or**
- The Borrower's Cash Reserves are less than $25,000, the Borrower's Imminent Default Indicator result is "2," and the Borrower can document an imminent default hardship that occurred after the Mortgage was originated and is currently causing, and is expected to continue to cause, a long-term or permanent decrease in income or an increase in expenses ("Imminent Default Hardship"). An Imminent Default Hardship must be one of the following:

- ❑ Death of the Borrower or co-Borrower;
- ❑ Long-term or permanent disability or illness of the Borrower or co-Borrower or dependent family member (in accordance with the Internal Revenue Service's (IRS) definition of dependent);
- ❑ Divorce or legally-documented separation of the Borrower and co-Borrower;
- ❑ Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law

(Note: The standards for determining "imminent default" for purposes of HAMP eligibility under Chapter C65 do not alter the definition of "default" under the Mortgage documents.)

(b) Income, asset and Imminent Default Hardship documentation and verification

1. General Requirements

A Servicer may only make a determination of imminent default based on verified information documented in accordance with this Attachment A and may not offer a Borrower who is current or less than 60 days delinquent a HAMP Trial Period Plan based on stated income. Until the Servicer has verified eligibility based on its receipt and review of all required income and other documentation in accordance with Chapter C65 as amended by Bulletins 2009-26, 2009-28 and this Attachment A, the Servicer may not send the Borrower any of the following approval documents:

- ■ Form 1117, *Home Affordable Modification Program Trial Period Plan Notice (Verified Income)*
- ■ HAMP approval letter pursuant to the Servicer Response requirements of Supplemental Directive 09-07, *Streamlined Borrower Evaluation Process* ("SD 09-07")
- ■ Form 3157, *Home Affordable Modification Agreement*

2. Documentation and verification

Servicers must obtain the Borrower's most recently filed signed federal income tax return or a tax transcript by processing the IRS Form 4506-T, *Request for Transcript of Tax Return* or IRS Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript* ("tax transcript"), which must include information, if any, from all schedules and forms. If a Borrower submits an unsigned tax return, evidence of an electronically filed tax return is considered acceptable to satisfy this requirement; otherwise, the Borrower must sign the tax return.

In order to evaluate a Borrower who is current or less than 60 days delinquent for imminent default, the Servicer must, at a minimum, obtain income documentation and a credit report to verify debt expenses pursuant to SD 09-07, with the following exceptions, before sending the Borrower a Trial Period Plan Notice:

- ■ **Unemployment benefits -** For purposes of evaluating a Borrower for imminent default only, a Servicer **may not** include unemployment income in the calculation of the Borrower's monthly gross income when calculating the total monthly debt payment-to-income ratio for input into Imminent Default Indicator; however, the Servicer must consider unemployment income, in accordance with SD 09-07, when calculating the Borrower's Target Payment.
- ■ **Verification of passive and non-wage income -** The 20% threshold for passive and non-wage income provided in SD 09-07 does not apply when evaluating a Borrower for imminent default.

3. Imminent Default Hardship documentation

In situations where the Borrower must demonstrate an Imminent Default Hardship, as described below, all documentation supporting the Imminent Default Hardship must be submitted before the Borrower can be determined to be in imminent default.

4. Verification of income and assets; resolution of inconsistencies

Servicers must review all required documentation submitted by the Borrower and compare information contained in that documentation to the information in the tax return or tax transcript to identify any inconsistencies. If there are inconsistencies, the Servicer must obtain from the Borrower any other documentation necessary to reconcile the inconsistencies. If the inconsistencies cannot be reconciled, the Borrower cannot be considered in imminent default and is therefore ineligible for a modification under HAMP under these circumstances. (See item (c) of this Attachment A for additional information on verifying Cash Reserves.)

(c) Cash Reserves test

The Servicer must complete an evaluation of the Borrower's Cash Reserves in accordance with the requirements of this Attachment A. The Borrower **must** have Cash Reserves of less than $25,000 to be further evaluated for imminent default. If the Borrower has Cash Reserves equal to or greater than $25,000, then the Borrower is not in imminent default and therefore ineligible for a modification under HAMP.

1. Definition of Cash Reserves

For purposes of this Attachment A, Cash Reserves are defined as follows:

Cash Reserves: Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board Of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k, 403b, 457, IRA or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

2. Calculating and verifying Cash Reserves

The Servicer must calculate and verify the Borrower's Cash Reserves in accordance with the following requirements:

- The Servicer must determine that all of the Borrower(s) Cash Reserves have been accounted for on the RMA and verified.
- In verifying and making the determination that all Cash Reserves have been accounted for, Servicers must review the Borrower's federal income tax return or tax transcript, including information from applicable schedules (i.e., Schedules B - *Interest & Ordinary Dividends*, D - *Capital Gains & Losses*, E - *Supplemental Income & Loss*) and all other available information provided by the Borrower to determine if the asset information stated on the RMA is reasonably consistent with information available from the tax return or tax transcript, or other information. The Servicer must ensure that the Borrower's disclosure of assets is consistent with the interest, dividend income or gain/loss information reflected in the tax return information.

  If, upon reviewing the Borrower's tax return or tax transcript, the Servicer observes interest, dividend income or gains/losses that, in total, could not be reasonably produced by the Borrower's disclosed reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on the RMA, the Servicer must reconcile the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency. The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc).

- If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled with the Borrower, or the required Cash Reserves documentation cannot be obtained from the Borrower, the Borrower cannot be considered in imminent default and is therefore ineligible for a modification under HAMP under these circumstances.

Based on the Cash Reserves test, if the Servicer determines that the Borrower has Cash Reserves greater than or equal to $25,000, the Borrower is not in imminent default and the Servicer may evaluate the Borrower for other available loss mitigation alternatives if the Servicer, based on Freddie Mac's guidelines, determines that the circumstances warrant further consideration.

If the Servicer determines the Borrower has Cash Reserves of less than $25,000, the Servicer must next evaluate the Borrower using Imminent Default Indicator.

(d) Freddie Mac Imminent Default Indicator test

If the Servicer makes a preliminary determination that a Borrower who is current or less than 60 days delinquent has a hardship, is otherwise eligible for evaluation under HAMP, and has Cash Reserves of less than $25,000, the Servicer must evaluate the Borrower for imminent default using Freddie Mac's Imminent Default Indicator.

Imminent Default Indicator requires the submission of a specific set of data elements in order to return a result. Three of the specific data elements that the Servicer must input into Imminent Default Indicator include the Fair, Isaac and Co. (FICO) score, the Borrower's total monthly debt payment-to-income ratio and the property value. These data elements must be determined in accordance with the requirements below.

Imminent Default Credit Score

Servicers must choose one FICO score that is adequately indicative of the credit reputations of all Borrowers currently on the Mortgage. This score, referred to as the "Imminent Default Credit Score," will be input into Imminent Default Indicator and must be obtained and determined in accordance with the requirements below:

1. Obtaining FICO scores for each Borrower

- The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:
  - ❑ Equifax Credit Information Services
  - ❑ Experian Information Systems and Services
  - ❑ TransUnion Credit Information Company

- It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer still is unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as detailed below. If a FICO score is not available for any Borrower on the loan, then Imminent Default Indicator may not be used to evaluate the Borrower. In such instances, the Servicer must (i) maintain documentation in the Mortgage file that demonstrates the Servicer’s attempts to obtain FICO scores from all three credit repositories on all Borrowers, and (ii) proceed to the Imminent Default Hardship test below to determine if an Imminent Default Hardship exists.
- The Borrower’s FICO score must be less than 90 days old on the date the Servicer performs the Imminent Default Indicator test.

2. Determining the Imminent Default Credit Score

The Servicer must identify the Imminent Default Credit Score to be input into Imminent Default Indicator as described below:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656, 640, the single FICO score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.
- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is the score that is input into Imminent Default Indicator as the Imminent Default Credit Score.
- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers’ single scores (Note: Whichever method is used, the lowest or the average, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws). This score is the Imminent Default Credit Score that must be input into Imminent Default Indicator.

Monthly debt payment-to-income ratio for Imminent Default Indicator

The monthly debt payment-to-income ratio the Servicer inputs into Imminent Default Indicator is calculated by dividing the Borrower(s) total monthly debt payments, determined, verified and documented in accordance with Section C65.6, by the Borrower(s) total monthly gross income, determined, verified and documented as described above. (See item (b) of this Attachment A “Income, asset and Imminent Default Hardship documentation and verification.”)

Property value

The current property value that the Servicer must input into Imminent Default Indicator is the property value obtained in accordance with Section C65.6, as amended by Bulletin 2009-28. The property value must be less than 90 days old on the date the Servicer performs the **initial** Treasury

NPV test when qualifying the Borrower for a HAMP Trial Period Plan offer. Therefore, a Servicer must ensure that the property value input into Imminent Default Indicator does not subsequently become more than 90 days old by the time the Servicer completes the initial evaluation of the Borrower using the Treasury NPV Model. Servicers may not update the property valuation during the remainder of the Trial Period for any subsequent NPV evaluation.

Imminent Default Indicator results

Freddie Mac will provide Servicers with an output file with an Imminent Default Indicator result.

- If the Imminent Default Indicator result equals "1" and Cash Reserves are less than $25,000, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a modification under HAMP and no further analysis is required by the Servicer to determine imminent default.
- If the Imminent Default Indicator result equals "2" and Cash Reserves are less than $25,000, the Servicer must further evaluate the Borrower using the Imminent Default Hardship test below to determine the Borrower's likelihood of imminent default.

(e) Imminent Default Hardship test

If the Borrower's Cash Reserves are less than $25,000 and the Imminent Default Indicator result equals "2," the Borrower is in imminent default if the Borrower can document that an Imminent Default Hardship occurred since the current Mortgage was originated based on the requirements specified below. The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

An Imminent Default Hardship must be one of the following:

- Death of the Borrower or co-Borrower;
- Long-term or permanent disability or illness of the Borrower or co-Borrower or dependent family member (in accordance with the IRS's definition of dependent);
- Legally documented divorce or separation of the Borrower and co-Borrower;
- Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law

Required Documentation for an Imminent Default Hardship

One or more of the following documents is required to verify each of the following hardship events:

Imminent Default Hardship Event	Documentation for verification of event
Death of Borrower/Co-Borrower	▪ Death certificate; ***or*** ▪ Obituary or newspaper article reporting the death; ***and*** ▪ Income documentation prior to the event compared to income documentation of the remaining Borrower after the event

Imminent Default Hardship Event	Documentation for verification of event
Long term or permanent disability or illness of Borrower/Co-Borrower or dependent family member	▪ Doctor's certificate of illness or disability; ***and*** ▪ Medical bills; ***or*** ▪ Proof of monthly insurance benefits or government assistance (if applicable); ***or*** ▪ Tax return showing medical deductions above minimum for itemized deductions
Divorce or legally-documented separation of Borrower/Co-Borrower	▪ Divorce decree signed by the court; ***or*** ▪ Current credit report evidencing recorded divorce decree; ***or*** ▪ Separation agreement signed by the court if separation is legally documented by the court; ***or*** ▪ Current credit report evidencing recorded separation agreement; ***and*** ▪ Income or expense documentation prior to the event compared to the income or expense documentation of the remaining Borrower after the event
Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law	▪ Recorded quit claim deed evidencing that the non-occupying Borrower or Co-Borrower has relinquished all rights to the property; ***and*** ▪ Income or expense documentation prior to the event compared to income or expense documentation of the remaining Borrower after the event

If the Imminent Default Hardship documentation confirms that the hardship is an Imminent Default Hardship and the Borrower's Cash Reserves are less than $25,000, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a HAMP Trial Period Plan and no further analysis is required by the Servicer to determine imminent default.

Based on the Imminent Default Hardship evaluation, if the Servicer determines that the Borrower is not in imminent default, the Servicer may evaluate the Borrower for other available loss mitigation alternatives if the Servicer, based on Freddie Mac's guidelines, determines that the circumstances warrant further consideration.

(f) General requirements and information

- If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the underwriting requirements outlined in Section C65.6 to determine if the Borrower qualifies for a HAMP modification.

- The Servicer must comply with all applicable federal, State and local laws when qualifying the Borrower for imminent default or otherwise determining eligibility, including, but not limited to, those laws identified in Section C65.13.
- Servicers must use Imminent Default Indicator, a HAMP servicing tool, subject to the requirements of the Guide (as if Imminent Default Indicator was included in Exhibit 88, *Servicing Tools)*, to evaluate a Borrower who is current or less than 60 days delinquent for imminent default pursuant to the requirements of this Attachment A, and may not use Imminent Default Indicator for any other purpose.

  Imminent Default Indicator will be accessible from Freddie Mac's Servicing Technology Tools web site at **http://www.freddiemac.com/singlefamily/service/tools.html**. Servicers must access Imminent Default Indicator using their existing Workout Prospector user ID and password.

  Imminent Default Indicator requires the submission of specific data elements in order to return a result. The Servicer must ensure that all data input into Imminent Default Indicator is true, complete and accurate and that all data is entered correctly.

  An Imminent Default Indicator users' guide will be available on our web site at **http://www.freddiemac.com/singlefamily/service/mha_modification.html**. The users' guide will describe the data elements and file format requirements for scoring loans, in addition to providing detailed instructions for uploading an input file, downloading the output file and understanding error messages that may be received.
- When using Imminent Default Indicator, Servicers are deemed to be bound by all of the provisions of Exhibit 90, *Imminent Default Indicator™ License Agreement* to the same degree as if they had signed such agreement as a "Licensee."
- When submitting data into Workout Prospector for any Mortgage being evaluated for HAMP, Servicers must ensure that the evaluation date in Workout Prospector accurately reflects the date of the initial evaluation of the Mortgage. Beginning with new evaluations on or after March 1, 2010, Servicers must also enter the Imminent Default Indicator result and the Imminent Default Hardship reason, if applicable, into Workout Prospector.

(g) Documenting imminent default decisions

A Servicer must document in its servicing system the basis for its determination that a Borrower is in imminent default and retain all documentation and data used to reach its conclusion. The Servicer's documentation must also include any Imminent Default Indicator input and output files and data, information on the Borrower's financial condition and the condition and circumstances of the property securing the Mortgage, pursuant to the requirements described above. (See Section C65.8(i) for additional information regarding documentation retention requirements.)