

Bulletin

NUMBER: 2010-11

TO: Freddie Mac Servicers

May 17, 2010

SUBJECTS

(This is a reissuance of Bulletin 2010-11, with a revision to the section titled “Workout Prospector®” made on May 24, 2010.)

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are announcing the following changes:

- The Freddie Mac HAMP Backup Modification (“HAMP Backup Modification”), an alternative solution to support Borrowers who were initially eligible for a Home Affordable Modification Program (HAMP) Trial Period Plan based on stated income but have been determined to be ineligible for a HAMP modification, subject to the requirements of this Bulletin
- A Cap-to-Reinstate modification option for Borrowers who are ineligible for a HAMP Backup Modification, in accordance with the requirements of this Bulletin
- A change to our HAMP requirements to permit the use of a Servicer’s proprietary form to collect the Borrower’s financial information in lieu of obtaining Form 1114, *Making Home Affordable Program Request for Modification and Affidavit* (“RMA”)

HAMP BACKUP MODIFICATION

Background

In Bulletin 2010-3, Freddie Mac provided its Servicers with requirements pertaining to the resolution of active HAMP Trial Period Plans. However, there are circumstances where Borrowers are determined to be ineligible for a HAMP modification after they have commenced the Trial Period. The HAMP Backup Modification provides Servicers with an option for those Borrowers who were initially eligible for a HAMP Trial Period Plan **based on stated income**, but are subsequently determined to be ineligible for HAMP due to underwriting or documentation requirements.

The HAMP Backup Modification option is available on a temporary basis and applies to all active stated income HAMP Trial Period Plans with a Trial Period Plan Effective Date on or before April 1, 2010. The Borrower must meet the eligibility criteria described below. Freddie Mac Servicers must evaluate each Borrower for a HAMP Backup Modification once the Servicer determines the Borrower is ineligible for HAMP.

Modifications processed as HAMP Backup Modifications must have a first modified payment due date on or before August 1, 2010, and a Servicer must submit to Freddie Mac all information and documentation required to close the modification in Freddie Mac’s systems no later than the fourth Business Day of the month in which the first modified payment is due.

Unless otherwise notified by Freddie Mac in writing, all Freddie Mac Servicers are eligible to approve a modification of a Mortgage in accordance with the requirements of this Bulletin.

Topics discussed

The following is a list of the HAMP Backup Modification topics discussed in this Bulletin:

- [Eligibility requirements](#)
- [Determining the HAMP Backup Modification terms and underwriting the Borrower](#)
- [Canceling the HAMP Trial Period Plan](#)
- [HAMP Backup Modification offer and Borrower response timeframes](#)
- [HAMP Backup Modification forms](#)
- [Documentation requirements](#)
- [Mortgage insurer \(MI\) approval/mortgage insurance](#)
- [Workout Prospector[®]](#)
- [Preparing and executing the modification agreement; closing and submitting the modification](#)
- [Late fees](#)
- [Administrative costs](#)
- [Servicer workout compensation](#)
- [Reporting requirements](#)
- [Reservation of rights to invoke remedies](#)
- [Compliance with applicable laws](#)

Eligibility requirements

Servicers must consider a HAMP Backup Modification for all Borrowers who meet the following conditions:

- The Borrower was in an active HAMP Trial Period Plan with a Trial Period Plan Effective Date on or before April 1, 2010 **based on stated income**. Borrowers with HAMP Trial Period Plans reported as cancelled prior to April 1, 2010 are ineligible. Borrowers with Trial Period Plans cancelled on or after April 1, 2010 are eligible, provided the Trial Period Plan was cancelled for one of the following reasons:
 - The Borrower's monthly housing expense-to-income ratio, based on verified income documentation, was less than 31%
 - A HAMP Target Payment that is as close as possible to, but not less than, 31% of the Borrower's gross monthly verified income could not be reached using the HAMP modification waterfall without violating the net present value (NPV) requirement or principal forbearance limits; or
 - The Borrower failed to provide all income documentation required for a HAMP modification
- The Servicer must have previously verified that the Mortgage and Mortgaged Premises met the eligibility requirements for HAMP, including the requirement that the Borrower occupies the Mortgaged Premises as his or her Primary Residence, in accordance with Guide [Chapter C65, Home Affordable Modification Program](#)
- If the Borrower failed to provide all income documentation required for a HAMP modification, the documentation that the Borrower has already provided must meet the alternative documentation requirements set forth below (see section titled "[Documentation requirements](#)"). All required documentation must have been received by the Servicer during the Trial Period.
- The Borrower has remitted all required HAMP Trial Period payments, with a minimum of three, in accordance with the HAMP Trial Period Plan. This includes any payment due during an extension of

a HAMP Trial Period and subsequent payments that may have been due while the Servicer attempted to convert the Trial Period Plan to a permanent modification.

If the Borrower is deemed ineligible for HAMP prior to remitting the three required Trial Period payments, but is determined to be eligible for a HAMP Backup Modification, the Borrower must remit an amount equal to the HAMP Trial Period payment each month subsequent to the cancellation of the HAMP Trial Period Plan until the Borrower has submitted at least three payments each equal to the Trial Period payment.

Any payment due but not received, that is not yet considered delinquent, must be submitted by the Borrower prior to execution of Form 1151, *Freddie Mac HAMP Backup Modification Agreement* (“HAMP Backup Modification Agreement”). If the Borrower is delinquent on any of these payments, the Borrower is ineligible for a HAMP Backup Modification.

- The Borrower must continue to remit an amount equal to the HAMP Trial Period payment each month subsequent to the cancellation of the HAMP Trial Period Plan, but prior to the effective date of the HAMP Backup Modification, while the Servicer is evaluating the Borrower for a HAMP Backup Modification. However, if the Servicer elects to add an interim month when preparing the HAMP Backup Modification Agreement because the Borrower remitted his or her payment after the first of the month, the Borrower is not required to remit a payment for this interim month.
- The post-modification LTV ratio must be:
 - Greater than or equal to 80%; or
 - Less than 80%, provided the Borrower’s monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower’s verified income, is not less than 20%

For purposes of calculating the LTV ratio, the loan amount is determined using the modified gross capitalized unpaid principal balance (UPB) (that is, the aggregate of the interest-bearing and any non-interest bearing amounts determined by the HAMP waterfall based on stated income, inclusive of all amounts that may be capitalized under [Chapter C65](#)). The value used to determine the post-modification LTV ratio is the Mortgaged Premises value obtained at the time the Borrower was evaluated for HAMP, in accordance with [Chapter C65](#).

If the Servicer determines that the Mortgage is not eligible for a HAMP Backup Modification because the post-modification LTV ratio would be less than 80%, and the Borrower’s monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower’s verified income, is less than 20%, then the Servicer may offer the Borrower a modification in accordance with the requirements in the section titled “[Cap to Reinstatement modification.](#)”

For all other ineligible Borrowers, the Servicer must consider the Borrower for other foreclosure alternative options and comply with all other requirements under the Guide.

Credit enhancements

Servicers may approve HAMP Backup Modifications on Mortgages with in-place credit enhancements, except for Mortgages subject to recourse or indemnification, provided that the in-place credit enhancement remains effective on and after modification. Further, if the Servicer is not the credit enhancement provider, the Servicer must first obtain any required approval in writing under the terms of the credit enhancement from the entity providing the enhancement to enter into a HAMP Backup Modification Agreement that complies with the requirements of this Bulletin (see section titled “[Mortgage Insurer \(MI\) approval/mortgage insurance](#)” for additional information).

Establishing Escrow accounts

Servicers must maintain an Escrow account for Mortgages modified as a HAMP Backup Modification and must comply with all requirements pertaining to the establishment and continued maintenance of an Escrow account pursuant to [Chapter C65](#).

Mortgages ineligible for modification under this Bulletin

The following Mortgages are not eligible for a HAMP Backup Modification:

- Mortgages in litigation involving the Mortgage, except for foreclosure proceedings
- Mortgages subject to recourse or indemnification
- Mortgages sold to Freddie Mac on a participation basis
- FHA, VA and RHS Mortgages

Determining the HAMP Backup Modification terms and underwriting the Borrower

In determining the terms of the HAMP Backup Modification Agreement, the Servicer must first determine the gross capitalized UPB of the modified Mortgage, including all amounts that may be capitalized under [Chapter C65](#). The Servicer must determine the Borrower's modification terms using the steps of the modification waterfall set forth in Guide [Section C65.6, Underwriting the Borrower](#) to the extent necessary to achieve a payment that is close to, but not less than, 31% of the Borrower's gross monthly **stated income** ("HAMP Backup Modification Target Payment").

Post-modification LTV ratio equal to or greater than 80%

If the post-modification LTV ratio of the Mortgage is equal to or greater than 80%, the Servicer is not required to perform any other underwriting of the Borrower. However, the Borrower must have provided income documentation that meets the requirements set forth below under "[Documentation requirements](#)."

Post-modification LTV ratio less than 80%

If the post-modification LTV ratio of the Mortgage is less than 80%, the Servicer must calculate the Borrower's monthly housing expense-to-income ratio using the proposed modified payment terms and the Borrower's **verified income**. If the Borrower's monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower's verified income, is not less than 20%, the Borrower is eligible for a HAMP Backup Modification. If the Borrower's monthly housing expense-to-income ratio is less than 20%, the Borrower is not eligible for a HAMP Backup Modification. In such a case, the Servicer may offer the Borrower a modification in accordance with the requirements in the section below titled "[Cap-to-Reinstate modification](#)."

Canceling the HAMP Trial Period Plan

Once the Servicer has determined that the Borrower is not eligible for a HAMP modification, the Servicer must:

- Document the Servicer's attempts to convert the HAMP Trial Period Plan to a permanent HAMP modification in the Mortgage file
- Send a Borrower Notice that complies with the requirements of Bulletin 2009-28
- Cancel the HAMP Trial Period Plan with Fannie Mae in its capacity as program administrator for the United States Department of the Treasury ("Program Administrator") via the Program Administrator's HAMP system of record, in accordance with the Program Administrator's requirements
- Notify Freddie Mac by reporting default action code "HE" ("Ineligible for Modification") through Electronic Default Reporting (EDR). Refer to the section titled "[Reporting requirements](#)" for additional reporting requirements.

HAMP Backup Modification offer and Borrower response timeframes

If a Borrower has made three HAMP Trial Period payments by the date of this Bulletin and otherwise meets the HAMP Backup Modification eligibility requirements, Servicers must cancel the HAMP Trial Period Plan and evaluate the Borrower for a HAMP Backup Modification. The Servicer must send an eligible Borrower a HAMP Backup Modification offer, including two original HAMP Backup

Modification Agreements, no later than 30 calendar days from the date of this Bulletin. Such HAMP Backup Modification offer must require the Borrower to continue to make payments equal to the original Trial Period Plan payment until the Mortgage is modified, subject to the Servicer's election to insert an interim month prior to the effective date of the HAMP Backup Modification Agreement; during such interim month, no payment is required. The Servicer must not execute a HAMP Backup Modification Agreement until the Borrower has made all required payments and returned the signed HAMP Backup Modification Agreements to the Servicer.

If a Borrower has not yet made three HAMP Trial Period payments by the date of this Bulletin, but otherwise meets the HAMP Backup Modification eligibility requirements, Servicers must send an eligible Borrower the HAMP Backup Modification offer within 10 Business Days of the Servicer's determination that the Borrower is not eligible for a HAMP modification. The HAMP Backup Modification offer must, among other things, require the Borrower to make at least three timely payments each equal to the amount of the Trial Period Plan payment (including any Trial Period payments made to date), plus any necessary payments that may be required until the Mortgage is modified, as a condition to receiving the HAMP Backup Modification. The Servicer may, in its discretion, include two original HAMP Backup Modification Agreements with the offer. The Servicer must not execute a HAMP Backup Modification Agreement until the Borrower has made all required payments and returned the signed HAMP Backup Modification Agreements to the Servicer.

During the time within which the Servicer's HAMP Backup Modification offer is pending with the Borrower, the Servicer must not initiate or complete a foreclosure proceeding related to the Mortgaged Premises.

If feasible, the HAMP Backup Modification offer must be included with the Borrower Notice.

The offer package must clearly advise the Borrower of the following:

- While the HAMP Backup Modification terms will be similar to the modification terms available under HAMP, the HAMP Backup Modification does not include Borrower incentive payments
- To maintain eligibility for a HAMP Backup Modification, the Borrower must continue to make payments in an amount equal to the HAMP Trial Period payment each month until the HAMP Backup Modification is effective, except for any interim month that is implemented to effect the HAMP Backup Modification
- The method and date by which the Borrower must respond to the HAMP Backup Modification offer, that is 30 calendar days from the date of the offer ("HAMP Backup Modification Offer Deadline")

A Servicer may, but is not required to, use Form 1152, *Freddie Mac HAMP Backup Modification Cover Letter*, to make a HAMP Backup Modification offer.

See section titled "[Preparing and executing the modification agreement; closing and submitting the modification](#)" for additional information.

Servicer follow-up requirements

Once the HAMP Backup Modification offer has been sent, Servicers must attempt to contact the Borrower using the following methods until the Servicer has successfully made contact with the Borrower and has documented the same, the Borrower responds to the offer or the HAMP Backup Modification Offer Deadline has expired:

- Make a minimum of four telephone calls to the last known phone numbers of record, at different times of the day
- Send one additional written notice to the Borrower via certified/express mail or via overnight delivery service (such as Federal Express or UPS) with return receipt/delivery confirmation, so that the Borrower receives such notice on or about the 15th calendar day from the date of the offer

Borrower's failure to respond to the offer

If the Borrower fails to respond to the HAMP Backup Modification offer by the HAMP Backup Modification Offer Deadline, the Servicer must consider the offer to have expired. In such instances, the Servicer must consider the Borrower for other foreclosure alternative options and comply with all other requirements under the Guide. (See section titled "[Workout Prospector[®]](#)" for additional requirements.)

Document retention requirements

The Servicer must retain a copy of the HAMP Backup Modification offer letter, income documentation and records of all Borrower communications in the Mortgage file in accordance with the documentation retention requirements set forth in [Section 52.3, Maintenance](#).

HAMP Backup Modification forms

HAMP Backup Modification Agreement

Freddie Mac has developed Form 1151, *Freddie Mac HAMP Backup Modification Agreement*, that Servicers must use for a HAMP Backup Modification. This form is available on our web site at www.freddiemac.com/uniform. Servicers may also access the form from our web site at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html, where other HAMP Backup Modification information and forms are available.

Servicers must not make any changes or additions to the HAMP Backup Modification Agreement, except for changes and modifications required to remain in compliance with applicable federal, State and local law and as required or permitted by Freddie Mac. Changes required or permitted by Freddie Mac are the same as, and are limited to, the required or permitted changes to Form 3157, *Home Affordable Modification Agreement (3/09 (rev 8/09))*. Servicers must refer to the "Authorized Changes to Home Affordable Modification program documents" accessible from our web site at http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html for information regarding required or permitted changes to the Home Affordable Modification Agreement.

HAMP Backup Modification Cover Letter

In addition, Freddie Mac has developed Form 1152, *Freddie Mac HAMP Backup Modification Cover Letter* ("HAMP Backup Modification Cover Letter"). Servicers may, but are not required to, use this cover letter when making a HAMP Backup Modification offer. This form is also available on our web site at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html. Should Servicers decide to use the HAMP Backup Modification Cover Letter, they must make any changes necessary to comply with applicable federal, State and local law and to reflect the Servicer's actual processes in implementing the HAMP Backup Modification requirements. Servicers may incorporate the HAMP Backup Modification Cover Letter language into a Borrower Notice if feasible.

Co-branding/use of Freddie Mac's logo

Servicers may download the Freddie Mac logo for use on HAMP Backup Modification letters, envelopes and packages from FreddieMac.com at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html.

A Servicer may use Freddie Mac's logo together with its own logo to co-brand HAMP Backup Modification materials. However, a Servicer may not use the Freddie Mac logo without also including its own logo.

Documentation requirements

Servicers must use documentation submitted by the Borrower in connection with the Borrower's request for the HAMP modification to document the Borrower's eligibility for a HAMP Backup Modification and, if the post-modification LTV ratio of the Mortgage would be less than 80%, to calculate the Borrower's monthly housing expense-to-income ratio in accordance with the above requirements. Such documentation must meet the requirements of Bulletin 2010-3, or meet the following documentation requirements. In either case, the documentation must have complied with the HAMP seasoning requirements; Servicers should not refresh the documentation for the HAMP Backup Modification evaluation.

The following documentation requirements supersede the documentation requirements provided in any other agreements between the Servicer and Freddie Mac:

- The Borrower must have provided a HAMP-eligible hardship affidavit
- For an employed Borrower:
 - One pay stub or voucher that documents at least two months of year-to-date earnings; or
 - Pay stubs or vouchers sufficient to document at least two consecutive months of earnings
- For other income such as bonuses, commissions, tips or overtime:
 - One pay stub or other reliable third-party documentation documenting the nature, frequency and amount of the income
- For a self-employed Borrower:
 - A copy of the Borrower's signed federal income tax return for the previous year, including all forms and schedules, or a tax return transcript (obtained via Internal Revenue Service (IRS) Form 4506-T or 4506T-EZ, *Request for Transcript of Tax Return*); or
 - A copy of the previous year's profit and loss statement if a copy of the prior year's signed federal income tax return is not available; and
 - A copy of a year-to-date profit and loss statement to document continuation of business activity
- If the Borrower elected to use alimony or child support income to qualify, acceptable documentation includes:
 - Photocopies of the divorce decree, separation agreement or other type of legal written agreement or court decree that provides for the payment of alimony or child support and states the amount of the award and the period of time over which it will be received; and
 - Documents supplying reasonably reliable evidence, of full, regular, and timely payments, such as two months of bank deposit slips or bank statements
- If the Borrower has other income such as Social Security, disability or death benefits, a pension, public assistance or adoption assistance, acceptable documentation includes:
 - Letters, exhibits, a disability policy or benefits statement from the provider that states the amount, frequency and duration of the benefit; and
 - A copy of a bank statement showing these deposits
- If the Borrower has rental income, acceptable documentation includes:
 - Copies of all pages from the Borrower's signed federal income tax return and Schedule E – Supplemental Income and Loss, or a tax return transcript from the IRS, for the most recent tax year
 - When Schedule E is not available because the Mortgaged Premises was not previously rented, Servicers may accept a current lease agreement and bank statements or cancelled rent checks

- If the Borrower has rental income from a one- to four-unit property that is also the Borrower's principal residence, the monthly net rental income to be calculated for HAMP purposes must equal 75% of the monthly gross rent, with the remaining 25% being considered vacancy loss and maintenance expense
- If the Borrower has rental income from a property that is other than the Borrower's primary residence, the income should be 75% of the monthly gross rental income, reduced by the monthly debt service on the property (i.e., principal, interest, taxes, insurance, including mortgage insurance and association fees, if applicable)
- If the Borrower receives unemployment benefits, evidence of the amount, frequency and duration of the benefits (usually obtained through a monetary determination letter). The unemployment income must continue for at least nine months from the date of the application. The duration of benefit eligibility – including federal and state extensions – may be evidenced by a screenshot or printout from the Department of Labor UI benefit tool, which is available at http://www.ows.doleta.gov/unemploy/ben_entitle.asp.

Mortgage insurer (MI) approval/mortgage insurance

Mortgage insurer approval of Mortgage modifications

Servicers are reminded that they must comply with all requirements of applicable mortgage insurance policies when servicing Freddie Mac-owned Mortgages. Servicers must service all Mortgages, including any Mortgage to be modified in accordance with the terms of this Bulletin, so as to preserve and not to impair existing mortgage insurance coverage. When executing a HAMP Backup Modification, a Servicer must either (i) obtain the applicable MI's approval of the terms of the Mortgage modification made in accordance with the requirements of this Bulletin for each Mortgage on a case-by-case basis, or (ii) ensure that the applicable MI has provided a delegation of authority directly to the Servicer to approve Mortgage modifications made in accordance with the requirements of this Bulletin on its behalf.

Regardless of the grant of delegated authority from an MI, Servicers should always consult the applicable MI for specific processes related to the reporting of modified terms, payment of premiums and other operational matters in connection with Mortgages modified as a HAMP Backup Modification and to determine compliance with mortgage insurance requirements, including the existence of and compliance with the terms of any delegation of authority. Once the Mortgage has been modified, Servicers must ensure that mortgage insurance continues to be maintained on the gross capitalized UPB (including the amount of any partial principal forbearance) at the time of the modification.

Cancellation of Borrower-paid mortgage insurance

Servicers must accurately determine any automatic cancellation of Borrower-paid mortgage insurance or Borrower-requested cancellation of Borrower-paid mortgage insurance in accordance with [Chapter 61, Mortgage Insurance](#), the Homeowners Protection Act of 1998 (HPA), and any other applicable federal, State and local law. For the purpose of canceling mortgage insurance on a modified Mortgage (either HPA or pre-HPA) with a partial principal forbearance, the required LTV ratios and the midpoint of the amortization period, as applicable, must be based on the gross capitalized UPB (including the amount of any partial principal forbearance).

Workout Prospector[®]

Processing requirements

Provided all eligibility requirements have been met, Servicers must process the HAMP Backup Modification in Workout Prospector using the same model created for the HAMP modification and in accordance with the following requirements:

- The NPV value that is input into Workout Prospector is the most recent NPV result that the Servicer obtained when approving the Mortgage for a HAMP Trial Period Plan using stated income

- The Servicer must update the principal balance as of the new effective date of the modification and any applicable fields to reflect the final amounts that must be capitalized. The Servicer must then re-execute the modification waterfall to determine the final modified terms, including the HAMP Backup Modification Target Payment using the stated income used to determine initial HAMP eligibility. The Servicer **must not change** any other data previously entered into Workout Prospector, including, but not limited to, the Borrower income information and evaluation date.
- *(The following language in bold print reflects a revision made on May 24, 2010 to streamline processing requirements.) Without updating the Borrower’s income on the HAMP screen, the Servicer must save the status as “Trial Period Verified Income – Approve.” Upon receipt of the signed HAMP Backup Modification Agreement from the Borrower, the Servicer must change the status to “HAMP Modification Approve” then click on the "Save Status" button to save the updates and transmit the model to Freddie Mac.*

If the Borrower fails to respond to the HAMP Backup Modification offer by the HAMP Backup Modification Offer Deadline, or the Servicer determines that the Borrower is not eligible for a HAMP Backup Modification, the Servicer must input the verified Borrower income information, if provided, and save the model to the applicable “Borrower Declined Terms/Ineligible” status. With respect to Mortgages ineligible for a HAMP Backup Modification because the post-modification LTV ratio is less than 80%, and the Borrower’s monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower’s verified income, is less than 20%, Servicers must refer to the section titled “[Cap-to-Reinstate modification](#)” for additional processing information.

Preparing and executing the modification agreement; closing and submitting the modification

Preparing the modification agreement

The Servicer must prepare the HAMP Backup Modification Agreement and ensure that the Mortgage retains its First Lien position and is fully enforceable in accordance with [Section B65.20\(1\)](#) (as amended by Bulletins 2009-28 and 2010-1). The Servicer must revise the HAMP Backup Modification Agreement as necessary to comply with federal, State and local law and as required or permitted by Freddie Mac. (See section titled “[HAMP Backup Modification forms](#)” for additional information on authorized changes to the HAMP Backup Modification Agreement.)

If not already provided with the original offer, the Servicer must mail the Borrower two original HAMP Backup Modification Agreements and provide the Borrower the date by which the Borrower must sign and return the two executed HAMP Backup Modification Agreements, which is no more than 30 calendar days from the date the HAMP Backup Modification Agreement was sent to the Borrower.

Executing the modification agreement

All Borrowers and any other signatory to the Security Instrument must sign both copies of the HAMP Backup Modification Agreement. However, in instances where a Borrower, co-Borrower, or other signatory to the Security Instrument has divorced, separated from, or, if unrelated through marriage, a legally recognized civil union or similar domestic partnership under applicable law, vacated the Mortgaged Premises, only those Borrower(s) and signatories to the Security Instrument who remain in the home are required to sign the HAMP Backup Modification Agreement, provided the Borrower submits, as applicable, a copy of the divorce decree, court filed separation agreement or recorded quit claim deed evidencing that the departed signatory has relinquished all rights to the Mortgaged Premises.

Servicers may evaluate requests on a case-by-case basis when the Borrower is unable to sign due to circumstances such as mental incapacity, military deployment, etc.

Closing the modification

Once the Servicer receives the two HAMP Backup Modification Agreements signed by all required parties and all required payments, the Servicer must:

- Sign one original HAMP Backup Modification Agreement and send it to the Borrower

- Sign and submit the other original HAMP Backup Modification Agreement with both the Servicer's and Borrower's signatures for recordation, if required, in accordance with [Section B65.20, Modified Mortgage conditions](#), (as amended by Bulletin 2009-28) within one Business Day of the Servicer's receipt of the executed HAMP Backup Modification Agreement. If the HAMP Backup Modification Agreement must be recorded and the original Security Instrument was registered with Mortgage Electronic Registration Systems, Inc. (MERS), the Servicer is authorized and directed to execute the HAMP Backup Modification Agreement on behalf of MERS.

The Servicer must send a certified copy of the executed HAMP Backup Modification Agreement to its Document Custodian to be maintained with the Note. Once the other original HAMP Backup Modification Agreement is returned from the recorder's office, the Servicer must send it to its Document Custodian.

If recordation is not required, the Servicer must send the other original HAMP Backup Modification Agreement to its Document Custodian.

- Retain a copy of the executed HAMP Backup Modification Agreement in the Mortgage file

Submitting the modification to Freddie Mac

No later than the fourth Business Day of the month in which the first modified payment is due, Servicers must transmit the model in "HAMP Modification Approve" status via Workout Prospector and submit to Freddie Mac via fax at (571) 382-4905 (or as otherwise directed by Freddie Mac) a signed and dated copy of the completed Form 1128, *Loss Mitigation Transmittal Worksheet*. **With respect to Form 1128, the Servicer must indicate in the Servicer Comments section of Form 1128 that the modification is a HAMP Backup Modification and include the amount of the Borrower's verified income.**

NOTE: Freddie Mac will not accept for settlement any HAMP Backup Modifications undertaken by the Servicer where required settlement documentation is not provided in accordance with the timeframe set forth above. Servicers' failure to provide all required documentation in a timely manner will be subject to all of Freddie Mac's rights and remedies under the Guide and any other applicable Purchase Documents.

Servicers must comply with the reporting and remitting requirements set forth in [Section B65.26, Reporting and remittance requirements](#), to complete the modification.

Late fees

Late charges may accrue while the Servicer is determining Borrower eligibility for a HAMP Backup Modification, subject to the requirements of [Section 64.3, Late charges](#). However, the Servicer must waive all unpaid late charges that have accrued prior to the effective date of the HAMP Backup Modification.

Administrative costs

Servicers may not charge the Borrower a processing fee or any other administrative costs or fees associated with the processing of a HAMP Backup Modification. Further, the Servicer may not require any upfront cash contributions from the Borrower, except to the extent the Borrower chooses to fund the entire amount, or a portion, of any Escrow shortage.

Servicers may request reimbursement for certain costs associated with a HAMP Backup Modification that would otherwise be paid by the Borrower (e.g., notary fees, title costs and recordation fees, if applicable), in accordance with the same process for requesting reimbursement of expenses for HAMP. See [Section C65.8, Other general requirements](#), for information on the process for requesting reimbursement of such expenses.

Servicer workout compensation

Servicers will receive a one-time workout compensation fee of \$800 for each settled HAMP Backup Modification processed in accordance with the requirements of this Bulletin. The incentive fee will be paid in accordance with the requirements for workout compensation set forth in [Section 65.42, Compensation program](#).

Reporting requirements

Servicers must comply with the following EDR and activity reporting requirements:

- Report default action code “HD” (“Modification in Review (other than a modification under HAMP)”) via EDR to notify Freddie Mac that the Mortgage is being considered for a HAMP Backup Modification and the date the Servicer began the evaluation. This code must be reported, one time, in the first EDR cycle following the date the Servicer began the evaluation.
- Report code “09” and default reason code “015” through EDR for each month the Mortgage is on a forbearance plan with the Borrower making partial payments, while the Servicer is considering the Borrower for a HAMP Backup Modification
- Provide to Freddie Mac a report containing all Mortgages that were in an active HAMP Trial Period Plan with a Trial Period Plan Effective Date on or before April 1, 2010, which the Servicer determined to be ineligible for a HAMP modification, and is considering for or has processed as a HAMP Backup Modification. The Servicer must provide this cumulative report no later than the fourth Business Day of each month. The first report is due no later than June 4, 2010 and must be submitted to WKOUT_HAMP_RECON@freddiemac.com

The template for the report is available on our web site at http://www.freddiemac.com/singlefamily/service/hampbackup_mod.html.

- Because HAMP Backup Modifications are not HAMP modifications, Servicers must not report them to the Program Administrator

In addition, once the Mortgage is modified, Servicers must comply with the requirements of [Section C65.10, *Special requirements for Mortgages with a partial principal forbearance*](#), as may be amended from time to time.

Reservation of rights to invoke remedies

Notwithstanding the terms of this Bulletin and Freddie Mac’s delegation of authority to Servicers to approve HAMP Backup Modifications, Freddie Mac reserves its rights to exercise any remedies provided by the Guide and the other Purchase Documents, including a repurchase of the Mortgage or a call on a credit enhancement, in the event Freddie Mac determines that there has been a failure to comply with any selling or Servicing representation or warranty of the Guide.

Compliance with applicable laws

The Servicer’s implementation of HAMP Backup Modifications and all actions taken under this Bulletin and the Guide must comply with all applicable federal, State and local law.

CAP-TO-REINSTATE MODIFICATION

If the Servicer determines the Mortgage is not eligible for a HAMP Backup Modification because the post-modification LTV ratio (as determined under the section titled “[Eligibility requirements](#)”) would be less than 80%, and the Borrower’s monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower’s verified income, is less than 20%, the Servicer may reinstate the Mortgage by modifying the UPB only to capitalize allowable amounts (“Cap-to-Reinstate modification”) as described in [Section C65.6](#), unless:

- The Servicer determines that the Borrower cannot afford the modified payment based upon the documentation, if any, provided by the Borrower for HAMP during the Trial Period. The Servicer should not solicit additional documentation; or
- The Borrower indicates he or she cannot afford the modified payment or otherwise rejects the Cap-to-Reinstate modification offer; or
- The Borrower did not submit income documentation that meets the requirements of the section titled “[Documentation requirements](#)”

The Servicer must not reduce the interest rate, extend the term or forbear principal on such Mortgages. The capitalization will result in a higher post-modification Mortgage payment than the HAMP Trial Period Plan payment.

The Servicer may offer the Borrower the Cap-to-Reinstate modification as soon as the Servicer determines the Borrower is ineligible for a HAMP Backup Modification, but eligible for a Cap-to-Reinstate modification; the Borrower is not required to remit a minimum of three payments equivalent to the Trial Period payment.

Cap-to-Reinstate modifications must have a first modified payment due date on or before August 1, 2010 and the Servicer must submit to Freddie Mac all information and documentation required to close the modification in Freddie Mac's systems no later than the fourth Business Day of the month in which the first modified payment is due.

If a Cap-to-Reinstate modification is not offered or accepted, the Borrower should be considered for other foreclosure alternative options under the Guide.

Applicability of other requirements described in this Bulletin

The following sections of this Bulletin relating to HAMP Backup Modifications also apply to Cap-to-Reinstate modifications:

- [Credit enhancements](#)
- [Establishing Escrow accounts](#)
- [Mortgages ineligible for modification under this Bulletin](#)
- [Canceling the HAMP Trial Period Plan](#)
- [Servicer follow-up requirements](#)
- [Document retention requirements](#)
- [Co-branding/use of Freddie Mac's logo](#)
- [Mortgage Insurer \(MI\) approval/mortgage insurance](#)
- [Preparing the modification agreement](#)
- [Executing the modification agreement](#)
- [Closing the modification](#)
- [Late fees](#)
- [Administrative costs](#)
- [Servicer workout compensation](#)
- [Reservation of rights to invoke remedies](#)
- [Compliance with applicable laws](#)

Cap-to-Reinstate modification offer and Borrower response timeframes

Within ten Business Days of the Servicer's determination that the Mortgage is not eligible for a HAMP Backup Modification because the post-modification LTV ratio would be less than 80%, and the Borrower's monthly housing expense-to-income ratio based on the proposed modified payment terms, calculated using the Borrower's verified income, is less than 20%, the Servicer must evaluate the Borrower to determine whether a Cap-to-Reinstate modification offer is appropriate based on the circumstances and the information available to the Servicer, and if appropriate, send the Borrower a Cap-to-Reinstate modification offer. The offer must clearly advise the Borrower of the following:

- The terms of the Cap-to-Reinstate modification
- Borrower incentive payments are not provided

- The method and date by which the Borrower must respond to the offer, that is 30 calendar days from the date of the offer (“Cap-to-Reinstate Offer Deadline”)

At the Servicer’s discretion, the offer may include two original modification agreements prepared in accordance with [Section B65.24, *Preparing to close the loan modification*](#). The Servicer may not use the HAMP Backup Modification Agreement for this purpose. The Servicer must not execute a modification agreement until the Borrower has returned both original signed modification agreements. If feasible, the Cap-to-Reinstate offer must be included with the Borrower Notice.

During the time within which the Servicer’s Cap-to-Reinstate modification offer is pending with the Borrower, the Servicer must not initiate or complete a foreclosure proceeding related to the Mortgaged Premises.

Borrower’s failure to respond to the offer

If the Borrower fails to respond to the Cap-to-Reinstate modification offer by the Cap-to-Reinstate Offer Deadline, the Servicer must consider the offer to have expired. In such instances, the Servicer must consider the Borrower for other foreclosure alternative options and comply with all other requirements under the Guide.

Submitting the modification to Freddie Mac

The Servicer must process the Cap-to-Reinstate modification in Workout Prospector in accordance with the instructions in the Workout Prospector Users’ Guide available on our web site at <http://www.freddiemac.com/learn/service/mha.html>. No later than the fourth Business Day of the month in which the first modified payment is due, the Servicer must:

- Send an e-mail to Freddie Mac at NPL_file_prep@freddiemac.com and in the subject line of the e-mail provide the Freddie Mac loan number and the notation “HAMP Ineligible Cap-to-Reinstate - Approval”
- Transmit the model for the Cap-to-Reinstate modification in Workout Prospector and submit to Freddie Mac via fax at (571) 382-4905 (or as otherwise directed by Freddie Mac), a signed and dated copy of the completed Form 1128, *Loss Mitigation Transmittal Worksheet*. **The Servicer must check the “Cap-to-Reinstate” box provided on Form 1128 and indicate in the Servicer Comments section of Form 1128 that the modification is a “HAMP Ineligible – Cap-to-Reinstate Modification.”** The Servicer must **not** indicate on Form 1128 that this is a HAMP Backup Modification or HAMP modification. (The Servicer must have previously saved the HAMP model in Workout Prospector in the applicable “Borrower Declined Terms/Ineligible” status. See section titled “[Workout Prospector](#)®” for additional information.)

NOTE: Freddie Mac will not accept for settlement any Cap-to-Reinstate modifications undertaken by the Servicer where required settlement documentation is not provided in accordance with the timeframe set forth above. Servicers’ failure to provide all required documentation in a timely manner will be subject to all of Freddie Mac’s rights and remedies under the Guide and any other applicable Purchase Documents.

In addition, the Servicer must comply with the reporting and remitting requirements set forth in [Section B65.26](#) to complete the modification.

Reporting requirements

Servicers must comply with the following EDR and activity reporting requirements:

- Report default action code “HD” (“Modification in Review (other than a modification under HAMP)”) via EDR to notify Freddie Mac that the Mortgage is being considered for a Cap-to-Reinstate modification and the date the Servicer began the evaluation. This code must be reported, one time, in the first EDR cycle following the date the Servicer began the evaluation.
- Because Cap-to-Reinstate modifications are not HAMP modifications, Servicers must not report them to the Program Administrator

USE OF RMA OR OTHER PROPRIETARY FORMS

We previously communicated in Bulletin 2009-28 that on and after March 1, 2010 Servicers must use the RMA when obtaining the Borrower's financial information for modifications under HAMP.

With this Bulletin, we are revising our requirements as follows:

- Servicers may use other proprietary financial information forms in lieu of the RMA, provided that the forms are substantially similar in content to the RMA and the information and attestations requested from the Borrower are the same
- When the RMA is not used to obtain the Borrower's financial information and the Servicer's proprietary financial information forms do not contain the Hardship Affidavit from page 1 of the RMA, Servicers must obtain an executed Form 1115, *MHA Hardship Affidavit*, from the Borrower. Servicers may also incorporate all of the information on the MHA Hardship Affidavit into their proprietary financial information forms.

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 you have any questions after reviewing this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing" from the menu.

Sincerely,



Patricia J. McClung
Vice President
Offerings Management