

Bulletin

NUMBER: 2010-17

TO: Freddie Mac Servicers

July 28, 2010

SUBJECT: COMPREHENSIVE GUIDE CHAPTER C65 UPDATE AND NEW REQUIREMENTS FOR THE HOME AFFORDABLE MODIFICATION PROGRAM (HAMP)

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are updating Guide [Chapter C65, Home Affordable Modification Program](#), to incorporate changes announced in Bulletins [2009-26](#), [2009-28](#), [2010-1](#) and [2010-3](#), and to incorporate certain Supplemental Documentation - Frequently Asked Questions (“FAQs”) posted by the Program Administrator on www.HMPadmin.com. With these Bulletins and FAQs incorporated into the chapter, Servicers now have one consolidated source for Freddie Mac HAMP requirements.

We are also updating Chapters [B65, Workout Options](#), and [C65](#), to clarify the hierarchy for evaluating Borrowers for loss mitigation alternatives.

The update of [Chapter C65](#) also includes the following changes to Freddie Mac’s requirements for HAMP:

New requirements

- Servicer implementation of certain aspects of the United States Department of the Treasury (“Treasury”) HAMP Supplemental Directive 10-02 (Borrower Outreach and Communication) (“SD 10-02”), including a revision to our Borrower Notice requirements
- Revisions to income verification requirements, including the elimination of the use of unemployment benefits as a source of income when evaluating a Borrower for a Trial Period Plan
- Seasoning requirements for credit reports
- Transfers of Servicing requirements
- Eliminating weekly Freddie Mac HAMP activity reporting and providing a new template for expense reimbursement
- Introducing a new process under which Servicers must refer a Mortgage to Freddie Mac for review when the Borrower did not qualify for HAMP or other Guide foreclosure alternatives

Additional guidance

- Instructions for completing the [Form 1128, Loss Mitigation Transmittal Worksheet \(“LMTW”\)](#) specific to the closing of a HAMP modification
- Amounts that may be capitalized under HAMP
- Servicer and Borrower incentive payment process
- Investor reporting and remitting requirements

Servicers should review revised [Chapter C65](#) in its entirety so that they have a clear understanding of Freddie Mac's requirements with respect to HAMP.

To help Servicers familiarize themselves with the updated [Chapter C65](#) and the new requirements, Freddie Mac is offering a new HAMP webinar, *Home Affordable Modification Program (HAMP): What's New*, available through Freddie Mac's Learning Center. Additional information can be found at http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=HAMP_WN.

EFFECTIVE DATES

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

UPDATES TO THE GUIDE

Updates to Chapter C65

With this Bulletin, we are updating [Chapter C65](#) to incorporate the changes to HAMP requirements announced in Bulletins [2009-26](#), [2009-28](#), [2010-1](#) and [2010-3](#).

Since Trial Period Plan offers with effective dates on or after **June 1, 2010** must be based on **full verification** of Borrower eligibility after the Servicer receives the "Initial Package" as defined in [Chapter C65](#), we have created new Guide Section C65.18, *Stated income process*, that provides the requirements for determining final eligibility for Borrowers offered a Trial Period Plan based on stated income with a first Trial Period payment due date on or before May 1, 2010.

We have also incorporated into updated [Chapter C65](#) certain FAQs posted by the Program Administrator on www.HMPAdmin.com. The incorporated FAQs give additional clarity to Freddie Mac's requirements related to eligibility, documentation and verification, the Net Present Value (NPV) evaluation, the sequential process to achieve a Target Payment, HAMP incentives and requirements for the Trial Period and conversion to a permanent modification not previously addressed in [Chapter C65](#) or past HAMP Bulletins. In addition, with respect to Section P of the FAQs, we have posted *Home Affordable Modification Program Government Monitoring Data Requirements for Freddie Mac-Owned Mortgages*, a corresponding set of frequently asked questions setting forth Freddie Mac's requirements concerning government monitoring data. These requirements are available at http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html.

Loss mitigation alternatives hierarchy

We have updated [Chapter C65](#) to clarify our expectations with respect to a Servicer's consideration of Borrowers for reinstatement and relief options available in [Chapter A65, Reinstatement and Relief Options](#), prior to evaluating Borrowers for HAMP.

We have also updated [Chapter B65](#) to reflect this guidance.

Revised HAMP letters

Form 1119, *HAMP Counseling Referral Letter*, Form 1120, *Proactive Solicitation Letter*, and Form 1121, *Documentation Request Letter*, have been updated to reflect revised documentation and verification requirements. These letters are available for download at http://www.freddiemac.com/singlefamily/service/mha_modification.html.

Servicers may use their own proprietary version of Forms 1120 and 1121; however, if Servicers elect to do so, they must include a notice regarding foreclosure rescue scams and availability of HUD-approved counselors as required under revised [Section C65.5\(a\)](#).

Automated Valuation Model (AVM) collateral values reports

We are advising Servicers that we are continuing to post our AVM collateral values report for Mortgages that are 31 days or more delinquent on our HAMP web site.

Additional Guide updates

Updates to Chapter B65

We have updated [Chapter B65](#) to include the following changes announced in Bulletins [2009-28](#) and [2010-1](#), respectively, that apply to all Mortgages:

- A revision to the capitalization threshold for purposes of determining when title insurance must be obtained and when recordation of the Modification Agreement is required
- Elimination of the requirement to obtain a subordination agreement from any junior lien holder unless the title insurer requires it

Updates to Exhibits 4 and 5

We have updated [Exhibit 4, Single-Family Uniform Instruments](#), and [Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application](#), to reflect removal of the Home Affordable Modification Program Trial Period Plan (Form 3156, dated 3/09 (rev. 8/09)) and related authorized changes, respectively. On or after March 1, 2010, a Servicer may no longer use Form 3156 when sending a Trial Period Plan offer to a Borrower.

Update to Exhibit 88, Servicing Tools

We have updated [Exhibit 88, Servicing Tools](#), to add Imminent Default Indicator™ to the list of tools and applications available to help Servicers assist them in the monitoring and Servicing of Mortgages for Freddie Mac.

NEW REQUIREMENTS

Implementation of Supplemental Directive 10-02

In an ongoing effort to improve program effectiveness, Treasury updated the requirements related to Borrower outreach and communication, especially with respect to the initiation and continuation of foreclosure actions and the extension of HAMP benefits to Borrowers in bankruptcy.

Servicers must comply with Freddie Mac's requirements as they relate to the implementation of SD 10-02 for Borrowers who become 31 days delinquent on or after **September 1, 2010**. Specifically, Freddie Mac Servicers must comply with:

- Revised [Section C65.5, Borrower solicitation](#), which provides the requirements for Borrower solicitation, including a definition of what constitutes "reasonable solicitation" efforts
- New Section C65.5.1, *Acknowledgement of Initial Package and verification of eligibility*
- New Section C65.7.1, *Foreclosure actions and Borrowers in bankruptcy*

If, prior to **September 1, 2010**, a Servicer has proactively solicited a Borrower who is 31 or more days delinquent, the Servicer is not required to comply with the revised solicitation requirements when soliciting the Borrower, provided the Servicer's solicitation efforts met Freddie Mac's solicitation requirements in effect at the time the Servicer began to solicit the Borrower.

Revisions to Borrower Notice requirements

In light of Freddie Mac's requirements as they relate to the implementation of SD 10-02, we have revised our Borrower Notice requirements to instruct Servicers to include in the non-approval Borrower Notice, among other things:

- Certain Treasury NPV input values and the date of the Treasury NPV calculation
- A specific date by which the Borrower must respond, which must be **no later than 20 calendar days** from the date of the notice, if the Borrower wishes to contest or appeal any of the disclosed values used to populate the Treasury NPV input fields

This change is effective for Borrower Notices sent on or after **September 1, 2010**.

[Section C65.12\(b\)](#) has been updated to reflect this change.

Revisions to income requirements

Eliminating the use of unemployment benefit income for HAMP evaluations

We are revising our income verification requirements to provide that Servicers may no longer consider unemployment benefits as a source of income when evaluating a Borrower for a Trial Period Plan under HAMP. This change is effective for Trial Period Plan Effective Dates on or after **November 1, 2010**, although Servicers are strongly encouraged to implement this change as soon as possible.

Servicers must consider Borrowers who are unemployed for our forbearance relief options prescribed in [Chapter A65](#).

Complete income verification requirements can be found in new Section C65.5.1.

Imminent default evaluations and inclusion of eligible non-obligor household income

We are revising our imminent default requirements to permit Servicers to include income from eligible non-obligors (or non-Borrowers) who occupy the property as their Primary Residence when performing the imminent default evaluation.

Refer to new Section C65.5.2, *Determining imminent default*, for all requirements related to the imminent default evaluation.

Seasoning requirement for credit reports

We are updating our requirements for credit reports obtained to verify property eligibility and underwrite a Borrower for a modification under HAMP to require that these credit reports may not be more than 90 days old.

Sections C65.5.1(b) and [C65.6, Underwriting the Borrower](#), have been updated to reflect this new requirement.

Transfers of Servicing

Servicers must comply with the HAMP Reporting Transfer Process announced by the Program Administrator on March 18, 2010 and outlined on www.HMPadmin.com in addition to Freddie Mac's Transfer of Servicing requirements provided in [Chapter 56, Transfers of Servicing](#), and Sections [C65.8\(g\)](#) and [C65.17\(c\)](#). The Transferor Servicer must obtain approval from Freddie Mac for the Transfer of Servicing on a Mortgage in a Trial Period or modified under HAMP **before** notifying the Program Administrator of the proposed Transfer of Servicing.

We have updated [Form 981, Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages](#), to require Servicers to indicate whether the Transfer of Servicing includes Mortgages in an active Trial Period Plan under HAMP and whether any of these Mortgages were modified electronically.

Revisions to reporting requirements

Elimination of weekly Freddie HAMP activity reporting

We are revising our HAMP activity reporting requirements to eliminate the requirement that Servicers submit to Freddie Mac a separate weekly loan-level data file that includes the data that Servicers are required to send to the Program Administrator.

In addition, Servicers no longer need to provide the weekly solicitation spreadsheet to Freddie Mac because they are required to provide their solicitation data to Freddie Mac via the monthly Electronic Default Reporting (EDR) in accordance with the requirements of [Section C65.11, HAMP activity reporting requirements](#).

[Section C65.11](#) has been revised to reflect these changes.

New template for HAMP reimbursement requests

[Section C65.8, Other general requirements](#), provides Servicers with the requirements for requesting reimbursement of certain costs associated with a modification under HAMP. To make the reimbursement request process more efficient for Servicers, we recently created a new template (“Spreadsheet for HAMP Reimbursement”) in the form of a Microsoft Excel[®] spreadsheet that Servicers must use when requesting reimbursement of such costs.

The Spreadsheet for HAMP Reimbursement is available on our web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html. The Spreadsheet for HAMP Reimbursement must be submitted to overallowables@freddiemac.com by the fifth Business Day of the month for all expense reimbursement requests on modifications completed in the prior month.

[Section C65.8](#) has been updated to reflect this change.

New process to refer Mortgages of non-qualified Borrowers for review

We are introducing a new process under which Servicers must refer a Mortgage to Freddie Mac for review if a Borrower did not qualify for or did not accept a Trial Period Plan under HAMP and was determined by the Servicer as ineligible for other alternatives to foreclosure under the Guide. Freddie Mac performs this review to determine whether the Servicer evaluated the Mortgage in accordance with the HAMP requirements (“Second Level Review”).

Freddie Mac has engaged Home Retention Services to assist with Second Level Reviews specific to HAMP. To expedite timely review, the documentation set forth in [Section C65.6\(b\)](#), Step 6, must be submitted directly to Home Retention Services. Servicers must submit a Mortgage for a Second Level Review in accordance with the requirements in that section.

[Section C65.6](#) has been updated to reflect these changes and to provide instructions on accessing the Home Retention Services web portal.

ADDITIONAL GUIDANCE

Form 1128, Loss Mitigation Transmittal Worksheet

To provide additional guidance to Servicers on the proper completion of the LMTW for Mortgages modified under HAMP, we have:

- Updated [Section C65.7\(f\)](#) to reflect the following:
 - The “Current UPB (pre-modification)” entered on line 10 and the Due Date of the Last Paid Installment (DDLPI) entered in the LOAN DATA section of the LMTW must match the unpaid principal balance (UPB) and DDLPI reported to Freddie Mac as of the last accounting cycle cutoff in the month prior to the First Modified Payment due date
 - The “Interest-Bearing Modified UPB” entered on line 20 and the “Deferred Non-Interest-Bearing UPB,” if applicable, entered on line 19 of the LMTW, when added together, must equal the principal balance due as of the Modification Effective Date and must match the “New Principal Balance” in Section 3.B. of the Modification Agreement
- Developed HAMP-specific instructions to accompany the form. As a result, we also updated the general instructions on the LMTW to remove instructions pertaining to HAMP. Servicers should review the new HAMP-specific instructions to ensure they are completing the LMTW accurately for HAMP modifications.

In addition, we revised our requirements for completing the “Interest Rate Adjustment Schedule” in the LOAN DATA section of the LMTW to require that Servicers complete the “Interest Rate Adjustment Schedule” for all HAMP modifications. Previously, Servicers were only required to complete this schedule for Mortgages with a step rate feature. Servicers are encouraged to begin completing this section of the LMTW in accordance with these revised instructions immediately; however, they must complete

this section in accordance with these instructions for all LMTWs submitted on or after **September 1, 2010**.

Servicers are reminded that the data entered on the LMTW must match the terms of the Modification Agreement as determined by Workout Prospector.

Freddie Mac will not accept for settlement any HAMP modifications undertaken by the Servicer where required settlement documentation is not provided by the fourth Business Day of the month in which the First Modified Payment is due. Servicers must ensure that the Borrower has sufficient time to return the executed Modification Agreement in order to meet this time frame.

Once the LMTW has been submitted to Freddie Mac, Servicers must monitor the status of the modification in Workout Manager[®], which is accessible from our Servicing Technology Tools web page at <http://www.freddiemac.com/singlefamily/service/tools.html>. All Mortgages that are scheduled to be processed in our systems will appear on the Modifications Pending Update report in Workout Manager.

In addition, we will notify Servicers that the modification has been processed in our systems via the Loan Modifications Processed report. If a Servicer attempts to report a monthly loan-level transaction on a Mortgage based on the modified terms prior to the modification being processed in our systems, they will not be able to successfully complete the transaction.

Servicers are reminded that they also must submit the official/permanent loan modification setup data to the Program Administrator in accordance with the Program Administrator's time frames and other requirements.

Capitalization requirements

We are updating [Chapter C65](#) to provide further guidance on our capitalization requirements with regard to the treatment of late fees, interest or penalties associated with late payment of real estate taxes on a Mortgage being modified under HAMP.

A Servicer may capitalize only the first incurred late fee, interest or penalty associated with the late payment of real estate taxes on a non-escrowed Mortgage. If there has been more than one delay in the payment of real estate taxes on a non-escrowed Mortgage, a Servicer must not capitalize the additional late fees, penalties or interest beyond the first incurred late fee or penalty, nor can it seek reimbursement of these additional amounts from Freddie Mac or the Borrower.

[Section C65.6\(b\)](#) has been updated to reflect this guidance.

Servicer and Borrower incentive payment process

We have updated [Section C65.9, HAMP incentives](#), to provide additional guidance around the incentive payment process, including information on when and how Servicer and Borrower incentives are paid and the process for retrieving the Cash Payment Summary Report, the Program Administrator's monthly report that provides loan-level detail on incentives paid for the month.

In the event of a discrepancy between amounts paid for Servicer and/or Borrower incentives and Freddie Mac's records, Servicers must work with Freddie Mac and the Program Administrator, as necessary, to resolve such discrepancies and, if applicable, reimburse Freddie Mac for any overpayments in accordance with the Program Administrator's or Freddie Mac's instructions. (Refer to Sections [C65.9](#) and [C65.10, Special investor reporting and remitting requirements](#), for additional information.)

Investor reporting and remitting requirements

We have revised [Section C65.10](#) to provide further guidance relating to reporting and remitting requirements for Mortgages being modified under HAMP, including:

- Additional detail for reporting the interest-bearing UPB and deferred UPB for monthly and interim reporting
- Specific requirements related to the calculation of payoff proceeds in connection with the payoff of a Mortgage with partial principal forbearance

- Guidance on reporting corrections, including a reduction or reversal of a previously applied Borrower incentive payment

CONCLUSION

Servicers should review updated [Chapter C65](#) and take advantage of training available on <http://www.freddiemac.com/ontrack/html/LearningCenter/ClassDescription.jsp?crsNum=HAMPWN> to further familiarize themselves with the new requirements for HAMP implementation. Services should contact their Freddie Mac representative or call (800) FREDDIE if they have any questions about HAMP or Freddie Mac's role in the Program.

Sincerely,



Patricia J. McClung
Vice President
Offerings Management