

Bulletin

NUMBER: 2010-27

TO: Freddie Mac Servicers

November 15, 2010

SUBJECTS

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, we are making the following changes to our **Servicing requirements**:

- Updating the Guide to permit Document Custodians to release Notes directly to designated counsel when the original Note is needed to foreclose
- Updating our requirements with respect to the accrual and collection of late charges for forbearance agreements and repayment plans
- Revising the Guide to reflect that a modified Mortgage, processed under Guide Chapter B65, *Workout Options*, must be a fully amortizing fixed-rate Mortgage
- Updating the contact information for Servicers to notify Freddie Mac that a conversion option has been exercised for a convertible adjustable-rate Mortgage (ARM)

In addition, we are providing additional guidance and reminders related to the **Home Affordable Modification Program (HAMP)**:

- Providing additional guidance on Servicer and Borrower incentives for FHA, VA and Rural Housing Service (RHS) Mortgages modified under HAMP
- Reminding Servicers that, as previously communicated to them, certain HAMP documents have been revised

Finally, we have updated Guide Section C65.6, *Underwriting the Borrower*, to include the provision that if a Servicer has a Freddie Mac Broker’s Price Opinion (BPO) or appraisal that is less than 90 days old on the date the Servicer evaluates the Borrower for a HAMP Trial Period Plan using the Treasury NPV Model, the Servicer may use that BPO or appraisal. This provision was inadvertently omitted when Chapter C65, *Home Affordable Modification Program*, was revised with the July 28, 2010 Bulletin.

Effective date

All of the changes announced in this Bulletin are effective immediately, unless otherwise noted.

Designated counsel’s request for release of documents in foreclosure actions

In some States, original Notes are required to process foreclosures and in those cases, Servicers typically request the Note from the Document Custodian and forward it to the foreclosure counsel. For foreclosures referred to designated counsel, in order to add greater efficiency to the process, we are updating the Guide to permit the designated counsel to request the Note directly from the Document Custodian. To request the Note from the Document Custodian, the designated counsel must complete and submit Form 1036DC, *Designated Counsel’s Request for Release of Documents*, which Freddie Mac will provide to designated counsel.

Sections 18.6, *Document Custodian's Functions and Duties*, 66.16, *How to Initiate Foreclosure*, and 66.20, *Obtaining the Original Note*, have been updated to reflect this change.

Late charges associated with forbearance agreements and repayment plans

We are updating our requirements for long-term forbearance to explicitly provide that a Servicer may include in the long-term forbearance agreement any accrued late charges due from a Borrower at the time the Servicer entered into the agreement with the Borrower. In addition, Servicers must not accrue or collect late charges from the Borrower during the long-term forbearance period, and the subsequent repayment plan period, as applicable, if the Borrower is paying as stipulated in the agreement(s). This is consistent with our requirements for short-term forbearance agreements.

Servicers may recommence accrual of late charges if the Borrower defaults on any forbearance agreement or repayment plan.

Sections A65.16, *Repayment Plan Requirements*, A65.20, *Short-term Forbearance Requirements*, and A65.24, *Long-term Forbearance Requirements*, have been updated to reflect this change.

Modified mortgage conditions

We have revised Section B65.20, *Modified Mortgage Conditions*, to include our existing requirement that a modified Mortgage must be modified to a fully amortizing fixed-rate Mortgage. The Mortgage after modification must not be: an interest-only Mortgage, a bi-weekly Mortgage or a daily simple interest Mortgage.

Notification of a conversion through the automated conversion process

We have revised the contact information for Servicers to notify Freddie Mac when a Servicer is processing a conversion of a convertible adjustable-rate Mortgage (ARM) to a fixed interest rate through the automated conversion process. Servicers must now call Delivery at (800) FREDDIE instead of the previous conversion line.

Section 80.4.2, *Processing a Conversion through the Automated Conversion Process*, has been updated to reflect this change.

HOME AFFORDABLE MODIFICATION PROGRAM

Borrower and Servicer incentives

We have updated the Guide to indicate that Freddie Mac will not pay any Borrower "Pay for Performance" or Servicer "Pay for Success" HAMP incentives for Mortgages modified under HAMP that are insured by the FHA or guaranteed by the VA or RHS. In addition, for such Mortgages, Freddie Mac will not pay Servicers workout compensation fees or the additional \$500 incentive payment.

Servicers are reminded that as provided under Section 65.42, *Compensation Program*, they will not receive a workout compensation fee for any workouts completed on FHA, VA or RHS Mortgages.

Sections C65.4, *Eligibility*, and C65.9, *HAMP Incentives*, have been revised to reflect this update.

Revised HAMP documents

In a Single-Family Servicer e-mail dated October 8, 2010, Servicers were advised of revisions to the following HAMP documents:

- Form 3157, *Home Affordable Modification Agreement (3/09 (rev. 10/10))* ("Modification Agreement")
- Form 1118, *HAMP Agreement Cover Letter* ("HAMP Cover Letter")
- *Authorized Changes to Modification/Special Purpose Documents*
- Form 1117, *HAMP Trial Period Plan Notice – Verified Income* ("Trial Period Plan Notice (Verified)")

- Form 1115, *Making Home Affordable Hardship Affidavit* (“MHA Hardship Affidavit”)

Servicers are strongly encouraged to begin using the revised documents immediately. Use of the revised documents will become mandatory as follows:

- Servicers must begin using the revised Modification Agreement and HAMP Cover Letter for HAMP modifications with a first payment due date on or after **March 1, 2011**
 - The revised HAMP Cover Letter includes an additional disclosure for Borrowers receiving a HAMP modification that contains principal forbearance. This disclosure informs the Borrower that a principal curtailment may be applied to the deferred principal balance instead of the interest-bearing balance.
 - Servicers must refer to Freddie Mac’s updated *Authorized Changes to Modification/Special Purpose Documents* at http://www.freddiemac.com/uniform/doc/authchanges_specialpurpose.doc for information regarding required or permitted changes to the revised Modification Agreement
- The revised Trial Period Plan Notice (Verified) must be used for HAMP Trial Period Plans with a first Trial Period payment due date on or after **March 1, 2011**
- If the Servicer elects to use a proprietary financial information form in lieu of the Form 1114, *Making Home Affordable Request for Modification and Affidavit* (“RMA”), it must either use the revised MHA Hardship Affidavit or incorporate the contents of the revised MHA Hardship Affidavit into its proprietary financial information form for HAMP requests received or initial packages sent on or after **March 1, 2011**

Freddie Mac’s documents were revised as a result of Treasury’s issuance of its revised HAMP documents, which included new Treasury program requirements implementing the Principal Reduction Alternative (PRA) offering for non-Government Sponsored Enterprise (GSE) Servicers, announced in Treasury’s HAMP Supplemental Directive 10-05 (Modification of Loans with Principal Reduction Alternative) (“SD 10-05”).

Treasury’s PRA offering does not apply to Freddie Mac-owned Mortgages; therefore, the revised Freddie Mac HAMP documents do not include updates related to PRA. In addition, Treasury documents no longer specify that a borrower’s principal curtailment may be applied to the deferred principal balance. Freddie Mac Servicers must use the Freddie Mac HAMP documents and cannot use those posted on HMPadmin.com in connection with Servicing Freddie Mac-owned Mortgages.

Until otherwise notified, Freddie Mac Servicers must not implement the requirements in SD 10-05 for Freddie Mac Mortgages, including Freddie Mac-owned Mortgages insured or guaranteed by any federal agency, such as the FHA.

All of Freddie Mac’s revised documents are available at

http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html

A Spanish translation of the revised *Authorized Changes to Modification/Special Purpose Documents* is also available at http://www.freddiemac.com/singlefamily/service/hmp_solicitation.html. Spanish translations of the other revised HAMP-related documents will be posted to our web site as they become available.

Section C65.2, *HAMP Documentation*, Guide Exhibit 4, *Single-Family Uniform Instruments*, and Exhibit 5, *Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application*, have been updated to reflect this announcement.

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact the following:

- Chapters 18, A65, B65, C65, D65, 66, and 80
- Exhibits 4 and 5
- Glossary

CONCLUSION

If you have any questions, please contact your Freddie Mac representative or call (800) FREDDIE and select “Servicing” from the menu.

Sincerely,

A handwritten signature in black ink that reads "Tracy Mooney". The signature is written in a cursive, flowing style.

Tracy Mooney
Senior Vice President
Servicer Relationship & Performance Management