

Bulletin

NUMBER: 2011-12

TO: Freddie Mac Servicers

July 14, 2011

SUBJECT: EMERGENCY HOMEOWNERS' LOAN PROGRAM

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, Freddie Mac is providing guidance and requirements for Servicer participation in the Department of Housing and Urban Development’s (HUD) Emergency Homeowners’ Loan Program (EHLP).

Overview

HUD received \$1 billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act to implement EHLP, a program designed to provide mortgage payment relief for qualifying Borrowers who have experienced a reduction of income of at least 15 percent as a result of involuntary unemployment or underemployment due to adverse economic conditions and/or medical conditions. The main objective of EHLP is to help stabilize the housing market by helping distressed Borrowers retain their homes by providing funds to pay certain arrearages to bring the Mortgage current, as well as ongoing monthly assistance to help Borrowers make their monthly Mortgage payment.

EHLP complements the Treasury’s Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund (“HHF”) and will assist Borrowers in Puerto Rico and 32 other States that did not receive funding through the HHF. A complete list of all States receiving EHLP funds can be found on HUD’s EHLP web site.

HUD has determined that state Housing Finance Agencies (HFA) in Connecticut, Delaware, Idaho, Maryland and Pennsylvania administer programs substantially similar to EHLP (“**Substantially Similar Programs**”), and as a result has directly allocated EHLP funds to each of these States to enable them to directly administer their programs to assist Borrowers in need. Since these State programs may have slightly different eligibility and application requirements than EHLP, Borrowers residing in these States who are interested in EHLP must apply for assistance directly through their respective State HFA.

In States that do not have Substantially Similar Programs, HUD has delegated the EHLP outreach, application and counseling functions to HUD-approved housing counseling intermediaries and NeighborWorks® America (NWA) (“**Delegated Process**”). Bank of New York Mellon (BNY) will act as HUD’s fiscal agent to facilitate the processing of EHLP payments, including collection of the Borrower’s contribution and remitting the full monthly payment to the Servicer on behalf of the Borrower.

EFFECTIVE DATE

Effective immediately, for Freddie Mac-owned or guaranteed Mortgages, Servicers must participate in EHLP by working with HUD and HUD’s designated intermediaries including NWA, BNY and HFAs, when Borrowers apply for and receive assistance under EHLP.

EHLP INFORMATION

Approved Borrowers are eligible to receive one-time EHLP assistance to pay certain arrearages to bring the Mortgage current, as well as ongoing monthly assistance to help make their monthly first lien Mortgage payment (including principal, interest, taxes, and insurances). Assistance is limited to a maximum duration of 24 months, or up to a maximum of \$50,000 in Mortgage payment assistance, whichever occurs first.

Junior lien

The EHLP loan is secured by a junior lien against the Borrower's Primary Residence and is forgivable over a five-year principal reduction period. No payment is due on the EHLP Note during the five-year term, provided that the Borrower remains current on the Mortgage and meets other program requirements. If the Borrower meets all conditions, the principal balance due on the EHLP loan will decline by twenty percent annually, until the Note is extinguished and the junior lien is terminated.

Borrower contribution

Under EHLP, the Borrower's contribution to the monthly Mortgage payment will be set at 31 percent of Borrower's monthly income at the time of application, but in no instance will it be less than \$150 per month. EHLP funds will be used to pay the remaining portion of the monthly Mortgage payment.

Pre-application screening process

Under HUD's Delegated Process, Borrowers interested in applying for EHLP assistance must first complete a pre-application screening process. This pre-application eligibility screening period runs from June 20, 2011 through July 22, 2011. EHLP counseling agencies will evaluate each Borrower's completed Pre-Applicant Screening Worksheet to make an initial pre-determination of household eligibility. Since HUD anticipates a high demand for the EHLP, if there are more eligible homeowners than there are funds available the worksheets will be entered into a randomized selection process and selected borrowers will be invited to apply. Selected Borrowers must obtain final approval from HUD by September 30, 2011 in order to receive EHLP assistance.

Servicers should refer Borrowers inquiring into EHLP assistance to the HUD EHLP web site for full program and eligibility information. For States with Substantially Similar Programs, Servicers should refer Borrowers to their respective State HFA web sites for program information.

SERVICER REQUIREMENTS

Securing signed agreements

With respect to States with Substantially Similar Programs, Servicers must immediately take appropriate action to participate in EHLP, including engaging with each HFA to secure signed agreements, if applicable, for program participation. In States where HUD's Delegated Process is used, Servicers must immediately begin working with HUD to secure a signed Memorandum of Understanding (MOU) between HUD and the Servicer to participate in EHLP.

Servicers must also take the actions necessary to ensure that their processes and procedures are ready to respond to requests for assistance and accept funds provided on behalf of the Borrower under EHLP.

Borrower authorization

Servicers are reminded that they must ensure that they receive a Borrower's written authorization to share, release or discuss such Borrower's nonpublic personal information with an authorized third-party, such as NWA or BNY. The Borrower's written authorization must comply with Guide Section 53.8, *Compliance with Applicable Law*, and all applicable federal, State and local laws relating to data security, privacy and safeguarding of Borrower personal information.

Foreclosure actions

Servicers must suspend foreclosure proceedings once notified that a Borrower has been approved for EHL P assistance. Servicers must notify all appropriate parties (e.g., the Borrower, the HFA, NWA, BNY) if a scheduled foreclosure sale cannot be halted because a court with jurisdiction over the foreclosure proceeding (if any) or public official fails or refuses to halt the foreclosure sale.

Collection efforts and delinquency management

If a Servicer does not receive a Borrower's monthly mortgage payment after receiving notification of approval for EHL P assistance, the Servicer must contact the appropriate agency in order to determine whether EHL P assistance has been terminated. If EHL P assistance has not been terminated, the Servicer must work with the Borrower to ensure that any payments due are remitted to the appropriate party (e.g., BNY or the HFA). If EHL P assistance is terminated for a Borrower, the Servicer must begin appropriate collection efforts in accordance with Guide Chapter 64, *Delinquencies*.

Document retention and reporting requirements

A Servicer must document in the Mortgage file or its servicing system any Mortgage for which it receives notice of Borrower approval for EHL P assistance and amount of EHL P funds received on each Mortgage. Servicers must be able to furnish this information to Freddie Mac upon request.

Servicers must also retain all documents, communications and information pertaining to the Borrower's mortgage assistance under EHL P in the Mortgage file/servicing system.

CONCLUSION

If after reviewing this Bulletin you have any questions about Freddie Mac requirements related to your participation in EHL P, please contact your Freddie Mac representative or call (800) FREDDIE and select Servicing.

Sincerely,



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Single-Family Servicing and REO