

Bulletin

NUMBER: 2011-24

TO: Freddie Mac Servicers

December 13, 2011

SUBJECT: SERVICER REQUIREMENTS RELATED TO STATE HOUSING FINANCE AGENCIES' MODIFICATION ASSISTANCE PROGRAMS

Single-Family Seller/Servicer Guide ("Guide") Bulletin 2010-25 set forth Freddie Mac's requirements for Servicer interaction with state Housing Finance Agencies ("HFAs") related to the HFAs' unemployment mortgage assistance and reinstatement programs developed in connection with the Treasury's Innovation Fund for the Hardest Hit Housing Markets or Hardest Hit Fund ("HHF") initiative.

With this Bulletin, Freddie Mac is providing:

- Requirements for Servicer participation in modification assistance programs offered by HFAs in connection with the HHF initiative
- Further guidance with respect to a Servicer's obligation regarding collection and solicitation activities once notified of a Borrower's approval for modification, unemployment or reinstatement assistance

Effective date

All of the changes announced in this Bulletin are effective immediately.

MODIFICATION ASSISTANCE PROGRAM PARTICIPATION REQUIREMENTS

Overview

To assist eligible Borrowers with qualifying for a modification, certain HFAs provide funds to Servicers through their modification assistance programs. Funds may be applied to assist such Borrowers to meet housing expense-to-income ratio parameters or loan-to-value (LTV) ratio requirements, or to ensure a more positive net present value (NPV) result.

For Freddie Mac-owned or guaranteed Mortgages, Servicers must now participate in modification assistance programs offered by an HFA in connection with the HHF provided that:

- The modification assistance program does not require the Servicer or Freddie Mac to make a financial contribution or match any assistance provided by the HFA
- Program participation and parameters for receiving assistance do not conflict with Freddie Mac's modification requirements under the Guide or the Servicer's other Purchase Documents, as applicable
- Receipt of funds does not impair the First Lien priority of the Mortgage
- Funds are remitted to the Servicer from the HFA in a one-time lump sum payment

Application of funds and Treasury Net Present Value model

Servicers must ensure that they apply funds received from the HFA in accordance with the Note, Security Instrument and applicable law. However, if funds are received from an HFA in accordance with its modification assistance program, Servicers may apply funds in accordance with the HFA's written instructions, provided the written instructions do not conflict with applicable law.

Further, if applicable, Servicers should refer to instructions provided by the Making Home Affordable Program Administrator regarding how application of funds received from an HFA will impact the Treasury NPV model and make the Treasury NPV model result more positive, thereby enabling a Borrower to qualify for a modification under the Home Affordable Modification Program (HAMP).

Modification settlement

If receipt of funds from the HFA is confirmed and the funds are due to be applied in the month prior to the first modified payment due date, but the Servicer is unable to receive and report such funds to Freddie Mac prior to the accounting cycle cutoff, then the Servicer must advance funds to complete the modification settlement.

When submitting Guide Form 1128, *Loss Mitigation Transmittal Worksheet*, ("LMTW") in accordance with Guide Chapters B65, *Workout Options*, and C65, *Home Affordable Modification Program*, to complete modification settlement, the Servicer must enter the amount of modification assistance that has been received from the HFA or advanced by the Servicer in Line 16, "Amount Held in Suspense/Restricted Escrow," and state in the "Servicer Comments" section of the transmittal that funds were provided from an HFA under its modification assistance program together with the amount of such funds.

Reporting

In addition to complying with the reporting requirements for a modification under Chapters B65 and C65, Servicers must report to Freddie Mac a list of all Mortgages for which modification assistance was provided for the prior month using the "Spreadsheet for Hardest Hit Fund Mortgages" described in Bulletin 2010-25.

An updated template of the spreadsheet is available at www.FreddieMac.com/singlefamily/service/hfa_relief.html. Servicers must continue to send the spreadsheet to Hardest_Hit@freddiemac.com by the fifth Business Day of every month for all Mortgages that received assistance.

Foreclosure actions

As previously provided in Bulletin 2010-25, foreclosure actions (referral and sale) must be suspended for a period of 45 days, or a longer period as required by State law, upon notification from the HFA that a Borrower is conditionally approved for mortgage assistance under an HFA's unemployment or reinstatement assistance programs. With this Bulletin, we are also requiring suspension if a Borrower is conditionally approved for mortgage assistance under an HFA's modification assistance program. Further, Servicers are reminded that they may also suspend foreclosure actions for a period exceeding 45 days as necessary to facilitate the processing of mortgage assistance and receipt of funds, provided that the Servicer follows up with the HFA on a regular basis to determine (i) whether the Borrower is still eligible for mortgage assistance and (ii) when such funds will be received.

General requirements

Servicers must continue to comply with the "General Requirements" outlined in Bulletin 2010-25 as amended by the guidance and requirements included in Bulletin 2011-5.

COLLECTION AND SOLICITATION ACTIVITIES

For all Mortgages for which the Servicer has received notification from the HFA that a Borrower is conditionally approved for mortgage assistance (including modification, unemployment and reinstatement assistance), a Servicer is *not* required to continue collection calls and solicitation activity as outlined in Chapter 64, *Delinquencies*, unless the Servicer receives notice that the Borrower did not qualify for assistance from the HFA.

CONCLUSION

If after reviewing this Bulletin you have any questions about your role in the HFAs' mortgage assistance programs as part of the HHF initiative, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing."

Sincerely,

A handwritten signature in cursive script that reads "Tracy Hagen Mooney".

Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing and REO