

Bulletin

NUMBER: 2012-2

TO: Freddie Mac Servicers

January 6, 2012

SUBJECT: UNEMPLOYMENT FORBEARANCE

With this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin, Freddie Mac is introducing unemployment forbearance, a new forbearance relief option that Servicers must use to assist Borrowers who are experiencing a financial hardship due to unemployment.

In addition, Freddie Mac is revising its Home Affordable Modification Program (HAMP) requirements to provide that Borrowers who were in a HAMP Trial Period Plan prior to entering into an unemployment forbearance plan may be re-evaluated for a new HAMP Trial Period Plan upon completion of the unemployment forbearance plan.

OVERVIEW

With Bulletin 2010-17 Freddie Mac required Servicers to consider unemployed Borrowers for the forbearance relief options described in Guide Chapter A65, *Reinstatements and Relief Options*.

With this Bulletin Freddie Mac is introducing new forbearance requirements to provide a “short-term unemployment forbearance” relief option to assist Borrowers who are unable to make their Mortgage payment due to unemployment. In addition, Freddie Mac is introducing an “extended unemployment forbearance” relief option to provide an extension of the forbearance period if such Borrowers have not regained employment after the short-term forbearance period has ended. Including these additional relief options in our loss mitigation tool kit gives unemployed Borrowers an opportunity to retain homeownership by providing Mortgage payment relief while they seek re-employment.

Servicers will have delegated authority to approve eligible Borrowers for a short-term unemployment forbearance period of six months during which time the monthly Mortgage payment is either suspended or reduced. If the Borrower remains unemployed at the end of the short-term unemployment forbearance period, the Servicer must consider the Borrower for extended unemployment forbearance in accordance with the Guide. If the Borrower meets the eligibility criteria for extended unemployment forbearance, the Servicer must obtain Freddie Mac’s written approval before entering into an extended unemployment forbearance plan with the Borrower.

EFFECTIVE DATE

Changes announced in this Bulletin are effective **February 1, 2012** for all new Borrower evaluations for an alternative to foreclosure. However, Servicers may begin implementing the unemployment forbearance relief options earlier for all new requests for assistance in which an eligible Borrower’s hardship is unemployment.

Additionally, if a Borrower is still unemployed and was previously on a short-term forbearance plan that has since expired, the Servicer must evaluate such Borrower in accordance with the extended unemployment forbearance requirements if the Borrower is not engaged in another alternative to foreclosure.

FORBEARANCE REQUIREMENTS

Short-term and extended unemployment forbearance

If a Borrower has a hardship due to unemployment, the Servicer must first consider the Borrower for short-term unemployment forbearance relief prior to pursuing other alternatives to foreclosure under the Guide. Short-term unemployment forbearance offers Mortgage payment relief for a period of six months. However, the short-term unemployment forbearance must terminate when the Servicer receives notification of the Borrower's re-employment.

If the Borrower is still unemployed during the final month of the short-term unemployment forbearance period, the Servicer must consider the Borrower for extended unemployment forbearance relief.

Extended unemployment forbearance provides Mortgage payment relief for up to an additional six months. However, extended unemployment forbearance may not extend beyond a date that would cause the Delinquency to exceed 12 months of the Borrower's contractual Mortgage payment, including taxes and insurance, if the Servicer is collecting Escrows for such expenses.

If the Borrower regains employment or is otherwise ineligible for extended unemployment forbearance, the Borrower must cure the Delinquency through a full reinstatement, payoff or a repayment plan. If unable to do so, the Borrower must be considered for another workout option in accordance with the evaluation hierarchy outlined in Section 64.6(a).

Impact on Borrower evaluation for other relief and workout options

If an eligible Borrower is offered and declines an unemployment forbearance plan, such Borrower is ineligible for short-term forbearance pursuant to Guide Sections A65.19, *Borrower Requirements*, through A65.21.1, *Reporting Short-Term Forbearance Plans*. However, such Borrower may be evaluated for all other alternatives to foreclosure under the Guide.

If a Borrower in a Trial Period Plan under the Freddie Mac Standard Modification or HAMP becomes unemployed, the Servicer must not require the Borrower to convert from the Trial Period Plan to an unemployment forbearance plan. However, if a Borrower in a Trial Period Plan contacts the Servicer and requests assistance due to unemployment, the Servicer must determine whether the Borrower is eligible for unemployment forbearance relief in accordance with the requirements of the Guide.

Additionally, a Borrower who was in a HAMP Trial Period Plan prior to entering into an unemployment forbearance plan may be re-evaluated for a new HAMP Trial Period Plan if otherwise eligible in accordance with Section C65.4, *Eligibility*. If the Borrower qualifies for HAMP and accepts a new Trial Period Plan once unemployment forbearance ends, the Borrower will be required to start a new Trial Period.

Requesting extended unemployment forbearance

When a Servicer submits a recommendation to Freddie Mac for extended unemployment forbearance, the Servicer must complete and submit new Guide Form 1206, *Freddie Mac Extended Unemployment Forbearance Request*, along with all of the following documentation:

- A complete Borrower Response Package
- Credit report (or in-file credit report)
- Tax transcript if the Servicer processed either Internal Revenue Service (IRS) Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript*, or Form 4506-T, *Request for Transcript of Tax Return*

New Form 1206 is also available for download at <http://www.freddiemac.com/sell/forms/docs/1206.xls>

REVISIONS TO THE GUIDE

Servicers must refer to new Sections A65.26, *Unemployment Forbearance*, through A65.28, *Extended Unemployment Forbearance*, for additional information on the requirements related to short-term and extended unemployment forbearance, including:

- Eligibility criteria/ineligible Mortgages
- Forbearance terms
- Borrower documentation
- Borrower payments
- Documenting the forbearance plan
- Transitioning from or to other alternatives to foreclosure
- Reporting requirements
- Servicer assessment of late fees

The revisions included in this Bulletin also impact the following:

- Section A65.3, *Chapter Contents*
- Section A65.13, *Relief Option Contents*
- Section A65.18, *What is Short-Term Forbearance?*
- Section A65.21, *Approval Authority*
- Section A65.22, *What is Long-Term Forbearance*
- Section B65.13, *Eligibility Requirements for a Freddie Mac Standard Modification*
- Section B65.19, *Trial Period Plan Requirements*
- Section C65.4, *Eligibility*
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CONCLUSION

Servicers should contact their Freddie Mac representative or call (800) FREDDIE and select “Servicing” if they have any questions about the changes announced in this Bulletin.

Sincerely,



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