



TO: Freddie Mac Servicers

March 28, 2014 |

2014-4

SUBJECT: MODIFICATIONS

This *Single-Family Seller/Servicer Guide* ("Guide") Bulletin announces revisions to our modification requirements, including changes to processing requirements for Freddie Mac Standard Modifications and Freddie Mac Streamlined Modifications for Mortgages with pre-modification mark-to-market loan-to-value (MTMLTV) ratios less than 80% and Servicer implementation requirements for new Standard Modification interest rates.

Mortgages with pre-modification MTMLTV ratios less than 80%

Effective July 1, 2014

Bulletin 2014-3 announced that based on Servicer feedback, we would be revising certain requirements related to the processing of Standard and Streamlined Modifications for Mortgages with pre-modification MTMLTV ratios less than 80%. Under the requirements announced in today's Bulletin, the Servicer must provide eligible Borrowers the option to select a 480-month, 360-month or 240-month term for the modification agreement. The Servicer must include in the Trial Period Plan Notice each amortization term and its Trial Period payment only when the associated monthly principal and interest (P&I) payment reduction condition is met:

- A 480-month amortization term. The estimated modified P&I payment must be less than or equal to the current contractual P&I payment.
- A 360-month amortization term. The estimated modified P&I payment must be at least 20% less than the current contractual P&I payment.
- A 240-month amortization term. The estimated modified P&I payment must be at least 20% less than the current contractual P&I payment.

In addition, we have eliminated the options for a Borrower to:

- Request a term that is different than those provided in the Trial Period Plan offer
- Change the amortization term after the first Trial Period payment is made

The requirements pertaining to Standard and Streamlined Modifications for Mortgages with pre-modification MTMLTV ratios less than 80% announced in Bulletin 2013-27, as amended by this Bulletin, must be implemented for new evaluations conducted on and after July 1, 2014. Servicers are encouraged to implement these requirements sooner if they are able to do so. However, as provided in Bulletin 2014-3, until these revised requirements become mandatory on July 1, 2014, Servicers may continue to rely on the requirements announced in Bulletin 2013-27 pertaining to Mortgages with pre-modification MTMLTV ratios less than 80%.

Guide Sections B65.18, *Determining the Terms of a Freddie Mac Standard Modification and Freddie Mac Streamlined Modification*, and B65.19, *Trial Period Plan Requirements*, have been updated to reflect these changes.

Workout Prospector®

We will inform Servicers in a future communication of the date Workout Prospector will be available to process the terms of Standard and Streamlined Modifications for Mortgages with pre-modification MTMLTV ratios less than 80%. Until Workout Prospector is updated, the Servicer must generate the terms of the Trial Period Plan using its proprietary system and must transmit an exception request via the Standard Modification exception path in Workout Prospector. The Servicer must indicate in the comments section of Workout Prospector the terms of the modification and that the workout has been approved by the Servicer in accordance with the new eligibility requirements.

Interest rate adjustments

Effective July 8, 2014

Sections B65.18, B65.12.1(c) and B65.12.2(c) describe situations in which Servicers must use the Standard Modification interest rate, a fixed interest rate provided by Freddie Mac, when determining the terms of a Standard Modification Trial Period Plan, Streamlined Modification Trial Period Plan or a Capitalization and Extension Modification for Disaster Relief ("Disaster Relief Modification") Trial Period Plan. In these situations, the same Standard Modification interest rate used for the Trial Period Plan must also be used for the modification agreement.

Effective July 8, 2014, Freddie Mac will evaluate market rates on a monthly basis to determine whether a change to the Standard Modification interest rate is necessary. If the interest rate changes, the new rate and its mandatory effective date will be posted on the Standard Modification Interest Rate web page at <http://www.freddiemac.com/singlefamily/service/standardmodrate.html> by the fifth Business Day of each month. Servicers must implement the new rate for Trial Period Plan evaluations conducted on or after the **10th Business Day** of that same month, but no sooner. Evaluating the rate on a monthly basis ensures that we provide appropriate payment relief for qualified Borrowers who need Mortgage assistance in the form of a home retention option.

CONCLUSION

If you have any questions about the changes announced in this Bulletin, please contact your Freddie Mac representative or call (800) FREDDIE and select "Servicing."

Sincerely,



Tracy Hagen Mooney
Senior Vice President
Single-Family Servicing