

TO: Freddie Mac Servicers

June 18, 2014

2014-11

## SUBJECT: NEIGHBORHOOD STABILIZATION INITIATIVE – MYCITY MODIFICATION FOR THE CITY OF DETROIT, MICHIGAN

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin introduces the Freddie Mac MyCity Modification, a temporary offering designed specifically to assist eligible Borrowers whose Mortgaged Premises are located in the City of Detroit, Michigan. The MyCity Modification is a component of the Neighborhood Stabilization Initiative that is being developed by Freddie Mac and Fannie Mae at the direction of the Federal Housing Finance Agency in an effort to help stabilize communities that have been hardest hit by the housing crisis.

This Bulletin contains instructions to our Servicers for how to conduct an initial assessment to determine a Borrower’s potential eligibility for the MyCity Modification. Servicers must submit requests for further evaluation to Freddie Mac for all Mortgages that meet the criteria provided in this Bulletin. Freddie Mac will provide a final eligibility decision and, for each eligible Borrower, the Trial Period Plan terms that the Servicer must offer to the Borrower.

This Bulletin contains the requirements for the MyCity Modification, including those related to initial assessment of eligibility, documentation, evaluation hierarchy and processing.

### EFFECTIVE DATE

Servicers must implement all requirements set forth in this Bulletin along with any additional instructions provided by Freddie Mac for all evaluations conducted on or after **September 1, 2014**. However, if feasible, Servicers are encouraged to implement these changes immediately.

The MyCity Modification Trial Period Plan Effective Date must be no later than **December 1, 2015**.

### ELIGIBILITY AND BORROWER DOCUMENTATION REQUIREMENTS

In order for a Mortgage to be eligible for the MyCity Modification, the Servicer must achieve quality right party contact with the Borrower and the following additional requirements must be met:

Freddie Mac MyCity Modification Requirements	
Category	Requirements
<b>Borrower eligibility</b>	The Borrower may be current or delinquent. However, if the Borrower is current or less than 60 days delinquent, the Borrower must be determined to be in imminent default. Servicers must evaluate such Borrowers for imminent default in accordance with Guide Section B65.15, <i>Determining Imminent Default for a Freddie Mac Standard Modification</i> .
<b>Property eligibility</b>	<ul style="list-style-type: none"> <li>The Mortgaged Premises must be located in one of the following zip codes <b>within the City of Detroit, Michigan</b>: 48201, 48202, 48203*, 48204, 48205, 48206, 48207, 48208, 48209, 48210, 48211, 48212*, 48213, 48214, 48215, 48216, 48217, 48219, 48221, 48223, 48224, 48226, 48227, 48228, 48234, 48235, 48236*, 48238, 48239* or 48243</li> <li>The Mortgaged Premises must be either a Primary Residence, second home or an Investment Property (i.e., owner-occupied or non-owner occupied)</li> <li>The Mortgaged Premises may be either occupied or vacant, but must not be abandoned</li> </ul> <p>* <b>NOTE:</b> Mortgaged Premises located within these zip codes, but outside of the boundary lines of the City of Detroit, Michigan, are ineligible.</p>

Freddie Mac MyCity Modification Requirements	
Category	Requirements
<b>Mortgage eligibility</b>	The Mortgage must be a conventional First-Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac.
<b>Exclusions</b>	<p>The following Mortgages are ineligible for a MyCity Modification:</p> <ul style="list-style-type: none"> <li>• FHA, VA and Section 502 GRH Mortgages</li> <li>• Mortgages subject to recourse or indemnification agreements</li> <li>• Mortgages subject to active non-routine litigation, except that this ineligibility criterion does not apply to those Borrowers who, in good faith, are exercising a right under the federal Consumer Credit Protection Act</li> </ul> <p>Mortgages that meet any of the following criteria are also ineligible for the MyCity Modification. However, if the Servicer believes a MyCity Modification is appropriate based on the Borrower's individual circumstances, the Servicer should submit a request to Freddie Mac for further review by transmitting an exception request via Workout Prospector<sup>®</sup>. In such instances, the Servicer must clearly communicate in the comments section that the Borrower is ineligible for a MyCity Modification, describe the reason(s) that the Borrower is ineligible, and provide a justification for the exception request.</p> <ul style="list-style-type: none"> <li>• Mortgages in an active Trial Period Plan</li> <li>• Mortgages subject to an approved short sale or deed-in-lieu of foreclosure</li> <li>• Except for a Freddie Mac Streamlined Modification offer, Mortgages currently subject to an unexpired offer to the Borrower for another modification</li> </ul>
<b>Borrower documentation</b>	<p>The Borrower must provide a complete Borrower Response Package if any of the following circumstances apply:</p> <ul style="list-style-type: none"> <li>• The Borrower is less than 90 days delinquent as of the date of the Servicer's evaluation, OR</li> <li>• The Mortgage was originated less than 12 months prior to the evaluation date, OR</li> <li>• The Borrower has all of the following characteristics: <ul style="list-style-type: none"> <li>➢ The Borrower was current on his or her Mortgage for each of the five months prior to the Due Date of the Last Paid Installment (DDLPI) and never made a payment after becoming delinquent, AND</li> <li>➢ The Borrower has not provided a reason for default or, if quality right party contact has been made, the Borrower's reason for default is not an eligible hardship as specified under Section 65.17, <i>Verifying a Borrower's Hardship</i>, AND</li> <li>➢ The Borrower's current FICO<sup>®</sup> score is 750 or greater, determined in accordance with Section B65.12.1(b), <i>Determining the FICO Score for Streamlined Modification Eligibility</i></li> </ul> </li> </ul>
<b>Incomplete Borrower Response Package</b>	The Servicer may, but is not required to, send an Incomplete Information Notice to a Borrower who submits incomplete documentation less than 37 days prior to a scheduled foreclosure sale.

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## EVALUATION HIERARCHY

### **Borrower is current or less than 90 days delinquent**

Within 15 calendar days of receiving a complete Borrower Response Package, the Servicer must:

- Evaluate the Borrower in accordance with the evaluation hierarchy set forth in Section 64.6(a), *Evaluation Hierarchy*
- Complete an initial assessment of the Borrower based on the MyCity Modification requirements contained in this Bulletin. (Note: As required above, a Borrower who is current or less than 60 days delinquent must first be determined to be in imminent default.), and
- Submit a recommendation via Workout Prospector for further evaluation by Freddie Mac if the Servicer determines the Borrower meets the initial eligibility criteria for the MyCity Modification provided above

The Servicer must request a final eligibility determination and modification terms for a MyCity Modification from Freddie Mac even if it has determined the Borrower is eligible for another alternative to foreclosure.

Freddie Mac will further evaluate the Borrower for the MyCity Modification and communicate its decision back to the Servicer. If the Borrower is eligible for a MyCity Modification, Freddie Mac will provide the terms of the Trial Period Plan.

### **Borrower is 90 or more days delinquent**

If the Borrower is 90 or more days delinquent and submits a complete Borrower Response Package, the Servicer must follow the same requirements provided above for Borrowers who are less than 90 days delinquent.

If a Borrower is 90 or more days delinquent and has not provided a complete Borrower Response Package, the Servicer must, within 15 calendar days of achieving quality right party contact with the Borrower:

- Conduct the initial assessment for the MyCity Modification, and
- Submit a recommendation via Workout Prospector for further evaluation by Freddie Mac, if the Servicer determines the Borrower meets the initial eligibility criteria for the MyCity Modification provided above

If the Servicer establishes quality right party contact prior to day 90 of the Delinquency, but is unable to collect a complete Borrower Response Package by day 90 of the Delinquency, and a complete Borrower Response Package is not otherwise required for the MyCity Modification, the Servicer must conduct an initial assessment for the MyCity Modification. The Servicer must submit all cases that meet the initial eligibility criteria for the MyCity Modification to Freddie Mac by the 105<sup>th</sup> day of the Delinquency in lieu of sending the Borrower a Streamlined Modification offer.

Freddie Mac will further evaluate the Borrower for the MyCity Modification and communicate its decision back to the Servicer. If the Borrower is eligible for a MyCity Modification, Freddie Mac will provide the terms of the Trial Period Plan.

If quality right party contact is not established with the Borrower, the Servicer must follow existing Guide requirements.

## PROCESSING AND REPORTING

### **Workout Prospector**

The Servicer will not determine the terms of a MyCity Modification Trial Period Plan. Once the Servicer has determined that the Borrower, Mortgage and Mortgaged Premises meet all eligibility requirements provided in this Bulletin, the Servicer must transmit an exception request to Freddie Mac via the Freddie Mac Standard Modification exception path in Workout Prospector. The Servicer must clearly communicate in the comments section of Workout Prospector that it is requesting a decision on the MyCity Modification. Freddie Mac will complete the evaluation of the Borrower for the MyCity Modification and communicate a final decision back to the Servicer. If the Borrower is eligible for a MyCity Modification, Freddie Mac will provide the terms of the Trial Period Plan.

In the event that the Servicer has evaluated a complete Borrower Response Package and determined that the Borrower meets all eligibility requirements for a Home Affordable Modification Program (HAMP) modification or a Standard Modification, the Servicer must include the estimated modified principal and interest payment amount for that modification option in the comments section of its Workout Prospector submission. In such cases, Freddie Mac will inform the Servicer which modification program to offer the Borrower.

Refer to Section B65.18, *Determining the Terms of a Freddie Mac Standard Modification and Freddie Mac Streamlined Modification*.

## Reporting

The Servicer must report MyCity Modification Trial Period Plan activity using default action code BF – “Standard Modification Trial Period” in accordance with the requirements in Section B65.21(a), *EDR*.

## SENDING AN OFFER TO THE BORROWER

Within seven Business Days of receiving notification from Freddie Mac that the Borrower is eligible for the MyCity Modification, but no later than 30 days after receiving a complete Borrower Response Package, the Servicer must send the Borrower a Trial Period Plan. Freddie Mac recommends that the Servicer send the Trial Period Plan to the Borrower via overnight or express mail.

If the Borrower does not accept the MyCity Modification, indicates that he or she cannot afford the MyCity Modification payment, or is denied for the MyCity Modification as a result of Freddie Mac’s evaluation, the Servicer must offer the solution that best meets the Borrower’s needs in accordance with the evaluation hierarchy pursuant to the requirements in Section 64.6.

If Freddie Mac denies the MyCity Modification request, Freddie Mac will provide the Servicer with the reason for denial. The Servicer must refer to Section 53.8(e), *Adverse Action Notices*, for more information on adverse action notices that must be provided to the Borrower on behalf of Freddie Mac under certain circumstances.

### Special requirements for Borrowers who are 90 or more days delinquent

If the Servicer receives a complete Borrower Response Package after the date the MyCity Modification Trial Period Plan is sent to the Borrower, and prior to sending the modification agreement, the Servicer must acknowledge receipt of the package and review it as follows:

If the Borrower...	...then the Servicer must:
<p><b>Accepted the MyCity Modification Trial Period Plan</b></p>	<p>Evaluate the Borrower for a HAMP modification pursuant to Guide Chapter C65, <i>Home Affordable Modification Program</i>. If the Borrower is ineligible for HAMP, the Servicer must evaluate the Borrower for a Standard Modification as set forth in Chapter B65, <i>Workout Options</i>.</p> <p>If the Borrower qualifies for a HAMP modification or a Standard Modification and the monthly principal and interest payment for the eligible modification is less than the monthly principal and interest payment for the MyCity Modification, the Servicer must offer the Borrower the modification option that results in the lower post-modified monthly principal and interest payment.</p> <p>To communicate the offer to the Borrower, the Servicer must edit the modification offer letter to indicate that a restart of the Trial Period is not required and if the Borrower complies with the terms of the MyCity Modification Trial Period Plan and executes the applicable modification agreement, he or she will receive the modification terms with the lower monthly principal and interest payment amount.</p>
<p><b>Has not accepted the MyCity Modification Trial Period Plan</b></p>	<p>Determine whether the Borrower is eligible for an alternative to foreclosure in accordance with the Guide.</p>

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## OTHER REQUIREMENTS

The following additional requirements apply to MyCity Modifications:

- The Servicer must order an exterior Broker's Price Opinion (BPO) through BPOdirect® for all Mortgages that meet the eligibility criteria for the MyCity Modification prior to submitting the Servicer's recommendation to Freddie Mac
- If the Mortgage is covered by mortgage insurance, the Servicer must obtain approval of the MyCity Modification on a case-by-case basis from the MI after Freddie Mac has given notice to the Servicer that the Borrower is eligible for the MyCity Modification but prior to offering the Borrower a Trial Period Plan
- Except as otherwise provided in this Bulletin, Servicers must process a MyCity Modification in accordance with the requirements set forth in Sections B65.19, *Trial Period Plan Requirements*, through B65.26, *Reporting and Remittance Requirements*, that are otherwise applicable to processing a Standard Modification
- The Servicer will be eligible to receive an incentive payment in accordance with the Standard Modification tiered payment structure described in Guide Exhibit 96, *Servicing Incentives and Compensatory Fees*

## REVISIONS TO THE GUIDE

The Guide will not be updated to include these temporary requirements. Servicers should refer to this Bulletin to ensure compliance with these requirements.

## 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