



TO: Freddie Mac Servicers

December 18, 2014 | 2014-25

SUBJECT: EXPANSION OF THE FREDDIE MAC MYCITY MODIFICATION

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin announces the expansion of the Freddie Mac MyCity Modification, previously only available in the City of Detroit, Michigan, (“City of Detroit”), to include Cook County, Illinois (“Cook County”). We are also revising MyCity Modification requirements announced in Bulletin 2014-11, including those related to eligibility, documentation, the evaluation hierarchy and processing.

The MyCity Modification is a component of the Neighborhood Stabilization Initiative, which Freddie Mac and Fannie Mae developed 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.

Changes to the MyCity Modification requirements include the following:

City of Detroit and Cook County

- Servicers must proactively solicit Borrowers for the MyCity Modification once the Borrower becomes 90 or more days delinquent
- Servicers are now fully delegated to approve all eligible Borrowers within the specified geographical locations. In lieu of providing a list of zip codes, we have updated the property eligibility requirements to provide that Mortgages that are located within the City of Detroit or Cook County are eligible for the MyCity Modification.
- The expiration date for the MyCity Modification for the City of Detroit has been extended to December 1, 2016
- To align with the MyCity Modification for Cook County, property valuation requirements for the MyCity Modification for the City of Detroit have been changed from requiring that the Servicer order an exterior Broker’s Price Opinion (BPO) through BPOdirect® to requiring that the Servicer order a property valuation in accordance with Guide Section B65.16, *Property Valuation Requirements*

Cook County

- Eligibility is limited to one- to four-unit single-family properties with property values equal to or less than \$250,000
- Two- to four-unit properties valued over \$250,000 that otherwise meet the eligibility requirements may be sent to Freddie Mac for review

EFFECTIVE DATE

Servicers must implement the requirements in this Bulletin along with any additional instructions provided by Freddie Mac pertaining to the MyCity Modification for all evaluations conducted on and after **April 1, 2015** for Borrowers whose Mortgaged Premises are located in the City of Detroit or Cook County. However, if feasible, Servicers are encouraged to implement these changes immediately.

For both the City of Detroit and Cook County, the MyCity Modification Trial Period Plan Effective Date must be no later than **December 1, 2016**.

ELIGIBILITY AND BORROWER DOCUMENTATION REQUIREMENTS

The following requirements must be met for a Mortgage to be eligible for the MyCity Modification. Modification terms are applicable in all eligible areas unless specified otherwise:

Freddie Mac MyCity Modification Requirements	
Category	Requirements
Borrower eligibility	The Borrower may be current or delinquent. However, if the Borrower is current or less than 60 days delinquent, the Servicer must determine that the Borrower is in imminent default in accordance with Guide Section B65.15, <i>Determining Imminent Default for a Freddie Mac Standard Modification</i> .
Property eligibility	<ul style="list-style-type: none"> The Mortgaged Premises must be located in the City of Detroit or Cook County The Mortgaged Premises may be a Primary Residence, second home or an Investment Property (i.e., owner-occupied or non-owner occupied) The Mortgaged Premises may be occupied or vacant, but not abandoned In Cook County, the property value must be equal to or less than \$250,000. A two- to four-unit property with a property value exceeding \$250,000 may be submitted to Freddie Mac for review if the Mortgage meets all other eligibility requirements and the Servicer determines the MyCity Modification is the appropriate solution.
Mortgage eligibility	The Mortgage must be a conventional First-Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac.
Exclusions	<p>The following Mortgages are ineligible for a MyCity Modification:</p> <ul style="list-style-type: none"> FHA/VA and Section 502 GRH Mortgages Mortgages subject to a recourse or indemnification agreement The Borrower was previously offered but failed a MyCity Modification or Trial Period Plan <p>In addition, Mortgages that meet any of the following criteria are 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.</p> <ul style="list-style-type: none"> Mortgages in an active Trial Period Plan for another modification Mortgages that are subject to an approved short sale or deed-in-lieu of foreclosure transaction Except for a Freddie Mac Streamlined Modification offer, Mortgages currently subject to an unexpired offer for another modification
Delegated authority	<ul style="list-style-type: none"> Unless otherwise noted, Servicers are fully delegated to perform evaluations of all cases within the specified geographical locations that meet the eligibility criteria, calculate MyCity Modification terms, and make an offer in accordance with the MyCity Modification terms Two- to four-unit properties valued over \$250,000 that otherwise meet the eligibility requirements may be sent to Freddie Mac for review Mortgages that were originated less than 12 months prior to the evaluation date that otherwise meet the eligibility requirements must be submitted to Freddie Mac for review if the Servicer believes a MyCity Modification is appropriate based on the Borrower's individual circumstances

Freddie Mac MyCity Modification Requirements	
Category	Requirements
Modification terms	<p>Servicers must complete each of the following steps in order, only to the extent necessary to achieve a payment reduction that is closest to, but not greater than, a 60% principal and interest (P&I) reduction:</p> <ol style="list-style-type: none"> 1. Capitalize arrearages 2. Reduce the current interest rate on the existing Mortgage in decrements of 0.125% to a 2% interest rate floor (fixed for the life of the modified Mortgage) 3. Extend the amortization term in one-month increments up to 480 months from the Modification Effective Date 4. Forbear a portion of the unpaid principal balance (UPB) in \$100 increments up to 30% of post-capitalized UPB. Note: There is no mark-to-market loan-to-value floor. <p>If the Servicer completes all of the above steps and the modification has not achieved a 60% payment reduction, the modification must be offered to the Borrower provided the modification results in a P&I payment that is less than or equal to the pre-modification P&I payment.</p> <p>All Mortgages must be modified to a fully amortizing fixed-rate Mortgage. A Servicer may not modify the current Mortgage to, or maintain the current Mortgage as, an adjustable-rate Mortgage, an interest-only Mortgage, a bi-weekly Mortgage or a daily simple interest Mortgage.</p>
Borrower documentation	<p>If the Borrower is 90 or more days delinquent, no documentation is required. The Borrower must provide a complete Borrower Response Package if any of the following circumstances apply and are excluded from the proactive solicitation requirements provided in the "Evaluation Hierarchy" section of this Bulletin below:</p> <ul style="list-style-type: none"> • The Borrower is less than 90 days delinquent as of the evaluation date (Borrowers who are current or less than 60 days delinquent must be determined to be in imminent default in accordance with the Guide), OR • The Mortgage was originated less than 12 months prior to the evaluation date, OR • The Borrower has all of the following characteristics: <ul style="list-style-type: none"> ➢ 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 ➢ 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 ➢ The Borrower's current FICO® score is 750 or greater, determined in accordance with Section B65.12.1(b), <i>Determining the FICO Score for Streamlined Modification Eligibility</i>
Incomplete Borrower Response Package	<p>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.</p>

EVALUATION HIERARCHY

Borrower is current or less than 90 days delinquent

After receiving a complete Borrower Response Package, the Servicer must first evaluate the Borrower for the MyCity Modification following the requirements in this Bulletin. If the Servicer determines the Borrower is eligible for the MyCity Modification, the Servicer must send the Borrower a Trial Period Plan. All Borrowers who are eligible for the MyCity Modification must receive an offer for the modification.

If the Borrower is ineligible for the MyCity Modification or does not accept the Trial Period Plan offer, the Servicer must evaluate the Borrower for all other alternatives to foreclosure, including the Home Affordable Modification Program (HAMP) and the Standard Modification in accordance with the evaluation hierarchy in Section 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*.

Borrower is 90 or more days delinquent

If a Borrower is 90 or more days delinquent, and the Servicer has not received a complete Borrower Response Package, the Servicer must solicit the eligible Borrower for a MyCity Modification Trial Period Plan (in lieu of the Streamlined Modification Trial Period Plan) by no later than 15 days of the Borrower becoming 90 days delinquent. If the eligible Borrower is more than 90 days delinquent as of April 1, 2015 (or date of implementation if the Servicer implements the modification earlier), the Servicer must send at least one solicitation for a MyCity Modification Trial Period Plan no later than 15 days after the eligibility evaluation.

A Borrower who is 90 days delinquent at the time of solicitation will continue to remain eligible even if a subsequent mortgage payment results in the Borrower becoming less than 90 days delinquent following the solicitation and prior to the commencement of the Trial Period Plan.

If the Borrower is ineligible for the MyCity Modification or does not accept the Trial Period Plan offer, the Servicer must conduct an evaluation for all loss mitigation options in accordance with the Guide.

Continued proactive solicitation is subject to Servicer discretion; however, the Servicer must cease solicitation attempts at least 60 days prior to the foreclosure sale date for a judicial foreclosure and 30 days prior to the foreclosure sale date for a non-judicial foreclosure.

Servicers may leverage the Streamlined Modification Trial Period Plan Notice model clause included in Guide Exhibit 93, *Evaluation Model Clauses*, and amend the model clause to reflect the terms of the MyCity Modification and remove language in the body of the letter and in the “Frequently Asked Questions” section requiring the Borrower to return a complete Borrower Response Package to facilitate a review for a HAMP modification.

PROCESSING AND REPORTING

Workout Prospector®

Once the Servicer has approved the Borrower for a MyCity Modification, the Servicer must transmit the terms to Freddie Mac via the Standard Modification exception path in Workout Prospector. The Servicer must clearly communicate in the comments section of Workout Prospector that it has approved the Borrower for a MyCity Modification and include the following information as applicable:

- Servicer contact name, e-mail address and telephone number
- Indicate “MyCity Modification Processing Request”
- Modified interest rate (modified note rate)
- Term of modification (term of the modified note in months)
- Amount of deferred UPB (for Mortgages with partial principal forbearance)

If the Servicer is recommending that a Borrower whose Mortgage was originated less than 12 months prior to the evaluation date be considered for a MyCity Modification, the Servicer must clearly indicate the reason for the exception in the comments section of Workout Prospector.

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 15 Business Days of determining that the Borrower is eligible for the MyCity Modification, but no later than 30 days after receiving a complete Borrower Response Package in the event one was submitted, 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, after reviewing the Borrower Response Package, the Servicer denies the Borrower for the MyCity Modification, the Servicer must provide an adverse action notice to all applicable parties, in addition to any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth-in-Lending Act and other applicable law or regulation.

OTHER REQUIREMENTS

The following additional requirements apply to MyCity Modifications:

- As part of the eligibility verification process, the Servicer must order a property valuation in accordance with the requirements specified in Section B65.16, *Property Valuation Requirements*
- If the Mortgage is subject to mortgage insurance, the Servicer must obtain approval of the MyCity Modification from the MI after the Servicer determines that the Mortgage meets all of the eligibility requirements 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, and subject to, the same requirements described in Section B65.16 and 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 Exhibit 96, *Servicing Incentives and Compensatory Fees*

ADDITIONAL RESOURCES

Servicers should visit the [Freddie Mac Learning Center](#) and the new [MyCity Modification web page](#) for additional reference information and resources.

REVISIONS TO THE GUIDE

The Guide will not be updated to include these requirements. Servicers should refer to this Bulletin to ensure compliance with these requirements. The requirements in this Bulletin supersede the MyCity Modification requirements previously announced in Bulletin 2014-11.

CONCLUSION

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

Sincerely,



Yvette W. Gilmore
Vice President
Servicer Performance Management