



TO: Freddie Mac Servicers

January 29, 2015 | 2015-1

SUBJECT: HOME AFFORDABLE MODIFICATION PROGRAM YEAR SIX “PAY FOR PERFORMANCE” INCENTIVE

This *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin announces Freddie Mac’s participation in an expanded Home Affordable Modification Program (HAMP) “Pay for Performance” incentive program, which was developed in conjunction with Fannie Mae at the direction of the Federal Housing Finance Agency.

The HAMP Pay for Performance incentive program is being expanded to include the HAMP Year Six Pay for Performance incentive. This incentive is a \$5,000 lump sum principal balance reduction payment for Borrowers with First Lien Freddie Mac Mortgages modified under HAMP who meet certain eligibility requirements. The HAMP Year Six Pay for Performance incentive is effective **April 1, 2015**.

ELIGIBILITY

In order to be eligible to receive the incentive, a Borrower must submit a Dodd-Frank Certification (DFC), a form containing information requested by the federal government, or its Freddie Mac equivalent, new Guide Form 720, *Real Estate Fraud Certification*, on or before the **later** of:

- The sixth anniversary of the HAMP Trial Period Plan Effective Date, or
- September 1, 2015

Additionally, a Borrower must remain in good standing in accordance with Guide Chapter C65, *Home Affordable Modification Program*, as of the sixth anniversary of the HAMP Trial Period Plan Effective Date, and the Mortgage must not have been paid in full.

PAYMENT OF INCENTIVE

Following the completion of updates to the HAMP Reporting Tool, the \$5,000 incentive will be payable in the form of a principal reduction in the month of the sixth anniversary of the HAMP Trial Period Plan Effective Date.

Note: No HAMP Year Six Pay for Performance incentives will be available for payment prior to September 1, 2015. Freddie Mac will provide additional guidance in a future Bulletin on the application of HAMP Year Six Pay for Performance incentives that are payable prior to September 1, 2015.

Application of funds

The Servicer must first apply the HAMP Year Six Pay for Performance incentive in accordance with the application of payment requirements of the Note and Security Instrument. However, when applying any portion of this incentive as a principal curtailment, the Servicer must comply with the following requirements:

If the HAMP Year Six Pay for Performance incentive...	Then the Servicer must apply the HAMP Year Six Pay for Performance incentive...
Is less than the interest-bearing unpaid principal balance (UPB)	To the interest-bearing UPB
Is greater than or equal to the interest-bearing UPB	In the following order to the: <ol style="list-style-type: none"> 1. Deferred UPB, if any, and then 2. Interest-bearing UPB Note: After applying the incentive in the above order, the Servicer must remit any remaining incentive payment directly to the Borrower.

To be consistent, we are also making an adjustment to our requirements for application of funds regarding existing HAMP Pay for Performance incentives to match the information described above. For complete details, refer to Guide Section C65.9(b)(i), *HAMP Pay for Performance Incentive for Years One through Five*.

BORROWER NOTIFICATION REQUIREMENTS

For complete notification requirements, Servicers should refer to Section C65.9(b), *Borrower Incentives*.

Notification to the Borrower of incentive

If the fifth anniversary of the HAMP Modification Effective Date will occur on or after September 1, 2015

The Servicer must provide at least two written notices, at least 30 days apart, to a HAMP Borrower who is in good standing in order to inform the Borrower of the opportunity to earn this additional incentive. These notices must be sent:

- As early as the 150th day and no later than the 90th day prior to the fifth anniversary of the HAMP Modification Effective Date, and
- As early as the 75th day and no later than the 60th day prior to the fifth anniversary of the HAMP Modification Effective Date

If the fifth anniversary of the HAMP Modification Effective Date occurs or will occur prior to September 1, 2015

The Servicer must provide at least one notice to a Borrower who is in good standing in order to inform the Borrower of the new incentive. This notice must be sent no later than **June 1, 2015**.

The Servicer must notify the Borrower an additional time after the initial written notification. The method of this additional communication is at the Servicer's discretion (e.g., mail, telephone, etc.) provided the Servicer makes at least one additional attempt to contact the Borrower.

Notification content

Each notice to the Borrower must describe the incentive and notify the Borrower that he/she must remain in good standing in order to be eligible to receive the incentive. In addition, each notice must include Form 720 (if Form 720 or a DFC has not already been collected) and must indicate that the Borrower must sign and return the form as a condition of eligibility for the incentive. The Servicer may include or incorporate the incentive notice with other required notices, including the required notification of an initial step-rate adjustment pursuant to the requirements of Chapter 62, *Special Requirements for Servicing Step-Rate Mortgages*, if applicable. The Servicer may also include some or all of the information described below pertaining to the Borrower's opportunity to reamortize the Mortgage on or after the sixth anniversary of the HAMP Modification Effective Date.

Opportunity to reamortize the Mortgage

If the Borrower is in good standing and may be eligible for the HAMP Year Six Pay for Performance incentive, the Servicer must offer to reamortize the Borrower's UPB, excluding deferred principal, over the remaining term of the Mortgage. The Servicer must provide at least one written notification to an eligible Borrower of the opportunity to reamortize the Mortgage as early as the 120th day and no later than the 60th day prior to the **sixth anniversary** of the HAMP Modification Effective Date. Provided the same conditions are consistently applied to all evaluations, the Servicer may, but is not required to, offer to reamortize the Mortgage if the Mortgage was reamortized within the previous 12 months, and may condition the recast upon:

- The Mortgage being current at the time of reamortization, and/or
- The Borrower receiving the HAMP Year Six Pay for Performance incentive

The offer must provide the Borrower with at least 30 but no more than 180 days from the date of the notice to accept the offer. The reamortization must be completed at no cost to the Borrower. The Servicer may include or incorporate the reamortization offer with other notices, including the required notification of a second step-rate adjustment pursuant to the requirements of Chapter 62, if applicable.

In addition, the notice to the Borrower must:

- Specify changes to the payment schedule as a result of the recast and the total interest to be paid during the remaining term of the Mortgage after the sixth anniversary of the HAMP Modification Effective Date, both with and without the effect of the recast, and
- Include the Servicer's contact information and instruct the Borrower to contact the Servicer if the Borrower has questions or concerns about the new payments

The Servicer must notify the Borrower an additional time after the initial written notification. The method of this additional communication is at the Servicer's discretion (e.g., mail, telephone, etc.) provided the Servicer makes at least one additional attempt to contact the Borrower. The Servicer must provide an amortization schedule if requested by the Borrower.

Provided the modified Mortgage retains its First Lien position and is fully enforceable at the time of modification and throughout its modified term and during any bankruptcy or foreclosure proceeding involving the Mortgage, the Servicer may determine, in its discretion, subject to compliance with applicable law, whether to require:

- A fully-executed written modification agreement, or
- A Servicer-executed modification agreement, or
- No written modification agreement

If the Servicer elects to require a modification agreement, the Servicer must send a copy of the modification agreement to Freddie Mac by the last Business Day of the month of the effective date of the new payment. If the number of Mortgages that the Servicer is modifying subject to modification agreements exceeds a total of ten in a given month, then the Servicer must complete and attach Form 1102, *Modified Principal and Interest Payment*, with its submission to Freddie Mac. The Servicer must also complete and attach Form 1102 with respect to any modifications not subject to a written modification agreement.

DATA COLLECTING AND REPORTING

For each Borrower who receives the HAMP Year Six Pay for Performance incentive, the Servicer must maintain the following in the Mortgage file:

- Evidence of the Borrower's performance and monthly payments to retain good standing as of the sixth anniversary of the HAMP Trial Period Plan Effective Date, and
- A copy of the date-stamped and executed DFC, or its Freddie Mac equivalent, Form 720, and
- All documents and information related to receipt of the incentive payment and application thereof to the applicable Freddie Mac Mortgage

In addition, the Servicer must report Freddie Mac's HAMP loan-level data to the Program Administrator (as defined in Section C65.1, *Overview*) in accordance with Section C65.11(b), *Reporting to the Program Administrator*. This includes the requirement that the Servicer should refer to the reporting requirements published by the Program Administrator on www.HMPAdmin.com.

AMENDMENT TO THE COMMITMENT TO PURCHASE INSTRUMENT AND SERVICER PARTICIPATION AGREEMENT

Servicers subject to a Commitment to Purchase Instrument and Servicer Participation Agreement ("Servicer Participation Agreement") with the Program Administrator, as financial agent to the United States Department of the Treasury ("Treasury"), are authorized to enter into the Amendment to the Servicer Participation Agreement ("Amended Servicer Participation Agreement") posted on www.HMPAdmin.com on January 29, 2015.

When performing services for Treasury under the Amended Servicer Participation Agreement, the Servicer is authorized to engage in the following limited services:

- Determine which Borrowers are in good standing under HAMP as of the sixth anniversary of their HAMP Trial Period Plan Effective Date (sixth anniversary date)

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- Receive a DFC or its Freddie Mac equivalent, Form 720, from potentially eligible Borrowers in accordance with documentation requirements established in Treasury's Supplemental Directive 15-01 for purposes of determining which of those Borrowers are eligible to receive a one-time \$5,000 HAMP Year Six Pay for Performance incentive funded through Treasury's Troubled Asset Relief Program (TARP)
 - Apply to an eligible Borrower's Mortgage account the one-time \$5,000 HAMP Year Six Pay for Performance incentive funded through TARP in accordance with application of funds requirements set forth in this Bulletin and Section C65.9(b), *Borrower Incentives*
 - Comply with reporting requirements and other requests for information issued by Treasury or the Program Administrator that are related to the authorized services set forth in the preceding bullets, in accordance with applicable law, and
 - Comply with any compliance or audit review related requests from Treasury, or any third party that Treasury has designated to perform such reviews, that relate to the authorized services set forth in the preceding bullets, in accordance with applicable law

Servicers that enter into an Amended Servicer Participation Agreement must perform for the authorized services set forth above for Treasury. With respect to Mortgages guaranteed or owned by Freddie Mac, Servicers are not authorized to perform any other services for Treasury, except as authorized in writing by Freddie Mac.

We have added new Section C65.18, *Authorized Services*, setting forth these requirements.

EXHIBIT 93, MODEL CLAUSES

We are updating Guide Exhibit 93, *Model Clauses*, to provide information about the HAMP Year Six Pay for Performance incentive for Borrowers receiving the HAMP Trial Period Plan Notice. The "Frequently Asked Questions" section of the notice has been updated to include details about the incentive. This change will become effective June 1, 2015. However, if feasible, Servicers may implement this change immediately.

REVISIONS TO THE GUIDE

The following sections in Chapter C65 have been updated to reflect the changes announced in this Bulletin:

- Section C65.2, *HAMP Documentation*
- Section C65.5, *Borrower Solicitation*
- Section C65.7, *Modification Process*
- Section C65.8, *Other General Requirements*
- Section C65.9, *HAMP Incentives*
- Section C65.10, *Special Investor Reporting and Remitting Requirements*
- Section C65.12, *Disclosures and Communications with Borrowers*
- Section C65.18, *Authorized Services*

Additionally, Directory 3 and Exhibit 93 have been updated, and new Form 720 has been added, as a result of these changes.

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,

A handwritten signature in black ink, appearing to read "Yvette W. Gilmore". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Yvette W. Gilmore
Vice President
Servicer Performance Management