



TO: Freddie Mac Servicers

March 17, 2015

2015-3

SUBJECT: MODIFICATION CHANGES

To further enhance our modification options, this *Single-Family Seller/Servicer Guide* (“Guide”) Bulletin updates our Guide to require Servicers to offer the Freddie Mac Streamlined Modification to Borrowers with Step-Rate Mortgages who become 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment. This change assists Borrowers with Home Affordable Modification Program (HAMP®) modifications, and other Borrowers with Step-Rate Mortgages, to maintain home ownership following step-rate adjustments and corresponding increases to their principal and interest (P&I) payments.

We are making several other changes to Streamlined Modification and Freddie Mac Standard Modification requirements, including updates to our eligibility exclusions.

Servicers must comply with the changes announced in this Bulletin for new evaluations conducted on or after **July 1, 2015**. However, if feasible, Servicers are encouraged to implement these changes as early as possible.

BORROWERS WITH STEP-RATE MORTGAGES WHO ARE 60 DAYS DELINQUENT

In accordance with the revised requirements in Guide Section B65.12.1, *Freddie Mac Streamlined Modification*, Servicers must evaluate any Borrower with a Step-Rate Mortgage for a Streamlined Modification when they become 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment. If the Servicer determines that the Borrower is eligible for a Streamlined Modification, the Servicer must send the Borrower at least one solicitation that includes the Streamlined Modification Solicitation Letter and the Streamlined Modification Trial Period Plan Notice no later than 15 days after the eligibility evaluation.

BORROWERS WITH STEP-RATE MORTGAGES WHO ARE CURRENT OR LESS THAN 60 DAYS DELINQUENT

We are revising our Imminent Default Hardship test to add a new eligible hardship. Under the new hardship, a Borrower will be considered to be in imminent default if the P&I payment increases as a result of an interest rate adjustment applied to a Step-Rate Mortgage no more than 12 months prior to the evaluation date and the other Imminent Default Hardship test requirements are met.

With this change, an otherwise eligible Borrower with a Step-Rate Mortgage who is current or less than 60 days delinquent, and who submits a complete Borrower Response Package, may be evaluated for a modification. Such Borrowers must disclose all cash reserves in accordance with the requirements of Guide Form 710, *Uniform Borrower Assistance Form*, and Servicers must verify all cash reserves totaling less than \$25,000. Further, the Borrower must select the appropriate hardship reason on Form 710, and should indicate that they are having difficulty making the monthly payment because of an increase in housing expenses.

ELIGIBILITY EXCLUSIONS

Streamlined Modification

We are updating the Streamlined Modification eligibility exclusions so that our three-step exclusion test (based on payment history, hardship reason and FICO® score) does not apply to Step-Rate Mortgages.

Standard Modification and Streamlined Modification

We are also making changes to certain eligibility exclusions that apply to all Borrowers who are being evaluated for a Streamlined Modification or a Standard Modification, regardless of whether or not the Borrower has a Step-Rate Mortgage, including:

- Raising the permitted total of previous loan modifications so that Mortgages that have been previously modified three or more times are ineligible, and
- Making an adjustment so that a Mortgage previously modified with modification terms determined in accordance with Section B65.18(a), *Determining the Terms of a Freddie Mac Standard Modification and Freddie Mac Streamlined Modification*, that became 60 or more days delinquent within 12 months of the Modification Effective Date, is only ineligible for a Streamlined Modification or a Standard Modification if the Borrower has not brought the Mortgage current following the Delinquency

BORROWER RESPONSE PACKAGES RECEIVED AFTER STREAMLINED MODIFICATION SOLICITATION IS SENT

We are updating our Streamlined Modification requirements for situations where the Servicer receives a complete Borrower Response Package after the Streamlined Modification solicitation is sent to the Borrower, and prior to sending the modification agreement. In these instances, the Servicer must acknowledge receipt of the package and evaluate the Borrower in accordance with the requirements below.

If the Borrower has accepted the Streamlined Modification Trial Period Plan offer...	Then...
And the Mortgaged Premises is located within a jurisdiction that is eligible for the Freddie Mac MyCity Modification in accordance with Bulletin 2014-25	The Servicer must evaluate the Borrower for a MyCity Modification. Provided the Borrower is eligible for the MyCity Modification, the Servicer must offer the modification option that provides for the lowest P&I payment between the Streamlined Modification and MyCity Modification.
And the Borrower and/or Mortgage is ineligible for the MyCity Modification	The Servicer must evaluate the Borrower for a HAMP modification. Provided the Borrower is eligible for the HAMP modification, the Servicer must offer the modification that provides for the lowest P&I payment between the Streamlined Modification and HAMP.
OR	
If the Borrower has not accepted the Streamlined Modification Trial Period Plan	Then the Servicer must review the Borrower Response Package for all alternatives to foreclosure in accordance with the Guide and applicable Purchase Documents

REVISIONS TO THE GUIDE

The revisions included in this Bulletin impact Guide Sections:

- 62.4, *Freddie Mac Streamlined Modification for Step-Rate Mortgages (New)*
- 64.5, *Collection Efforts*
- 64.6, *Evaluation Hierarchy, Borrower Solicitation and Communication*
- B65.7, *Documentation and Other Requirements*
- B65.12.1, *Freddie Mac Streamlined Modification*
- B65.14, *Ineligibility for Freddie Mac Standard Modification*

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- B65.15, *Determining Imminent Default for a Freddie Mac Standard Modification*
 - C65.5, *Borrower Solicitation*
 - C65.8, *Other General Requirements*

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", with a long horizontal flourish extending to the right.

Yvette W. Gilmore
Vice President
Servicer Performance Management