



We make home possible®

HFA Mortgage Assistance Programs Servicer Q&A

Freddie Mac is reinforcing its on-going commitment to help financially distressed homeowners with Freddie Mac-owned or guaranteed mortgages avoid foreclosure by instructing its Servicers to interact with and accept funds from state Housing Finance Agencies (HFAs) as they relate to their unemployment mortgage assistance, mortgage reinstatement, modification assistance, and transition assistance programs.

General		
1.	Q:	As a Freddie Mac Servicer, am I required to interact with participating HFAs?
	A:	Yes. All Freddie Mac Servicers must respond to all HFA requests and accept all funds paid on behalf of a borrower under the HFAs' unemployment mortgage assistance, mortgage reinstatement, modification assistance, and transition assistance programs.
2.	Q:	When will the HFA mortgage assistance programs end?
	A:	HFAs may continue to draw funds from the Innovation Fund for the Hardest Hit Housing Markets (Hardest Hit Fund) until the funds are fully utilized. If there are funds still available after December 31, 2017, they will be returned to the U.S. Department of the Treasury.
3.	Q:	I have a borrower who may be eligible for assistance for a HFA mortgage assistance program. How do I refer the borrower to the applicable HFA?
	A:	Each HFA has a set of requirements that you must follow. You will need to contact the applicable HFA to determine their requirements for referring borrowers who may be eligible for financial assistance.
4.	Q:	What states are currently participating in the HFA mortgage assistance programs?
	A:	As of October 2010, 18 states and the District of Columbia have been designated to receive funding from the Hardest Hit Fund. To find the most current list of participating HFAs, visit www.financialstability.gov/roadtostability/hardesthitfund.html .
5.	Q:	I have a borrower who is eligible for a workout option, but the HFA is still evaluating the borrower for one of the mortgage assistance programs. Should I continue processing the borrower for the workout option?
	A:	Yes. Until the borrower has entered into a mortgage assistance agreement with the HFA, the borrower must have the opportunity to perform under the workout option that you can offer them.

6.	Q:	I just referred a mortgage to foreclosure, but the HFA just notified me that the borrower is conditionally approved for mortgage assistance. Should I continue with the foreclosure proceedings until the borrower is fully approved?
	A:	<p>You must not schedule or conduct the foreclosure sale for 45 days, unless the HFA notifies you that the borrower has been determined ineligible for mortgage assistance. Further, you must comply with state laws that prohibit foreclosure referral or sale for a period exceeding 45 days.</p> <p>You may suspend a foreclosure referral or sale for a period exceeding 45 days if it is needed to facilitate the process of mortgage assistance and receipt of funds, provided that you follow up with the HFA on a regular basis to determine whether the borrower is still eligible for assistance and when funds are expected.</p>
7.	Q:	What do I do if the HFA needs more than 45 days to finalize the processing of a borrower's mortgage assistance and remitting the funds?
	A:	<p>You may suspend a foreclosure referral or sale for a period exceeding 45 days if it is needed to facilitate the process of mortgage assistance and receipt of funds, provided that you follow up with the HFA on a regular basis to determine whether the borrower is still eligible for mortgage assistance and when such funds will be received. As a reminder, you must comply with state laws that require you to suspend a foreclosure referral or sale for a period exceeding 45 days.</p> <p>If the delay causes you to exceed state foreclosure time lines set forth in the Guide and results in a compensatory fee being assessed, you may submit an appeal to Freddie Mac with documentation supporting the claim in accordance with the Guide.</p>
8.	Q:	Am I still eligible for the financial incentives on a permanent modification completed under HAMP if the borrower participates in a HFA mortgage assistance program?
	A:	Yes, provided the borrower does not lose good standing by becoming 90 days or more past due on the modified mortgage before, during, or after receiving HFA assistance under the mortgage assistance programs.
Unemployment Mortgage Assistance Program		
9.	Q:	How do I apply monthly mortgage payments received from a HFA on behalf of a borrower?
	A:	You must accept and treat funds submitted by the HFA in the same manner as if the borrower submitted the payments to be applied toward the mortgage. Under the unemployment mortgage assistance program, HFAs should submit the full monthly payment.
10.	Q:	What do I do if I did not receive a timely payment from a HFA on behalf of a borrower?
	A:	You must consider the mortgage assistance arrangement with the HFA as canceled and resume normal servicing requirements in accordance with the Guide. If the mortgage was being referred to foreclosure or had a scheduled foreclosure sale prior to receiving the first payment from the HFA, you must resume the foreclosure proceedings accordingly. Note, that Servicers must use good business judgment to determine whether mitigating circumstances caused the payment to be late. Any exceptions must be documented in the mortgage file.

11.	Q:	I have a borrower who is currently performing on a modification, but is also eligible for the unemployment mortgage assistance program. Is the borrower permitted to use these funds to pay their modified monthly mortgage payments?
	A:	If the borrower has a signed Modification Agreement for a permanent modification under Guide Chapter B65 or C65, the borrower may use these funds to pay the modified mortgage payment. However, if the borrower is making a modified mortgage payment under a HAMP trial period plan, the borrower cannot use unemployment mortgage assistance program funds to make the trial period payment.
12.	Q:	Is a borrower eligible again for a workout option after their agreement with the HFA expires?
	A:	Yes. Within 30 days of being notified that the borrower has been re-employed or within 30 days prior to the HFA assistance expiring, whichever occurs first, you must evaluate the borrower for a reinstatement, relief, or workout option in accordance with Guide Chapters A65 and B65. In addition, if the borrower was performing in a HAMP trial period plan prior to entering into the agreement with a HFA, the borrower may be eligible for a new HAMP trial period plan.
13.	Q:	How do I report to Freddie Mac that a borrower entered into an agreement with their HFA?
	A:	<p>Within the first three business days of each month, you must report all borrowers who entered into an unemployment mortgage assistance program agreement with a HFA in the prior month through electronic default reporting (EDR). When reporting in EDR, use default action code "09 – Forbearance Plan" and default reason code "016 - Unemployment". You must also include the date you were notified that the borrower entered into the HFA agreement.</p> <p>Using the Spreadsheet for Hardest Hit Fund Mortgages reporting template that is provided on the HFA Mortgage Assistance Programs Web page, you must also submit a monthly report that outlines all the mortgages that received assistance in the prior month. The spreadsheet must be emailed to Freddie Mac at Hardest_Hit@FreddieMac.com by the fifth business day of each month for the prior month's activity.</p>
Mortgage Reinstatement Program		
14.	Q:	How do I apply payments received from an HFA on behalf of a borrower for a partial or full reinstatement?
	A:	<p>You must accept and treat funds submitted by the HFA in the same manner as if the borrower submitted the payment to be applied toward the mortgage.</p> <p>If the mortgage has been referred to foreclosure, funds you receive from the HFA to partially or fully reinstate the mortgage must be applied in accordance with Guide Section 78.28, <i>Reinstatement</i>.</p>
15.	Q:	Does a borrower need to perform under a workout option before he or she receives funds from the HFA to partially or fully reinstate their mortgage?
	A:	You cannot require the borrower to demonstrate their ability to pay under a workout option before they can reinstate the mortgage. However, the HFA may require the borrower to perform under a workout before it will provide reinstatement funds on behalf of the borrower.

16.	Q:	How do I report to Freddie Mac that a borrower received funds to partially or fully reinstate their mortgage?
	A:	<p>You must follow the reporting requirements outlined in Guide Sections A65.10, <i>Reporting and Processing the Reinstatement</i>, and 64.10, <i>Monthly Electronic Default Reporting</i>.</p> <p>Using the Spreadsheet for Hardest Hit Fund Mortgages reporting template that is provided on the HFA Mortgage Assistance Programs Web page, you must also submit a monthly report that outlines all the mortgages that received funds to fully reinstate their mortgage in the prior month. The spreadsheet must be emailed to Freddie Mac at Hardest_Hit@FreddieMac.com by the fifth business day of each month for the prior month's activity.</p>
Modification Assistance Program		
17.	Q:	How do I apply funds received from a HFA on behalf of a borrower?
	A:	<p>Generally, you must apply the funds in accordance with the note, Security Instrument, and applicable laws. However, you may apply funds received from the HFA in accordance with the HFA's written instructions. If modification assistance includes funds to curtail principal, the HFA funds should be applied first toward outstanding arrearages and any other past due amounts advanced, including expenses, then to curtail principal.</p>
18.	Q:	Am I required to advance funds to complete a modification settlement?
	A:	<p>You must advance the funds to complete the modification settlement if:</p> <ul style="list-style-type: none"> • You confirm receipt of the funds from the HFA; • The funds must be applied in the month prior to the first modified payment due date; and • You are unable to receive and report the funds to us prior to the accounting cycle cutoff.
19.	Q:	How do I report to Freddie Mac that a borrower received funds?
	A:	<p>You must comply with the reporting requirements for a modification under Guide Chapters B65 and C65. In addition, you must submit a monthly report that outlines all the mortgages that received funds to assist with qualifying for a modification in the prior month using the Spreadsheet for Hardest Hit Fund Mortgages reporting template, which is provided on the HFA Mortgage Assistance Programs Web page. The spreadsheet must be emailed to Freddie Mac at Hardest_Hit@FreddieMac.com by the fifth business day of each month for the prior month's activity.</p>

20.	Q:	Does participation in HFA modification assistance programs signify Freddie Mac's intent to accept principal reduction on its mortgages?
	A:	Freddie Mac is instructing Servicers to participate in HFA modification assistance programs, which do not require an investor contribution to assist eligible borrowers with qualifying for a modification. Though some HFA programs provide funds that may be applied to reduce the mortgage's principal balance, Freddie Mac is not writing off principal or accepting any additional losses to facilitate the modification as a result of Freddie Mac's participation in the modification assistance programs.
21.	Q:	I received funds from an HFA to apply toward a partial principal curtailment. Do I need to modify the terms of the mortgage?
	A:	An HFA's modification assistance program may include funds to be applied toward partial principal curtailment in connection with mortgage recast or re-amortization with no other changes to the terms, or to facilitate a HAMP or Standard Modification. Under the recast or re-amortization option, you must re-amortize the loan with the new principal balance after applying the HFA funds, but with no other changes to the terms of the mortgage. If the HFA funds curtail principal to facilitate a HAMP or Standard Modification, you will be modifying the terms in accordance with the requirements in Guide Chapter B65 for a Standard Modification or Guide Chapter C65 for HAMP.
22.	Q:	Should I extend the maturity date on the mortgage if the unpaid principal balance is re-amortized?
	A:	If the partial principal curtailment is in connection with a recast or re-amortization option, then you should not extend the maturity date. However, if the partial principal curtailment facilitates a HAMP or Standard Modification, you should extend the maturity date.
Transition Assistance Program		
23.	Q:	I received assistance funds from a state HFA on behalf of a borrower. How may I apply the funds?
	A:	State programs vary in the type of transition assistance offered; therefore, you must verify with the state HFA how you may apply the funds. Depending on the program, funds can be used for at least one or a combination of the following purposes: <ul style="list-style-type: none"> • Facilitate a short sale or deed-in-lieu. • Provide the borrower relocation assistance. • Pay subordinate lien holders.
24.	Q:	I have an HAFA-eligible borrower who will receive the borrower incentive. The borrower also lives in a state where he/she can receive transition assistance from their HFA. Is the borrower able to receive both the borrower incentive and transition assistance from their state?
	A:	Yes. If the borrower received funds from their state HFA to assist with their relocation costs, you may also provide the borrower any similar assistance, as applicable, that we offer in the Guide.

25.	Q:	How do I report to Freddie Mac that a borrower received transition assistance from their HFA?
	A:	In addition to reporting a short sale or deed-in-lieu in accordance with Guide Chapters B65 and D65, you must submit a monthly report that outlines all the mortgages that received transition assistance in the prior month using the Spreadsheet for Hardest Hit Fund Mortgages reporting template which is provided on the HFA Mortgage Assistance Programs Web page . The spreadsheet must be emailed to Freddie Mac at Hardest_Hit@FreddieMac.com by the fifth business day of each month for the prior month's activity.

For complete requirements on participating in HFA mortgage assistance programs, refer to *Single-Family Seller/Servicer Guide* Section 64.12, *Hardest Hit Fund*.