

## **Freddie Mac Flex Modification® Servicer Frequently Asked Questions**

*July 2017*

- 1. How should a Servicer evaluate a borrower who submitted an incomplete Borrower Response Package (BRP) prior to the 90<sup>th</sup> day of delinquency and subsequently completes the BRP after the 90<sup>th</sup> day of delinquency?**

Because the borrower's complete BRP was not submitted prior to the 90<sup>th</sup> day of delinquency, the Servicer must provide principal forbearance until first, a 100% post-modification mark-to-market loan-to-value (MTMLTV) ratio is achieved using the interest-bearing principal balance and continue, if necessary, forbearing principal until a 20% payment reduction is achieved; however, the Servicer must not forbear more than an amount that would create either (a) a post-modification MTMLTV ratio less than 80% using the interest-bearing principal balance, or (b) 30% of the gross post-modification UPB of the mortgage loan. The evaluation will not include the 40% Housing Expense-to-Income (HTI) Ratio review because the borrower did not submit a complete BRP prior to the 90<sup>th</sup> day of delinquency.

- 2. If the borrower submits a complete BRP on or after the 90<sup>th</sup> day of delinquency, how should the Servicer respond to the BRP submission?**

If the borrower submits a complete BRP on or after the 90<sup>th</sup> day of delinquency, the Servicer must evaluate the borrower for all workout options in accordance with the *Single-Family Seller/Servicer Guide* (Guide). The Servicer must begin evaluating the borrower for a Flex Modification in lieu of a Standard and Streamlined Modification as of the date the Servicer implements the Flex Modification, but no later than October 1, 2017. Once the Servicer implements the Flex Modification, if the loan is 90 or more days delinquent when the borrower submits a complete BRP, and the borrower is eligible for the Flex Modification, the modification offer will target a 20% payment reduction, but the Servicer will not evaluate the borrower for the 40% Housing Expense-to-Income (HTI) Ratio because the borrower did not submit a complete BRP prior to the 90<sup>th</sup> day of delinquency.

- 3. If the borrower submitted a complete BRP prior to the 90<sup>th</sup> day of delinquency but the Servicer received the complete BRP after soliciting the borrower for a Freddie Mac Flex Modification, is the borrower eligible for the Flex Modification based on borrower submission of a complete BRP and the associated 40% HTI target?**

Yes. Because the borrower submitted a complete BRP prior to the 90<sup>th</sup> day of delinquency, the borrower would be eligible for the 40% Housing Expense-to-Income (HTI) Ratio review, assuming the loan satisfies all other Flex Modification eligibility criteria.

- 4. Will the Streamlined Disaster Modification for less than 80% MTMLTV loans retain its multiple term options of 240, 360 and 480 months?**

No. Upon implementation of the Freddie Mac Flex Modification, the Freddie Mac Streamlined Modification Post Disaster Forbearance will be removed from the Guide and incorporated within the Flex Modification program. The Flex Modification does not include the multiple term options previously available with the Standard and Streamlined Modification for loans with MTMLTV's less than 80%,



including the Streamlined Modification. Servicers may inform borrowers that they may prepay their mortgage and may provide information on payments that would result in paying off the interest-bearing principal balance of the modified mortgage in 20 or 30 years.

**5. What defines the date that the “borrower submitted a complete BRP”?**

The date the borrower submitted a complete BRP is the date the borrower sent the complete BRP to the Servicer, evidenced by a post mark or electronic timestamp.

**6. Does the borrower have to request mortgage assistance to be offered a Flex Modification, or will the Servicer be able to send a proactive offer after the 90<sup>th</sup> day of delinquency as they do today for the Streamlined Modification?**

As with the Streamlined Modification, if a loan is 90 days or more past due (or 60 or more days past due and the mortgage loan was previously modified into a mortgage loan with a step-rate feature, an interest rate adjustment occurred within the last 12 months and the mortgage loan became 60 days delinquent after the interest rate adjustment), the borrower is not required to submit a complete BRP to be evaluated for a Flex Modification. The Servicer is required to offer a Flex Modification Trial Period Plan to all eligible borrowers between the 90<sup>th</sup> and 105<sup>th</sup> day of delinquency (or between the 60<sup>th</sup> and 75<sup>th</sup> day of delinquency if the mortgage loan was previously modified into a mortgage loan with a step-rate feature, an interest rate adjustment occurred within the last 12 months and the mortgage loan became 60 days delinquent after the interest rate adjustment). The Servicer may continue to offer Flex Modification Trial Period Plans to eligible borrowers throughout the delinquency, but must not make such offers to a borrower if the property has a scheduled foreclosure sale date within 60 days of the evaluation date if the property is in a judicial state, or within 30 days of the evaluation date if the property is in a non-judicial state.

The terms of the Flex Modification offer at this stage of delinquency will target a 20% payment reduction, but will not target the 40% Housing Expense-to-Income (HTI) Ratio.

If you have any questions, please contact your Freddie Mac representative or the Customer Support Contact Center (800-FREDDIE).