

Criteria		Freddie Mac Flex Modification Program	
Relevant <i>Single-Family Seller/Service Guide</i> (Guide) Chapters	Primarily Guide Chapter 9206; however, Guide Chapters 9101, 9102, 9201, and 9204 are also impacted.		
Key Dates			
Date Announced	December 14, 2016.		
Mortgage Origination Date	Mortgage must have been originated at least 12 months prior to the evaluation date.		
Effective Dates	Servicers must begin borrower evaluations no later than October 1, 2017. But they may begin earlier once Freddie Mac notifies Servicers that our systems have been updated to process Flex Modifications.		
Borrower Eligibility			
Borrower Loan Status	<p>The borrower must:</p> <ul style="list-style-type: none"> • Submit a complete Borrower Response Package (BRP), and <ul style="list-style-type: none"> ➢ Have an eligible hardship as described in Guide Section 9202.2. ➢ Have verified income. Unemployment benefits may not be considered as a source of income for a modification. • Be 60 days or more delinquent. However, a borrower who is current or less than 60 days delinquent (i.e., less than three monthly payments past due) and occupies the property as a Primary Residence is also eligible, provided the borrower is first determined to be in imminent default in accordance with Section 9206.7. 		
Streamlined Eligibility for Certain Borrowers	<p>Certain eligibility exceptions apply for a borrower who:</p> <ul style="list-style-type: none"> • Is 90 days delinquent or greater; or 		

- Has a Step-Rate Mortgage and the borrower:
 - Becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment; and
 - Has not submitted a complete BRP

For these borrowers, the Servicer is not required to adhere to the requirements in the “borrower eligibility” row above. In these instances, a BRP is not required, and the Servicer is not required to confirm a borrower’s hardship or income. The Servicer must continue to comply with the requirements in the “mortgage eligibility” and “eligibility exclusions” rows below to determine eligibility.

Mortgage and Loan Eligibility

Prior Modification

The mortgage must:

- Have been originated at least 12 months prior to the evaluation date for the Flex Modification.
- Be a conventional First Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac.

Ineligibility

The following mortgages and borrowers are ineligible for the Flex Modification:

- FHA, VA and Guaranteed Rural Housing Mortgages.
- Mortgages subject to recourse.
- Mortgages secured by second homes or non-owner occupied properties (i.e., investment properties) where the borrower is current or less than 60 days delinquent.
- Mortgages that have been previously modified three or more times.
- Mortgages previously modified with the Flex Modification terms determined in accordance with [Guide Section 9206.10\(a\)](#) where:

- The Mortgage became 60 or more days delinquent within 12 months of the Modification Effective Date, and
- The borrower has not brought the mortgage current following the delinquency.
- Borrowers who, within 12 months of the evaluation date, failed a Flex Modification Trial Period Plan and the terms of that Trial Period Plan were determined in accordance with [Section 9206.10\(a\)](#).
- Mortgages that are subject to an approved short sale or deed-in-lieu of foreclosure transaction.
- Borrowers who are currently performing under another Trial Period Plan, forbearance plan or repayment plan.
- Mortgages that are currently subject to an unexpired offer to the borrower for another modification or other alternative to foreclosure, such as a forbearance or repayment plan.

Streamlined Offer for a Flex Modification

Eligibility

The following borrowers are eligible for a Streamlined offer for a Flex Modification:

- Borrowers who become 90 days delinquent, or
- Borrower with a Step-Rate Mortgage becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment, if the Servicer determines the borrower is eligible for a proactive offer for a streamlined Flex Modification in accordance with [Section 9206.5](#).

For a borrower with a Step-Rate Mortgage only, if the borrower has submitted a complete BRP prior to becoming 90 days delinquent, and has not yet accepted the streamlined offer for a Flex Modification, the Servicer must complete its review of the package for all alternatives to foreclosure, in accordance with the Guide. However, if the Borrower has accepted the existing Trial Period Plan offer, the Servicer must determine if the borrower is eligible for additional payment relief as a result of the PMHTI ratio component of the Flex Modification terms described in [Guide Section 9206.10](#). If the borrower is eligible for additional payment relief, then the Servicer must permit the borrower to continue making the existing Trial Period Plan payments, but must update the modification agreement to reflect the lower payment amount. The post-modification P&I must reflect the lower payment amount in these instances.

Borrower Solicitation

If the borrower is approved for a streamlined Flex Modification, the Servicer must send the borrower a streamlined Flex Modification Trial Period Plan notice and applicable streamlined Flex Modification solicitation letter in accordance with the requirements described in [Guide Section 9102.5\(a\)](#). If the borrower is approved for a streamlined Flex Modification due to an Eligible Disaster in accordance with the requirements of [Guide Section 9206.5\(e\)](#), the Servicer must send the borrower the streamlined Flex Modification Trial Period Plan notice, as amended for Eligible Disasters, and the streamlined Flex Modification post-disaster forbearance solicitation letter.

Determining Modification Terms

Post-Modification MTMLTV Ratio Is Greater Than or Equal To 80%

The Servicer must complete all four steps below:

Step 1: Capitalize arrearages in accordance with [Section 9206.15](#).

Step 2: Set the interest rate to the applicable rate for the Mortgage type. For borrowers with:

- Fixed-rate mortgages (including Step-Rate Mortgages or ARMs with no subsequent steps or adjustments), set the interest rate to the lesser of the Flex Modification rate or the pre-modification interest rate
- Step-Rate Mortgages or ARMs with subsequent steps or adjustments or further steps still remaining, set the interest rate to the lesser of the Flex Modification rate or the maximum step-rate/lifetime cap note rate.

Step 3: Extend the amortization term to 480 months from the Modification Effective Date.

Step 4: Forbear principal in an aggregate amount that does not exceed the Forbearance Cap to create an MTMLTV ratio as close to, but not below, 100%.

Additional forbearance for mortgages that are less than 90 days delinquent

If the mortgage is less than 90 days delinquent on the date the borrower submitted a complete BRP and the Servicer did not reach a minimum of 20% P&I payment reduction and a post-modification housing expense-to-income ratio (PMHTI) ratio of 40% or less, as determined in accordance with [Guide Section 9206.5\(c\)](#), the Servicer must continue to forbear principal, subject to the Forbearance Cap, down to no lower than an 80% MTMLTV ratio until a 20% P&I payment reduction and a PMHTI ratio of 40% or just below 40% is achieved.

	<p>If the Servicer reaches the Forbearance Cap without achieving a minimum of 20% P&I payment reduction or a PMHTI ratio at or below 40%, the Servicer must provide the offer based on the terms generated, provided that the borrower is otherwise eligible for the modification.</p> <p>Note: See an exception to PMHTI ratio requirements for a borrower with a Step-Rate Mortgage who is eligible for a streamlined offer in the Streamlined Offer for a Flex Modification section of Guide Bulletin 2016-22.</p> <p>Additional forbearance for mortgages that are 90 or more days delinquent</p> <p>If the mortgage is 90 or more days past due at the time of evaluation and the Servicer did not achieve a 20% P&I payment reduction, the Servicer must continue to forbear principal, subject to the Forbearance Cap, down to as low as an 80% MTMLTV ratio until a 20% P&I payment reduction is achieved. If the Servicer reaches the Forbearance Cap without achieving a 20% P&I payment reduction, the Servicer must provide the offer based on the terms generated, provided that the borrower is otherwise eligible for the modification.</p>
Post-modification MTMLTV is less than 80%	<ul style="list-style-type: none"> • Capitalize the arrearages in accordance with Section 9206.15 and increase the term of the mortgage to 480 months from the Modification Effective Date. • If the mortgage is an ARM or a Step-Rate Mortgage with subsequent interest rate adjustments remaining, convert the interest rate to the lesser of the maximum step-rate or the Flex Modification rate. <p>If the Mortgage is a fixed-rate mortgage (including Step-Rate Mortgages or ARMs with no subsequent adjustments), the interest rate must remain fixed at the existing rate.</p>
Borrower Trial Period Plan	Three-month Trial Period Plan.
P&I Payment Reduction	P&I payment must be less than or equal to the borrower's current contractual P&I payment.
Property Valuation	<p>See Guide Section 9206.8 for full requirements:</p> <ol style="list-style-type: none"> 1. Home Value Explorer® (HVE) point value estimate through one of Freddie Mac's HVE distributors 2. Automated Valuation Model (AVM): <ul style="list-style-type: none"> • BPOdirect® web site. • AVM Report. <p>Note: If a value is available under one of the options above, the Servicer must use that value. If a value is not available, then the Servicer must order a BPO through the BPOdirect web site.</p>
Mortgage Insurance Coverage	Servicer must either obtain mortgage insurer (MI) approval or ensure that the applicable MI has provided a delegation of authority to approve this mortgage modification.

Servicing Technology and Reporting	
Imminent Default Indicator®	Required to evaluate Borrowers that are current or less than 60DD whose Mortgages are secured by Primary Residences. Other property types are ineligible for imminent default evaluation.
Workout Prospector® (WP)	WP is in the process of being updated for Trial Period Plan evaluations and automated settlement of loan modifications.
Electronic Default Reporting (EDR)	EDR is in the process of being updated for Trial Period Plan evaluations and automated settlement of loan modifications.
Compensation	
Servicer Compensation	Within two months of a successful settled modification: \$1,600 if mod is \leq 120 DD \$1,200 if mod is 121 - 210 DD \$400 if mod is $>$ 210 DD