(f) **Borrower Qualification Worksheet**

The Servicer may use the Worksheet to determine the Trial Period payment for a Borrower and the terms of the modification, subject to the NPV test requirements and principal forbearance limits. The Servicer may also use the Worksheet to evaluate whether a Borrower who is current or less than 31 days delinquent is in imminent default.

The Worksheet is available on our secure website at [http://www.freddiemac.com/singlefamily/service/mha_modification.html](http://www.freddiemac.com/singlefamily/service/mha_modification.html). The Servicer may use this Worksheet, subject to the requirements of the Guide (as if the Worksheet was included in Exhibit 88, Servicing Tools). Servicers are responsible for the accuracy of all data entered into the Worksheet, ensuring that all data is entered accurately, and for the integrity of the results.

Servicers must use their Mortgage Servicing Products ID to access the secure web page. Servicers that do not have an ID may request one by submitting the Servicing Applications Sign Up Form available on the website.

We have also prepared and made available on the website the Borrower Qualification Worksheet Users' Guide to assist Servicers in using the Worksheet.

If the Servicer determines using the Worksheet that the Borrower is not qualified for a modification under HAMP, and the Servicer is unable to offer the Borrower a different foreclosure alternative solution, the Servicer must refer the Mortgage to Freddie Mac for evaluation pursuant to Section C65.6(b) "Sequential Process for calculating a Target Payment," Step 6: Non-qualified Borrowers. The documentation must be faxed to (571) 382-4902.


**C65.7: Modification process (05/26/09)**

Servicers must utilize a two-step documentation process for modifications under HAMP. The first step is to send the Borrower a Trial Period Plan that describes the terms of the Trial Period and the conditions upon which the Borrower's Mortgage may be modified. The Servicer must perform this step once the Servicer has determined using the sequential process described in Section C65.6(b) that the Borrower qualifies for a modification under HAMP. During the Trial Period the Borrower will be required to make payments at the estimated modified payment amount.

The second step involves sending the Borrower a Modification Agreement. The Servicer must calculate the terms of the modification once all final amounts that must be capitalized are known, using verified income.

This section describes the following requirements for offering and processing the Trial Period Plan and the Modification Agreement:

- Processing the Trial Period Plan
- Requirements during the Trial Period
- General requirements for preparing the Modification Agreement

http://www.allregs.com/tpl/batchPrint.aspx?did3=aa7efc0617b84e82a017dbdc7d12844e&i... 6/2/2009
• Authorized changes to the Trial Period Plan and Modification Agreement
• Closing the modification

(a) **Processing the Trial Period Plan**

If the Borrower qualifies for a modification under HAMP using the sequential process described in Section C65.6(b), the Borrower will be required to enter into a Trial Period Plan under the terms of which the Borrower must remit three monthly payments at the estimated new payment amount.

The Servicer must send the Borrower:

• The applicable Trial Period Plan Cover Letter, depending on whether the Servicer qualified the Borrower based on verbal (stated) income or documented income to extend the Trial Period Plan offer. If the Servicer used verbal income, the Servicer must verify the income and determine continued eligibility in accordance with Section C65.6 prior to signing the Trial Period Plan and returning it to the Borrower. The Servicer may not continue to accept Borrower payments under the Trial Period Plan from those Borrowers who do not qualify for HAMP. Any further Borrower payments are to be credited to the Borrower's account in accordance with the current loan documents.

• Two Trial Period Plan documents (Refer to Section C65.7(d) "Authorized changes to the Trial Period Plan and Modification Agreement")

• Any applicable disclosures related to the establishment of an Escrow account and any other disclosures required by applicable federal, State and local law

• The HAMP SIGTARP Fraud Notice, if the Servicer did not send this notice to the Borrower with the HAMP Documentation Request Letter

• The HAMP Counseling Referral Letter if the Borrower's total monthly debt payment-to-income ratio is equal to or greater than 55% For information about the HAMP Counseling Referral Letter, see Section C65.6(c).

The Offer Deadline is the date the Servicer inserts in the Trial Period Plan Cover Letter that is 30 calendar days from the date the Servicer sends the Trial Period Plan offer package to the Borrower, or if that date is not a business day, the next business day thereafter. If the Borrower accepts the Trial Period Plan, the Borrower must then sign and return the following documentation, if not previously provided, by the Offer Deadline:

• Two original executed Trial Period Plan documents
• First payment due under the Trial Period terms
• Documentation to verify occupancy (See Section C65.4 (a))
• Income documentation (See Section C65.6(b))
• Signed Form 4506-T, Request for Transcript of Tax Return
• Fully executed Hardship Affidavit
• Completed and signed page two of Form 1126, Borrower Financial Information, if the Borrower is current or less than 31 days delinquent
• Executed disclosures, if any, to the extent applicable federal, State or local law requires executed disclosures to be retained by the provider

Once the Servicer has (1) verified the Borrower’s continued eligibility based on verified income and debt documentation and Hardship Affidavit and (2) received two signed Trial Period Plans from the Borrower and the Borrower’s first payment, the Servicer may then sign and date each Trial Period Plan and return a fully executed copy to the Borrower. (Refer to Section C65.6(b) "Step 1(a): Verify Borrower’s monthly income").

The Servicer is encouraged to contact the Borrower before the expiration of the Offer Deadline if the Borrower has not yet submitted two executed originals of the Trial Period Plan, any payments due under the Trial Period Plan and all other required documentation. The Servicer may, in its discretion, consider the offer of a Trial Period Plan to have expired at the end of 60 days if the Borrower has not submitted both executed Trial Period Plans and all other complete and executed documentation required under the Trial Period Plan. If the Borrower’s submission is incomplete, the Servicer should work with the Borrower to complete the Trial Period Plan submission. **Note:** The Borrower is not required to have the Hardship Affidavit notarized.

In addition, Servicers must not refer a Mortgage to foreclosure or conduct a foreclosure sale of the property securing the Mortgage, until the Borrower has had time to respond to the Trial Period Plan offer, the Servicer has made the required attempts to contact the Borrower, and the Offer Deadline has expired. Servicers should postpone any foreclosure sale scheduled to occur during that time period in the most effective manner to avoid the need to restart the foreclosure process, except to the extent State law requires the foreclosure process be restarted.

**(b) Requirements during the Trial Period**

The first Trial Period payment is due with the return of the Trial Period Plan. The Servicer must require the Borrower to remit timely payments; however, all Trial Period payments must be received no later than the last Business Day of the third month of the Trial Period.

During the Trial Period, Servicers must service the Mortgage consistent with the servicing requirements for Mortgages on a forbearance plan. In addition, the Servicer must:

• Provide the Borrower with a copy of the Trial Period Plan executed by the Servicer within a reasonable period of time following the beginning of the Trial Period

• Continue to report and remit to Freddie Mac in accordance with the investor reporting and remitting requirements set forth in the Guide, which include the advancing of scheduled interest (and principal, if applicable) under the existing Mortgage terms to Freddie Mac, provided that the Servicer has not inactivated the Mortgage

• Credit to an unapplied or suspense funds account, payments made by the Borrower during the Trial Period. Once enough funds have accumulated in the unapplied or suspense funds account to satisfy a full payment under the existing Mortgage terms (including applying the portion of the Trial Period Payment allocable to escrowed items to the existing or newly established Escrow account), the Servicer must apply the payment in accordance with the current Note and Security Instrument.

If there is any remaining balance of payments made by the Borrower in the unapplied or suspense funds account at the end of the Trial Period that is insufficient to satisfy a scheduled payment under the existing Mortgage terms, the Servicer must apply this balance in accordance with the Security Instrument towards the outstanding arrearages...
on the Mortgage before such amounts are capitalized. Any excess funds remaining after the Trial Period must not be returned to the Borrower regardless of whether or not the Mortgage is modified.

- Not refer the Mortgage to foreclosure if the Borrower has executed the Trial Period Plan and commenced payments during the Trial Period. If the Mortgage is already in foreclosure, the Servicer must postpone the foreclosure sale in the most cost effective way and ensure there is minimal impact on the foreclosure timeline if the Borrower fails to remit the remaining payments during the Trial Period.

Late charges may accrue during the Trial Period. However, all accrued and unpaid late charges must be waived in the event the Borrower successfully completes the Trial Period and the Mortgage is modified.

**Special EDR requirements during the Trial Period**

The Servicer must report the Mortgage as being in forbearance through Electronic Default Reporting (EDR) using default action code "09 - Forbearance plan." Beginning October 1, 2009, Servicers must also report the default reason code "HMP." The Servicer must report these codes:

- In the first EDR reporting cycle after the Servicer receives the Trial Period Plan executed by the Borrower, together with all required documentation and the first payment due under the Trial Period Plan. The Servicer must report these codes even if the Trial Period offer was based on stated income and the Servicer has not yet verified the Borrower's continued eligibility based on verified income.

- For each month that the status applies. For example, the Servicer would no longer report these codes once the Mortgage is modified, the Borrower fails to comply with the terms of the Trial Period Plan, or the Borrower is re-underwritten based on verified income and is no longer eligible for a modification. If, based on verified income, the Trial Period Plan must be restarted, then the "09 Forbearance" code must be reported again with a new default action date and the "HMP" default reason code, once the Servicer receives the revised Trial Period Plan executed by the Borrower together with the Borrower's documentation and first payment due under the new Trial Period.

**Special credit reporting requirements**

The Servicer must continue to report a "full-file" status report to the four major credit repositories for each loan under HAMP in accordance with the Fair Credit Reporting Act and credit bureau standards as provided by the Consumer Data Industry Association (CDIA) on the basis of the following:

(i) For Borrowers who are current when they enter the Trial Period, the Servicer should report the Borrower current but on a modified payment if the Borrower makes timely Trial Period payments by the 30th day of each Trial Period month, as well as report the modification when completed

(ii) For Borrowers who are delinquent when they enter the Trial Period or who fail to make timely Trial Period payments by the 30th day of each Trial Period month, the Servicer should continue to report in such a manner that accurately reflects the Borrower's delinquency and workout status following usual and customary reporting standards, as well as report the modification when completed

More detailed information on these reporting standards will be published by the CDIA.
"Full-file" reporting means that the Servicer must describe the exact status of each Mortgage it is servicing as of the last Business Day of each month.

(c) General requirements for preparing the Modification Agreement for any Mortgage under HAMP

Once the Servicer knows the final amounts that must be capitalized, the Servicer must recalculate the final modification terms using the Borrower’s verified income and prepare the Modification Agreement. If the Servicer, in determining the final amount capitalized for the Modification Agreement, determines that the Borrower would no longer be qualified under HAMP, the Servicer must undertake additional steps required under Section C65.6(b) and in this circumstance only will be permitted to forbear principal below the 100% Mark-to-Market LTV Ratio to the extent needed to achieve the Target Payment, regardless of the final net present value (NPV) result.

To prepare the Modification Agreement, the Servicer must:

- Prepare the Modification Agreement in accordance with Guide Section B65.20(1) and revise it as necessary to comply with federal, State and local law. The Servicer must also ensure that the Mortgage, whether during the Trial Period or upon modification, retains its First Lien position and is fully enforceable in accordance with Section B65.20(1) and B65.20(1)(a)-(d), except that for B65.20(1)(c), the Servicer must obtain a subordination agreement when recordation is required. If the Servicer is unable to obtain any necessary subordination agreements or title policy endorsement, the Servicer must not enter into the Modification Agreement. (Refer to Section C65.7(d) for authorized changes to the Trial Period Plan and the Modification Agreement.)

- Set the Modification Effective Date in the Modification Agreement and the due date of the first payment due after the Trial Period (the First Modified Payment) to be the first day of the month following the end of the Trial Period (even if the last two Trial Period payments are received as late as the last Business Day of the third month of the Trial Period). The new interest rate and new principal balance on the modified Mortgage are effective the first day of the last month of the Trial Period (i.e., which is exactly one month prior to the first modified payment date to allow for payment of interest in arrears).

- Mail the Borrower two copies of the Modification Agreement, together with any applicable disclosures, and provide the Borrower the date by which the Borrower must sign and return the two executed Modification Agreements (and disclosures, if applicable), which must be no more than 14 days from the date the Servicer sent the Modification Agreement. The Borrower must sign both copies of the Modification Agreement and return them to the Servicer. Once the Borrower has made the last required monthly payments due during the Trial Period and otherwise remains in compliance with the terms of the Trial Period Plan, the Servicer must sign the two Modification Agreements, and return one Modification Agreement with all signatures to the Borrower in order for the modification to take effect.

(d) Authorized changes to the Trial Period Plan and Modification Agreement

Servicers must use the Home Affordable Modification Trial Period Plan ("Trial Period Plan") and Home Affordable Modification Agreement ("Modification Agreement") for each Borrower to whom a modification offer is being made. Servicers are prohibited from modifying these Uniform Instruments, except in the following circumstances:

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Trial Period Plan

- The Servicer must revise the Trial Period Plan as necessary to comply with applicable federal, State and local law.

- If the Borrower previously received a Chapter 7 bankruptcy discharge but did not reaffirm the mortgage debt under applicable law, the Servicer must add the following Borrower representation as paragraph G in Section 1:

  I was discharged in a Chapter 7 bankruptcy proceeding subsequent to the execution of the Loan Documents. Based on this representation, Lender agrees that I will not have personal liability on the debt pursuant to this Plan.

- If the Note and Mortgage may be assumed by a transferee of an interest in the property, the Servicer must add the following sentence before the last sentence in Section 3:

  The Modification Agreement will provide that, as of the Modification Effective Date, a buyer or transferee of the Property will not be permitted, under any circumstance, to assume the loan.

- If the Servicer is required to obtain one or more subordination agreements or a title policy endorsement to ensure that the modified Mortgage retains its first lien position and is fully enforceable, the Servicer must add the following sentence to the end of paragraph G in Section 2:

  I understand and agree that the Lender will not be obligated or bound to make any modification of the Loan Documents or to execute the Modification Agreement if the Lender has not received an acceptable title endorsement and/or subordination agreements from other lienholders, as necessary, to ensure that the modified mortgage loan retains its first lien position and is fully enforceable.

- If under applicable law, a Servicer may not establish an Escrow account, the Servicer must delete paragraph C in Section 4 of the Trial Period Plan and replace it with "Intentionally Deleted" as follows:

  C. Intentionally Deleted

Modification Agreement

- The Servicer must revise the Modification Agreement as necessary to comply with applicable federal, State and local law.

- If the Borrower previously received a Chapter 7 bankruptcy discharge but did not reaffirm the mortgage debt under applicable law, the Servicer must add the following Borrower representation in a new paragraph H in Section 1:

  I was discharged in a Chapter 7 bankruptcy proceeding subsequent to the execution of the Loan Documents. Based on this representation, Lender agrees that I will not have personal liability on the debt pursuant to this Agreement.

- If the Loan Documents contain a prepayment penalty, the Servicer must add the following new paragraph in Section 4 of the Modification Agreement:

  That, as of the Modification Effective Date, any provision in the Note, as amended, for the assessment of a penalty for full or partial prepayment of the Note is null and

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void.

- If the terms of the loan modification include principal forbearance, the Servicer must amend the Modification Agreement as follows:

(a) Delete the existing Section 3.C. and replace it with the following new Section 3.C.:

$_________________________ of the New Principal Balance shall be deferred (the "Deferred Principal Balance") and I will not pay interest or make monthly payments on this amount. The New Principal Balance less the Deferred Principal Balance shall be referred to as the "Interest Bearing Principal Balance" and this amount is $_________________________. Interest at the rate of ________% will begin to accrue on the Interest Bearing Principal Balance as of _____________________________ and the first new monthly payment on the Interest Bearing Principal Balance will be due on _____________________________. My payment schedule for the modified loan is as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Interest Rate</th>
<th>Interest Rate Change Date</th>
<th>Monthly Principal and Interest Payment Amount</th>
<th>Monthly Escrow Payment Amount</th>
<th>Total Monthly Payment</th>
<th>Payment Begins On</th>
<th>Number of Monthly Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>[2.00%]</td>
<td>00/00/0000</td>
<td>$0000.00</td>
<td>Adjusts annually after year 1</td>
<td>$000.00, adjusts annually after year 1</td>
<td>00/00/0000</td>
<td>60</td>
</tr>
<tr>
<td>6</td>
<td>[3.00%]</td>
<td>00/00/0000</td>
<td>$0000.00</td>
<td>Adjusts Annually</td>
<td></td>
<td>00/00/0000</td>
<td>12</td>
</tr>
<tr>
<td>7</td>
<td>[4.00%]</td>
<td>00/00/0000</td>
<td>$0000.00</td>
<td>Adjusts Annually</td>
<td></td>
<td>00/00/0000</td>
<td>12</td>
</tr>
<tr>
<td>8</td>
<td>[5.00%]</td>
<td>00/00/0000</td>
<td>$0000.00</td>
<td>Adjusts Annually</td>
<td></td>
<td>00/00/0000</td>
<td>12</td>
</tr>
<tr>
<td>9-40</td>
<td>[6.00%]</td>
<td>00/00/0000</td>
<td>$0000.00</td>
<td>Adjusts Annually</td>
<td></td>
<td>00/00/0000</td>
<td>[Insert Remaining months]</td>
</tr>
</tbody>
</table>

The above terms in this Section 3.C. shall supersede any provisions to the contrary in the Loan Documents, including but not limited to, provisions for an adjustable or step interest rate.

(b) Insert after Section 3.E. the following new Sections 3.F. and 3.G.:

F. I agree to pay in full the Deferred Principal Balance and any other amounts still owed under the Loan Documents by the earliest of: (i) the date I sell or transfer an interest in the Property, (ii) the date I pay the entire Interest Bearing Principal Balance, or (iii) the new Maturity Date.

G. If I make a partial prepayment of Principal, the Lender may apply that partial prepayment first to any Deferred Principal Balance before applying such partial prepayment to other amounts due.
If under applicable law a Servicer may not establish an Escrow account, the Servicer must delete paragraph D in Section 4 of the Modification Agreement and replace it with "Intentionally Deleted" as follows:

D. Intentionally Deleted.

If the Modification Agreement must be recorded and the original Security Instrument was registered with Mortgage Electronic Registration Systems, Inc. (MERS) and MERS was named as the nominee for the Lender, the Modification Agreement must be changed as follows:

(a) Insert a new definition under the "Property Address" definition on page one as follows:

"MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender's successors and assigns. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, (888) 679-MERS.

(b) Add a new paragraph in Section 4 as follows:

MERS holds only legal title to the interests granted by the Borrower in the Mortgage, but if necessary to comply with law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right to exercise any or all of those interest, including, but not limited to, the right to foreclose and sell the Property; and to take any action required of Lender including, but not limited to, releasing and canceling the mortgage loan.

(c) Add MERS to the signature line at the end of the Modification Agreement, as follows:

Mortgage Electronic Registration Systems, Inc. – Nominee for Lender

The Servicer is eligible to execute the Modification Agreement on behalf of MERS.

Servicers must refer to Guide Exhibit 5, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, or Freddie Mac's Uniform Instrument web site at http://www.freddiemac.com/uniform/ for instructions on how to make these changes.

(e) Closing the modification

Once the Servicer has sent the Borrower an original Modification Agreement with both the Servicer's and Borrower's signatures, the Servicer must:

- Submit the other original Modification Agreement with both the Servicer's and Borrower's signatures for recordation if required (see Section C65.7(c) and Section B65.20) within one Business Day of the Servicer's receipt of the executed agreement

- If the other original Modification Agreement is sent for recordation, send a certified copy of the executed Modification Agreement to the Custodian (or Freddie Mac's Document Custodial Operations (DCO), as applicable) to be maintained with the Note. Once the other original Modification Agreement is returned from the recorder's office, send it to the Custodian.

http://www.allregs.com/tpl/batchPrint.aspx?did=aa7efc0617b84c82a017dbdc7d12844c&li... 6/2/2009
If recordation is not required, send the other original Modification Agreement to the Custodian.

If the Note is held by DCO, attach a completed Form 105, Multipurpose Loan Servicing Transmittal, and submit the agreement to DCO.

- Retain a copy of the executed Modification Agreement in the Mortgage file
- Submit to Freddie Mac via fax at (571) 382-4905 (or as otherwise directed by Freddie Mac), all of the following:
  - A signed and dated copy of the completed Form 1128, Loss Mitigation Transmittal Worksheet. If the Servicer used the Borrower Qualification Worksheet to determine eligibility, this form is available as part of the Borrower Qualification Worksheet
  - A copy of the Borrower Qualification Worksheet screen that reflects the results of the modification analysis. If the Servicer did not utilize the Borrower Qualification Worksheet to analyze the Mortgage and identify the terms of the modification, the Servicer must provide documentation reflecting any and all information used to determine the following:
    - Imminent default
    - Modification terms
  - Any and all information required to be input into the NPV Calculator and the results of the NPV test

At this time, Servicers are not required to enter or transmit data through Workout Prospector II on Mortgages modified under HAMP. Form 1128 and copy of the Borrower Qualification Worksheet screen, or other supporting documentation if the Borrower Qualification Worksheet was not used, must be provided to Freddie Mac in lieu of using Workout Prospector II.

- Comply with the reporting and remitting requirements set forth in Section B65.26 to complete the loan modification


C65.8: Other general requirements (05/26/09)

This section provides the information on the following topics:

- Retention of existing credit enhancements
- Additional requirements for Mortgages with mortgage insurance
- Servicing Spread
- Other requirements for Mortgages modified under HAMP
• Administrative Costs/Fees
• Reservation of rights to invoke remedies
• Transfers of Servicing
• Reimbursement of expenses
• Document retention requirements

(a) Retention of existing credit enhancements required

Servicers may approve modifications on Mortgages with in-place credit enhancements provided that, if the Servicer is not the credit enhancement provider, the Servicer first obtains any required approval under the terms of the credit enhancement from the entity providing the enhancement, in writing. For example, if the Mortgage has mortgage insurance, the Servicer must first receive approval from the mortgage insurer (MI) of the modification (or have obtained a blanket delegation of authority from the MI directly or through Freddie Mac to approve the modification on the MI’s behalf) to enter into a Modification Agreement that complies with the requirements of this chapter.

(b) Additional requirements for Mortgages with mortgage insurance

Mortgage insurer approval of Mortgage modifications

Servicers are reminded that they must comply with all requirements of applicable mortgage insurance policies when servicing Freddie Mac-owned Mortgages. Servicers must service all Mortgages, including any Mortgage to be modified in accordance with the terms of HAMP, so as to preserve and not to impair existing mortgage insurance coverage. When executing a Mortgage modification under HAMP, a Servicer must either (i) obtain the applicable mortgage insurer’s approval of the terms of the Mortgage modification made in accordance with the requirements of HAMP for each Mortgage on a case-by-case basis, or (ii) ensure that the applicable mortgage insurer has provided a delegation of authority to approve Mortgage modifications made in accordance with the requirements of HAMP on its behalf directly to the Servicer or to Freddie Mac for implementation through its Servicers and Servicer’s compliance with the delegation of authority.

Freddie Mac is seeking to obtain delegations of authority from each MI so that Servicers will not have to obtain approval on a case-by-case basis for each modification they process under HAMP. We will post on our web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html, a list of the MIs from which we have received a delegated authority agreement and will update that list as we obtain delegations.

Regardless of the grant of delegated authority from a MI, Servicers should always consult the applicable MI for specific processes related to the reporting of modified terms, payment of premiums, and other operational matters in connection with Mortgages modified under HAMP and to determine compliance with mortgage insurance requirements, including the existence of and compliance with the terms of any delegation of authority.

Application of mortgage insurance premium payment

Once the Mortgage has been modified, future mortgage insurance premium payment calculations for those MIs who have entered into delegation of authority agreements with Freddie Mac must be based on the gross capitalized unpaid principal balance (UPB) (including
the amount of any partial principal forbearance) at the time of the modification. Servicers should consult directly with any MI regarding mortgage insurance premiums that has not provided a delegation of authority or has provided a delegation of authority directly to the Servicer.

Cancellation of Borrower-paid mortgage insurance

Servicers must accurately determine any automatic cancellation of Borrower-paid mortgage insurance or Borrower-requested cancellation of Borrower-paid mortgage insurance in accordance with Chapter 61 and in accordance with the Homeowners Protection Act of 1998 (HPA). For the purpose of canceling mortgage insurance on a modified Mortgage (either HPA or pre-HPA) with a partial principal forbearance, the required loan-to-value (LTV) ratios and the midpoint of the amortization period, as applicable, must be based on the gross capitalized UPB (including the amount of any partial principal forbearance).

(c) Servicing Spread

The Servicing Spread the Servicer retains on the Mortgage once modified will be as specified in Section B65.21.

(d) Other requirements for Mortgages modified under HAMP

- If a Mortgage that is not subject to a due-on-sale provision receives a modification under HAMP, the Borrower agrees that the modification will cancel the assumability feature of that Mortgage.

- If the loan instruments on the existing Mortgage contain a prepayment penalty provision, the prepayment penalty provision will be null and void upon modification of the Mortgage

See Section C65.7(e) for information on authorized changes that must be made to the documents with respect to these requirements.

(e) Administrative Costs/Fees

Servicers may not charge the Borrower a processing fee, or any other administrative costs or fees associated with the processing of the modification. Further, the Servicer may not require any upfront cash contributions from the Borrower, except to the extent the Borrower chooses to fund the entire amount, or a portion, of any Escrow shortage. Servicers must permit Borrowers who so choose to make a cash contribution.

Servicers may request reimbursement for certain costs associated with the modification that would otherwise be paid by the Borrower (e.g., notary fees, credit report, title costs and recordation fees, if applicable). See Section C65.8(h) for information on the process for requesting reimbursement of such expenses.)

(f) Reservation of Rights to Invoke Remedies

Notwithstanding the terms of this chapter and Freddie Mac’s delegation of authority to Servicer to approve modifications under HAMP, Freddie Mac reserves its rights to exercise any remedies provided by the Guide and the Purchase Documents, including a repurchase of the Mortgage or a call on a credit enhancement, in the event Freddie Mac determines that there has been a failure to comply with the selling or Servicing representations and warranties of the Guide.
(g) Transfers of Servicing

When a Transfer of Servicing includes Mortgages modified under HAMP, the Transferor Servicer must provide special notification to the Transferee Servicer. Specifically, the Transferor Servicer must advise the Transferee Servicer that Mortgages modified under the Home Affordable Modification Program are part of the portfolio being transferred and must confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of these Mortgages.

If the portfolio being transferred includes Mortgages modified under HAMP, the Transferor Servicer must also indicate on Form 981, Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages, and also indicate whether the transfer includes modified Mortgages that have a step-rate provision (i.e., the interest rate is subject to incremental increases beginning in year 6 of the modification) or a partial principal forbearance.

(h) Reimbursement of expenses

Servicers may request reimbursement for the following costs associated with the modification under HAMP (as well as expenses previously incurred under the Streamlined Modification Program) that would otherwise be paid by the Borrower and which may not be capitalized:

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>Expense Code</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recodation fees</td>
<td>300003</td>
<td>Actual cost</td>
</tr>
<tr>
<td>Property inspection fees</td>
<td>404007</td>
<td>Reimbursement is limited to two inspections for each Mortgage. Reimbursable amounts are in accordance with the limits specified in Exhibit 57.</td>
</tr>
<tr>
<td>Title costs, if applicable (except with respect to title costs in connection with a foreclosure proceeding)</td>
<td>300004</td>
<td>Reimbursable amounts are in accordance with the limits specified in Exhibit 57A</td>
</tr>
<tr>
<td>Notary fees</td>
<td>42001</td>
<td>Actual cost. Reimbursement limited to expenses paid to third parties only</td>
</tr>
<tr>
<td>HVE</td>
<td>400003</td>
<td>Actual cost</td>
</tr>
</tbody>
</table>

In order to be reimbursed for the expenses listed above, the Servicer must provide Freddie Mac with a spreadsheet that includes the list of Mortgages for which expenses were incurred. The spreadsheet must be submitted to overallowables@freddiemac.com and must include the Servicer number, Servicer name and current date in the filename in addition to the following data in the order specified:

1. Date of Submission
2. Freddie Mac loan number
3. Servicer's "Vendor ID" number
4. Program No.: P19
5. Contact name
6. Reimbursement amount requested
7. Date the service was performed
8. Expense detail
9. Expense code

Servicers must submit the spreadsheet by the 5th Business Day of the month for all expense reimbursement requests on modifications completed in the prior month. All reimbursement requests must be received by Freddie Mac within 30 days of the first modified payment due date, unless there is a delay in recordation of the Modification Agreement that causes the Servicer to exceed this time frame.

Servicers should contact our Foreclosure/Bankruptcy department via overallawables@freddiemac.com with any questions about the reimbursement process for expenses associated with modifications under HAMP (as well as expenses previously incurred under the Streamlined Modification Program).

(i) Document retention requirements

In addition to complying with the requirements for Mortgage file retention described in Guide Chapter 52, Servicers must retain all documents and information received during the process of determining Borrower eligibility for a modification under HAMP, including Borrower income verification, total monthly Mortgage payment and total monthly gross debt payment calculations, net present value (NPV) calculations (NPV model and version used, assumptions, inputs and outputs), evidence of application of each step of the standard waterfall Escrow analysis, Escrow advances, and Escrow set-up. Servicers must retain all documents and information related to the monthly payments during and after the Trial Period, as well as incentive payment calculations and such other required documents.

Servicers must retain detailed records of Borrower solicitations or Borrower-initiated inquiries regarding HAMP, the outcome of the evaluation for modification under HAMP and specific justification with supporting details if the request for modification under HAMP was denied.

Records must also be retained to document the reason(s) for a trial modification failure, where the Borrower enters into a Trial Period, but fails to successfully complete it. If a HAMP modification is not pursued when the NPV result is "negative," the Servicer must document its consideration of other foreclosure prevention options. If a Borrower under a HAMP modification loses good standing by becoming 90 days or more past due (e.g., three monthly payments are due and unpaid on the last day of the third month), the Servicer must retain documentation of its consideration of the Borrower for other loss mitigation alternatives.

With respect to requirements related to the request for Borrower and co-Borrower information for government monitoring purposes, the Servicer must retain the appropriate documentation in the Mortgage file (see Section C65.13(b)).

Servicers must retain required documents for the period set forth in Section 52.3.


C65.9: HAMP incentives (05/26/09)

No incentives of any kind will be paid if the Borrower's monthly Mortgage payment ratio starts.
below 31 percent prior to the implementation of HAMP because the Borrower is ineligible. The calculation and payment of all incentive compensation will be based strictly on the Borrower's verified income.

(a) Servicer Incentives

Freddie Mac will pay Servicers:

- A workout compensation fee of $1,000 for each modification meeting the requirements of HAMP. This fee will be in lieu of the $800 workout compensation fee provided in Section 865.8. If a Servicer closes a modification that only capitalizes arrears and does not involve an interest rate reduction or other modification feature, the Servicer may only earn this workout compensation fee and neither the Servicer nor the Borrower are eligible for any other incentive related payments.

- An additional $500 incentive payment for each modification for an eligible Borrower who was current (less than 31 days delinquent) and who remains current during the Trial Period Plan. The Servicer must be required to maintain records and documentation evidencing that the Trial Period payment arrangements were agreed to while the Borrower was less than 31 days delinquent.

The $1,000 workout compensation fee and the $500 incentive payment will be considered earned when the Borrower has made the three payments required under the Trial Period and has executed the Modification Agreement.

In addition, Freddie Mac will pay Servicers a "pay for success" fee of up to $1,000 a year for three years.

The Servicer will only receive a pay-for-success fee if the Borrower's modified monthly PITI+AS Payment results in at least a 6% reduction from the monthly Mortgage payment used to determine eligibility. Annual pay for success payments will be:

- Equal to the lesser of (i) $1,000 ($83.33/month) or (ii) one-half the reduction in the Borrower's annualized monthly Mortgage payment

- Accrued monthly unless the Borrower loses good standing by becoming 90 days or more past due (e.g., three monthly payments are due and unpaid on the last day of the third month) on the modified Mortgage and the Mortgage has not been paid off prior to the first, second or third anniversary of the Trial Period Plan Effective Date.

- Considered earned as of the first, second, and third anniversaries of the Trial Period Plan Effective Date, unless the Borrower loses good standing by becoming 90 days or more past due on the modified Mortgage at any time before any annual payment is earned. If the Mortgage is 90 days delinquent at any time, no incentive payment will be made, even if the Borrower cures the delinquency.

- Paid approximately one month after the incentive is earned

(b) Borrower Incentives

Borrowers who remain current on their monthly Mortgage payments under HAMP will receive "Pay for Performance" incentives. The incentive will be accrued monthly and applied to principal annually. The Pay for Performance incentive will be applied first to the interest-bearing principal balance on the Mortgage and then to any principal forbearance amount (if applicable). The incentive can be earned if a Borrower's modified monthly PITI+AS Payment

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results in at least a 6% reduction from the monthly Mortgage payment used to determine eligibility. Annual Pay for Performance Incentives will be:

- Equal to the lesser of (i) $1,000 ($83.33/month) or (ii) one-half the reduction in the Borrower's annualized monthly Mortgage payment
- Accrued monthly for each month the Mortgage remains current for five years until the Mortgage is paid off, provided no incentive will accrue for any late Mortgage payment
- Considered earned as of the anniversary of the Trial Period Plan Effective Date, unless the Borrower loses good standing by becoming 90 days or more past due on the modified Mortgage prior to any payment anniversary. If the Mortgage is 90 days delinquent at any time, no incentive payment will be made, even if the Borrower cures the delinquency.
- Paid to the Servicer approximately one month after the incentive is earned and must be applied as described above to the Borrower's account upon receipt

Servicers are not required to reamortize the Borrower's Mortgage balance to reduce the Mortgage payment as a result the application of this incentive to the unpaid principal balance.

Servicers should prepare and send to the Borrower information on a monthly basis regarding the accrual of "pay for performance" principal balance reduction payments. Servicers are encouraged to incorporate this information into the Borrower's monthly statements.


C65.10: Special requirements for Mortgages with a partial principal forbearance (05/26/09)

(a) Investor Reporting and Remitting requirements for all Mortgages with a partial principal forbearance

- When reporting monthly loan-level activity for a Mortgage with a partial principal forbearance, the data that Servicers report in their loan-level reporting must be based on the interest-bearing unpaid principal balance (UPB) of the Mortgage. That is:
  - The UPB that is reported is the interest-bearing UPB of the Mortgage, without regard to the deferred UPB
  - The amount of "principal due Freddie Mac" that is reported is Freddie Mac's share of principal payments, including prepaid principal, curtailments, etc. applied to the interest-bearing UPB during the accounting cycle
- Additionally, Servicers must provide Freddie Mac with a report on a monthly basis that includes a cumulative listing of all modified Mortgages with a partial principal forbearance. Servicers must submit the report by the 5th Business Day after the accounting cycle cutoff to PL_HMP@freddiemac.com. The report must be in the form of a Microsoft Excel spreadsheet and must include the following data elements in the order specified below:

http://www.allregs.com/tpl/batchPrint.aspx?did3=aa7e6c0617b84e82a017dbe7d12844e&li... 6/2/2009
1. Freddie Mac loan number
2. Date of accounting cycle cutoff
3. Total principal curtailment amount
4. Beginning interest-bearing UPB
5. Principal curtailments applied to the interest-bearing UPB as of the accounting cycle cutoff
6. Ending interest-bearing UPB
7. Beginning deferred UPB
8. Principal curtailments applied to the deferred UPB as of the accounting cycle cutoff
9. Ending deferred UPB
10. Gross combined UPB

The Microsoft Excel spreadsheet being submitted to Freddie Mac must include the Servicer number in the filename. A template of the required spreadsheet containing the data specified above is available on our HAMP web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html.

- When reporting the payoff of a Mortgage with a partial principal forbearance, Servicers must comply with the applicable reporting requirements set forth in Guide Chapter 78 except that:
  - The interest-bearing UPB must be reported via MIDANET® in accordance with the requirements set forth in Chapter 78 and the deferred UPB must be reported using Form 315, Exception Activity Transmittal Summary. Servicers must complete Form 315 and submit the form to PL_HMP@freddiemac.com by the 2nd Business Day after the Servicer receives the payoff proceeds.
  - In the Servicer's interim remittance, the Servicer must remit the proceeds (interest-bearing and deferred UPB) due to Freddie Mac, plus or minus the exception interest.

**Note:** Monthly Interest and any exception interest must be based on the interest-bearing UPB only.

**(b) Application of partial prepayments of principal**

Partial prepayments of principal ("curtailments") must be applied first to the interest-bearing UPB before any remaining funds may be applied to the deferred UPB, except if the principal curtailment is equal to or greater than the interest-bearing UPB. If the principal curtailment is equal to or greater than the interest-bearing UPB, then the principal curtailment must first be applied to the deferred UPB and any remaining curtailment to the interest-bearing UPB.

If a principal curtailment is applied to the deferred UPB, it must be reported to Freddie Mac via Form 315, Exception Activity Transmittal Summary, and submitted to PL_HMP@freddiemac.com no later than the 5th Business Day after the accounting cycle cutoff. Form 315, Exception Activity Transmittal Summary, is available on our HAMP web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html.
(c) Monthly statements

Freddie Mac recommends the Servicer provide the Borrower with statements that reflect the deferred principal balance at least annually.

(d) Credit bureau reporting for all Mortgages with a partial principal forbearance

Servicers can access additional information on credit reporting unique to HAMP including the reporting of Mortgages with a partial principal forbearance from the Consumer Data Industry Association, which gives general credit reporting guidelines for Mortgage and home equity loans in response to current financial conditions, at http://cdia.files.cms-plus.com/Metro2/MortgageHomeEquityReportingGuidelines.pdf.


C65.11: HAMP activity reporting requirements (05/26/09)

(a) Reporting activity to Freddie Mac

Servicers must track certain key data in a Microsoft Excel spreadsheet and submit the completed spreadsheet to Freddie Mac on a weekly basis. The spreadsheet must be submitted electronically to Freddie Mac at HMPModificationTracking@freddiemac.com by 12 p.m. Eastern Standard Time each Monday for the prior week’s activity. In a month when the last Business Day of the month falls on a day other than a Friday, the Servicer must provide two updates for the previous week:

- One update for the Business Day(s) in that week to month end
- One update for the Business Day(s) in that week for the new month

The template for the spreadsheet is available on our web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html.

Effective October 1, 2009, Servicers must report specific loan level information, as applicable, to Freddie Mac using the Electronic Default Reporting (EDR) codes described below. Servicers may begin reporting these new codes beginning June 1, 2009.

The Servicer must report the default action codes described below in addition to complying with other EDR requirements set forth in Section 64.10 and Exhibit 82, Electronic Default Reporting Transmission Code List, and Section C65.7(b) for reporting during the Trial Period.

<table>
<thead>
<tr>
<th>HAMP Default Action</th>
<th>Default Action Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible for HAMP</td>
<td>H6</td>
<td>Report code H6 together with the date the Borrower was determined to be eligible for HAMP (including the determination that Borrowers, who are current or less than 31 days delinquent, are in imminent default). This event may occur prior to or on the same date as the date the Servicer begins to review the Borrower for a modification under HAMP, or sends...</td>
</tr>
<tr>
<td>HAMP in Review</td>
<td>H7</td>
<td>Report code H7 together with the date the Servicer begins to review an eligible Borrower for a modification under HAMP. This event may occur on the same date as the date the Servicer determines the Borrower to be eligible for a modification under HAMP, or sends the solicitation letter or Trial Period Plan offer package.</td>
</tr>
<tr>
<td>-----------------</td>
<td>----</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>HAMP Modification Agreement Sent</td>
<td>H8</td>
<td>Report code H8 together with the date the Servicer sends the Borrower the HAMP Modification Agreement (not the Trial Period Plan)</td>
</tr>
<tr>
<td>HAMP Modification Agreement Received</td>
<td>H9</td>
<td>Report code H9 together with the date the Servicer receives the signed Modification Agreement from the Borrower.</td>
</tr>
</tbody>
</table>

Refer to the EDR Quick Reference Guide available on FreddieMac.com for additional information on the reporting of these codes.

Refer to Section C65.7(b) for additional EDR requirements.

(b) Reporting to Fannie Mae as financial agent for the United States Department of the Treasury

All Servicers are required to register with Fannie Mae in its capacity as financial agent for the United States Department of the Treasury ("Financial Agent") and provide periodic HAMP loan level data to the Financial Agent. To register, Servicers must complete and submit the HMP Registration Form, which is available on the [http://www.HMAdmin.com](http://www.HMAdmin.com) web site.

The data that Servicers provide must be accurate, complete and in agreement with the Servicer’s records. The Servicer must report data:

- At the start of the Trial Period
- During the Trial Period
- For loan set up of the approved modification
- Monthly after the modification is set up on the Financial Agent’s system

Data must be submitted through a data collection tool ("Data Collector") available on the servicer web portal available through [http://www.HMAdmin.com](http://www.HMAdmin.com). A unique user ID and password is required to access the Data Collector. The Servicer will be provided its unique user ID and password by the Financial Agent once the Financial Agent has received and processed the Servicer’s HMP Registration Form.

Servicers should refer to [http://www.HMAdmin.com](http://www.HMAdmin.com) for additional information regarding these data reporting requirements.


http://www.allregs.com/tpl/batchPrint.aspx?did3=aa7efc0617b84e82a017dbde7d12844e&li... 6/2/2009
C65.12: Disclosures and communications with Borrowers (05/26/09)

When promoting or describing Mortgage modifications, Servicers/lenders should provide Borrowers with information designed to help them understand the modification terms that are being offered and the modification process. Such communication should help minimize potential Borrower confusion and complaints, foster good customer relations and reduce legal compliance and other risks in connection with the transaction.

Servicers/lenders also must provide Borrowers with clear and understandable written information about the material terms, costs and risks of the modified Mortgage in a timely manner to enable Borrowers to make informed decisions. The letters set forth in Section C65.2 (Proactive Solicitation Letter, Documentation Request Letter, Trial Period Plan Cover Letter and HAMP Agreement Cover Letter) are templates and may be altered in the Servicer’s discretion as they deem necessary to meet the requirements of this Section C65.12 and to comply with disclosure and other requirements under applicable federal, State or local law.

Information should be provided, as applicable, that:

- Describes how the modified loan balance is calculated
- Describes any new terms, interest rates, payment amounts, or loan maturity dates
- Describes how the new rate will be determined and provides a payment schedule that illustrates how subsequent increases in the modified interest rate will cause payment amounts to increase correspondingly over time
- Provides the amount and date of any balloon payments
- Describes applicable Escrow requirements for taxes and insurance
- Explains the need to make full and timely payments on the modified loan
- Describes Borrower incentive payments for timely loan payments
- Explains the consequences of failure to make timely payments on the Trial Period Plan (loss of loan modification) and Modification Agreement (risk of loss of the home through foreclosure)

C65.13: Fair treatment and legal compliance (05/26/09)

(a) Compliance with applicable laws

Mortgage modification programs must be implemented in a manner that complies with all applicable federal, State and local laws and regulations, including, but not limited to:

- Section 5 of the Federal Trade Commission Act and similar applicable laws that prohibit unfair or deceptive acts or practices
- The Equal Credit Opportunity Act and the Fair Housing Act, which prohibits discrimination on a prohibited basis in connection with mortgage transactions. Servicers and lenders

http://www.allregs.com/tpl/batchPrint.aspx?did3=aa7ec0617b84e82a017dbde7d12844e&li... 6/2/2009
should ensure that loan modification programs comply with all applicable laws and regulations prohibiting discrimination. Servicers and lenders must not treat a Borrower less favorably than other Borrowers based even in part on race, religion, national origin, sex, marital or familial status, age, handicap, or receipt of public assistance income, or any other protected class or basis under applicable federal, State and local laws, in connection with any loan modification.

- The Real Estate Settlement Procedures Act, which imposes certain disclosure requirements and restrictions relating to transfers of the servicing of certain loans and Escrow accounts.

- The Fair Debt Collection Practices Act, which restricts certain abusive debt collection practices by collectors of debts, other than the creditor, owed or due to another

(b) Government monitoring data

The Department of Housing and Urban Development (HUD) has directed Freddie Mac, pursuant to HUD’s authority under Section 1325(2) of the Federal Housing Enterprises Financial Safety and Soundness Act (FHEFSSA), 24 C.F.R. 81.44(a) and (b), 12 C.F.R. 202.5 (a)(2), and its general regulatory authority under the Fair Housing Act, 42 U.S.C. 3601 et seq. ("Act") to require Servicers to request and report data on the race, ethnicity, and sex of Borrowers and co-Borrowers involved in potential loan modifications under HAMP ("Government Monitoring Data") in order to monitor compliance with the Act and other applicable fair lending and consumer protection laws. As a result of such direction from HUD, this section of this chapter constitutes an agreement entered into between Freddie Mac, on behalf of HUD, and Freddie Mac’s approved Servicers. As such, this is an agreement entered into by Freddie Mac’s approved Servicers with an enforcement agency (i.e., HUD) to permit the enforcement agency to monitor or enforce compliance with federal law, within the meaning of 12 C.F.R. 202.5(a)(2).

HUD has specified that the Government Monitoring Data shall be collected in the Hardship Affidavit. Servicers must request, but not require, that each Borrower who completes a Hardship Affidavit in connection with HAMP furnish the Government Monitoring Data. If any Borrower chooses not to provide the Government Monitoring Data, or any part of it, the Servicer must note that fact on the Hardship Affidavit in the space provided. In such circumstances, and if the Hardship Affidavit is completed in a face-to-face setting, the Servicer, its representative or agent shall then also note on the form, to the extent possible on the basis of visual observation or surname, the race, ethnicity and sex of any Borrower or co-Borrower who has not furnished the Government Monitoring Data. If any Borrower declines or fails to provide the Government Monitoring Data on a Hardship Affidavit taken by mail or telephone or on the Internet, the data need not be provided. In such a case, the Servicer must indicate that the request for a loan modification was received by mail, telephone or Internet, if it is not otherwise evident on the face of the Hardship Affidavit.

For modifications closed on or after April 21, 2009, the Servicer must use the new Hardship Affidavit form that requires Servicers to request the Government Monitoring Data.

For modifications in process where the earlier version of the Hardship Affidavit form was used (i.e., the version that does not include the Information for Government Monitoring Purposes section), the Servicer must contact the Borrower and any co-Borrower (hereinafter referred to as "Borrower") to request the monitoring data. The Servicer may:

- Mail a blank new Hardship Affidavit form (containing the Information for Government Monitoring Purposes section) to the Borrower and request that the Borrower read and complete the monitoring data section only and mail the Affidavit back to the Servicer.
avoid confusion, we encourage the Servicer to strike through all sections of the Hardship Affidavit (including the signature lines) except for the Information for Government Monitoring Purposes section.

- E-mail to the Borrower, pursuant to the new requirements in Section C65.5, which govern solicitation of Borrowers and collection of loss mitigation information and documents electronically, either (i) an electronic version of the new Hardship Affidavit (containing the Information for Government Monitoring Purposes section) or (ii) a single page with the exact text of the Information For Government Monitoring Purposes section, which is on page two of the new form Hardship Affidavit. If you provide the entire new Hardship Affidavit, request the Borrower to only complete the Information for Government Monitoring Purposes section.

- Contact the Borrower by phone and read the exact text of the Information for Government Monitoring Purposes section on page two of the new Hardship Affidavit to request and record responses from the Borrower.

- Contact the Borrower by phone and read the exact text of the Information for Government Monitoring Purposes section on page two of the new form Hardship Affidavit to request and record responses from the Borrower.


C65.14: Responsiveness to Borrower inquiries (04/21/09)

Servicers should have procedures and systems in place to be able to track and respond to inquiries and complaints about Mortgage modifications. Servicers should ensure that such inquiries and complaints are provided fair consideration, and timely and appropriate responses and resolution. This information should be available for review by the Compliance Agent.


C65.15: Compliance (05/26/09)

Servicers must comply with HAMP requirements and must document the execution of loan evaluation, loan modification and accounting processes. Servicers must develop and execute a quality assurance program that includes either a statistically based (with a 95% confidence level) or a 10% stratified sample of loans modified, drawn within 30-45 days of final modification and reported on within 30-45 days of review. In addition, a trending analysis must be performed on a rolling 12-month basis.

The United States Department of the Treasury ("Treasury") has selected Freddie Mac to serve as its compliance agent for HAMP ("Compliance Agent"). In its role as Compliance Agent, Freddie Mac will utilize Freddie Mac employees and contractors to conduct independent compliance assessments. In addition, loan level data will be reviewed for eligibility and fraud.

The scope of the assessments will include, among other things, an evaluation of documented evidence to confirm adherence (e.g., accuracy and timeliness) to HAMP requirements with respect to the following:

http://www.allregs.com/tpl/batchPrint.aspx?did3=aa7efc0617b84e82a017dbde7d12844e&li... 6/2/2009
• Evaluation of Borrower and property eligibility
• Compliance with underwriting guidelines
• Execution of net present value (NPV)/waterfall processes
• Completion of Borrower incentive payments
• Investor subsidy calculations
• Data Integrity

The review will also evaluate the effectiveness of the Servicer’s quality assurance program; such evaluation will include, without limitation, the timing and size of the sample selection, the scope of the quality assurance reviews, and the reporting and remediation process.

There will be two types of compliance assessments: on-site and remote. Both on-site and remote reviews will consist of the following activities (among others): notification, scheduling, self assessments, documentation submission, interviews, file reviews, and reporting.

For on-site reviews, the Compliance Agent will strive to provide the Servicer with (i) a 30-day advance notification of a pending review and (ii) subsequent confirmation of the dates of the review. However, the Compliance Agent reserves the right to arrive at the Servicer’s site unannounced. The Compliance Agent will request the Servicer to make available documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self assessment ready for review. Additionally, the Compliance Agent may request additional loan files during the review. Loan files subject to review (for both on-site and remote reviews) include (but are not necessarily limited to) files relating to loan modifications that are (i) approved or declined by the Servicer under HAMP, (ii) approved by the Servicer, but as to which the offer to modify is not accepted by the Borrower, and (iii) subject to a default by the Borrower during or after the Trial Period. In connection with on-site reviews, interviews will usually be conducted in person.

During the review window, the Compliance Agent will review loan files and other requested documentation to evaluate compliance with HAMP terms. Upon the completion of the review, the Compliance Agent will conduct an exit interview with the Servicer to discuss preliminary assessment results.

For remote reviews, the Compliance Agent will request the Servicer to send documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self assessment within 30 days of the request. In addition, time will be scheduled for phone interviews, including a results summary call after the compliance review is completed to discuss preliminary results.

The targeted time frame for publishing the Servicer assessment report is 30 days after the completion of the review. Treasury will receive a copy of the report five business days prior to the release of the report to the Servicer.

There will be an issue/resolution appeal process for Servicer assessments. Servicers will be able to submit concerns or disputes to an Independent quality assurance team within the Compliance Agent.
Supplemental Directive 09-01

April 6, 2009

Introduction of the Home Affordable Modification Program

Background

On February 18, 2009, President Obama announced the Homeowner Affordability and Stability Plan to help up to 7 to 9 million families restructure or refinance their mortgages to avoid foreclosure. As part of this plan, the Treasury Department (Treasury) announced a national modification program aimed at helping 3 to 4 million at-risk homeowners—both those who are in default and those who are at imminent risk of default—by reducing monthly payments to sustainable levels. On March 4, 2009, the Treasury issued uniform guidance for loan modifications across the mortgage industry. This Supplemental Directive provides additional guidance to servicers for adoption and implementation of the Home Affordable Modification Program (HMP) for mortgage loans that are not owned or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Mortgages).

Under the HMP, a servicer will use a uniform loan modification process to provide a borrower with sustainable monthly payments. The guidelines set forth in this document apply to all eligible mortgage loans secured by one- to four-unit owner-occupied single-family properties.

In order for a servicer to participate in the HMP with respect to Non-GSE Mortgages, the servicer must execute a servicer participation agreement and related documents (Servicer Participation Agreement) with Fannie Mae in its capacity as financial agent for the United States (as designated by Treasury) on or before December 31, 2009. The Servicer Participation Agreement will govern servicer participation in the HMP program for all Non-GSE Mortgages. Servicers of mortgage loans that are owned or guaranteed by Fannie Mae or Freddie Mac should refer to the HMP announcement issued by the applicable GSE.

The HMP reflects usual and customary industry standards for mortgage loan modifications contained in typical servicing agreements, including pooling and servicing agreements (PSAs) governing private label securitizations. As detailed in the Servicer Participation Agreement, participating servicers are required to consider all eligible mortgage loans unless prohibited by the rules of the applicable PSA and/or other investor servicing agreements. Participating servicers are required to use reasonable efforts to remove any prohibitions and obtain waivers or approvals from all necessary parties in order to carry out any modification under the HMP.
To help servicers implement the HMP, this Supplemental Directive covers the following topics:

- HMP Eligibility
- Underwriting
- Modification Process
- Reporting Requirements
- Fees and Compensation
- Compliance

**HMP Eligibility**

A Non-GSE Mortgage is eligible for the HMP if the servicer verifies that all of the following criteria are met:

- The mortgage loan is a first lien mortgage loan originated on or before January 1, 2009.
- The mortgage loan has not been previously modified under the HMP.
- The mortgage loan is delinquent or default is reasonably foreseeable; loans currently in foreclosure are eligible.
- The mortgage loan is secured by a one- to four-unit property, one unit of which is the borrower's principal residence. Cooperative share mortgages and mortgage loans secured by condominium units are eligible for the HMP. Loans secured by manufactured housing units are eligible for the HMP.
- The property securing the mortgage loan must not be vacant or condemned.
- The borrower documents a financial hardship and represents that (s)he does not have sufficient liquid assets to make the monthly mortgage payments by completing a Home Affordable Modification Program Hardship Affidavit and provides the required income documentation. The documentation supporting income may not be more than 90 days old (as of the date the servicer is determining HMP eligibility).
- The borrower has a monthly mortgage payment ratio of greater than 31 percent.
- A borrower in active litigation regarding the mortgage loan is eligible for the HMP.
- The servicer may not require a borrower to waive legal rights as a condition of the HMP.
- A borrower actively involved in a bankruptcy proceeding is eligible for the HMP at the servicer's discretion. Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the first lien mortgage who did not reaffirm the mortgage debt under applicable law are eligible, provided the Home Affordable Modification Trial Period Plan and Home Affordable Modification Agreement are revised as outlined in the Acceptable Revisions to HMP Documents section of this Supplemental Directive.
- The borrower agrees to set up an escrow account for taxes and hazard and flood insurance prior to the beginning of the trial period if one does not currently exist.
- Borrowers may be accepted into the program if a fully executed Home Affordable Modification Trial Period Plan is in the servicer's possession on December 31, 2012.
- The current unpaid principal balance (UPB) of the mortgage loan prior to capitalization must be no greater than:
  - 1 Unit: $729,750
  - 2 Units: $934,200
  - 3 Units: $1,129,250
  - 4 Units: $1,403,400

Note: Mortgage loans insured, guaranteed or held by a federal government agency (e.g., FHA, HUD, VA and Rural Development) may be eligible for the HMP, subject to guidance issued by the relevant agency. Further details regarding inclusion of these loans in the HMP will be provided in a subsequent Supplemental Directive.

The HMP documents are available through www.financialstability.gov. Documents include the Home Affordable Modification Trial Period Plan (hereinafter referred to as Trial Period Plan), the Home Affordable Modification Agreement (hereinafter referred to as the Agreement), the Home Affordable Modification Program Hardship Affidavit (hereinafter referred to as the Hardship Affidavit) and various cover letters.

**Underwriting**

**Hardship Affidavit**

Every borrower and co-borrower seeking a modification, whether in default or not, must sign a Hardship Affidavit that attests to and describes one or more of the following types of hardship:

1. A reduction in or loss of income that was supporting the mortgage.
2. A change in household financial circumstances.
3. A recent or upcoming increase in the monthly mortgage payment.
4. An increase in other expenses.
5. A lack of sufficient cash reserves to maintain payment on the mortgage and cover basic living expenses at the same time. Cash reserves include assets such as cash, savings, money market funds, marketable stocks or bonds (excluding retirement accounts and assets that serve as emergency fund – generally equal to three times the borrower’s monthly debt payments).
6. Excessive monthly debt payments and overextension with creditors, e.g., the borrower was required to use credit cards, a home equity loan, or other credit to make the mortgage payment.
7. Other reasons for hardship detailed by the borrower.

Note: The borrower is not required to have the Hardship Affidavit notarized.

**Reasonably Foreseeable (Imminent) Default**

A borrower that is current or less than 60 days delinquent who contacts the servicer for a modification, appears potentially eligible for a modification, and claims a hardship must
be screened for imminent default. The servicer must make a determination as to whether a payment default is imminent based on the servicer's standards for imminent default and consistent with applicable contractual agreements and accounting standards. If the servicer determines that default is imminent, the servicer must apply the Net Present Value test.

In the process of making its imminent default determination, the servicer must evaluate the borrower's financial condition in light of the borrower's hardship as well as inquire as to the condition of and circumstances affecting the property securing the mortgage loan. The servicer must consider the borrower's financial condition, liquid assets, liabilities, combined monthly income from wages and all other identified sources of income, monthly obligations (including personal debts, revolving accounts, and installment loans), and a reasonable allowance for living expenses such as food, utilities, etc. The hardship and financial condition of the borrower shall be verified through documentation.

**Documenting the Reason for and Timing of Imminent Default**

A servicer must document in its servicing system the basis for its determination that a payment default is imminent and retain all documentation used to reach its conclusion. The servicer's documentation must also include information on the borrower's financial condition as well as the condition and circumstances of the property securing the mortgage loan.

**Net Present Value (NPV) Test**

All loans that meet the HMP eligibility criteria and are either deemed to be in imminent default (as described above) or 60 or more days delinquent must be evaluated using a standardized NPV test that compares the NPV result for a modification to the NPV result for no modification. If the NPV result for the modification scenario is greater than the NPV result for no modification, the result is deemed "positive" and the servicer MUST offer the modification. If the NPV result for no modification is greater than NPV result for the modification scenario, the modification result is deemed "negative" and the servicer has the option of performing the modification in its discretion. For mortgages serviced on behalf of a third party investor for which the modification result is deemed "negative," however, the servicer may not perform the modification without express permission of the investor. If a modification is not pursued when the NPV result is "negative," the servicer must consider the borrower for other foreclosure prevention options, including alternative modification programs, deeds-in-lieu, and preforeclosure sale programs.

Whether or not a modification is pursued, the servicer MUST maintain detailed documentation of the NPV model used, all NPV inputs and assumptions and the NPV results.

Fannie Mae has developed a software application for servicers to submit loan files to the NPV calculator. The software application is available on the Home Affordable
Modification servicer web portal accessible through www.financialstability.gov. On this portal, servicers will have access to the NPV calculator tool as well as detailed guidelines for submitting proposed modification data.

Servicers having at least a $40 billion servicing book will have the option to create a version of the NPV calculator that uses a set of cure rates and redefault rates estimated based on the experience of their own portfolios, taking into consideration, if feasible, current LTV, current monthly mortgage payment, current credit score, delinquency status and other loan or borrower attributes. Detailed guidance on required inputs for custom NPV calculations is forthcoming.

For mortgages serviced on behalf of a third party investor, the servicer must use a discount rate at least as high as the rate used on the servicer’s own portfolio, but in no event higher than the maximum rate permitted under the HMP.

To obtain a property valuation input for the NPV calculator, servicers may use either an automated valuation model (AVM), provided that the AVM renders a reliable confidence score, or a broker’s price opinion (BPO). A servicer may use an AVM provided by one of the GSEs. As an alternative, servicers may rely on their internal AVM provided that:

(i) the servicer is subject to supervision by a Federal regulatory agency;
(ii) the servicer's primary Federal regulatory agency has reviewed the model; and
(iii) the AVM renders a reliable confidence score.

If a GSE AVM or the servicer AVM is unable to render a value with a reliable confidence score, the servicer must obtain an assessment of the property value utilizing a BPO or a property valuation method acceptable to the servicer's Federal regulatory supervisor. Such assessment must be rendered in accordance with the Interagency Appraisal and Evaluation Guidelines (as if such guidelines apply to loan modifications). In all cases, the property valuation used cannot be more than 90 days old.

**Verifying Borrower Income and Occupancy Status**

Servicers may use recent verbal financial information obtained from the borrower and any co-borrower 90 days or less from the date the servicer is determining HMP eligibility to assess the borrower’s eligibility. The servicer may rely on this information to prepare and send to the borrower a solicitation for the HMP and an offer of a Trial Period Plan. When the borrower returns the Trial Period Plan and related documents, the servicer must review them to verify the borrower’s financial information and eligibility – except that documentation of income may not be more than 90 days old as of the determination of eligibility.

As an alternative, a servicer may require a borrower to submit the required documentation to verify the borrower’s eligibility and income prior to preparing a Trial Period Plan. Upon receipt of the documentation and determination of the borrower’s
eligibility, a servicer may prepare and send to the borrower a letter indicating that the borrower is eligible for the HMP together with a Trial Period Plan.

The borrower will only qualify for the HMP if the verified income documentation confirms that the monthly mortgage payment ratio prior to the modification is greater than 31 percent. The “monthly mortgage payment ratio” is the ratio of the borrower’s current monthly mortgage payment to the borrower’s monthly gross income (or the borrowers’ combined monthly gross income in the case of co-borrowers). The “monthly mortgage payment” includes the monthly payment of principal, interest, property taxes, hazard insurance, flood insurance, condominium association fees and homeowner’s association fees, as applicable (including any escrow payment shortage amounts subject to a repayment plan). When determining a borrower’s monthly mortgage payment ratio, servicers must adjust the borrower’s current mortgage payment to include, as applicable, property taxes, hazard insurance, flood insurance, condominium association fees and homeowner’s association fees if these expenses are not already included in the borrower’s payment. The monthly mortgage payment does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

With respect to adjustable rate loans where there is a rate reset scheduled within 120 days after the date of the evaluation (a “Reset ARM”), the monthly mortgage payment used to determine eligibility will be the greater of (i) the borrower’s current scheduled monthly mortgage payment or (ii) a fully amortizing monthly mortgage payment based on the note reset rate using the index value as of the date of the evaluation (the “Reset Interest Rate”). With respect to adjustable rate loans that reset more than 120 days after the date of the evaluation, the borrower’s current scheduled monthly mortgage payment will be used to determine eligibility.

The borrower’s “monthly gross income” is the borrower’s income amount before any payroll deductions and includes wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, other compensation for personal services, Social Security payments, including Social Security received by adults on behalf of minors or by minors intended for their own support, and monthly income from annuities, insurance policies, retirement funds, pensions, disability or death benefits, unemployment benefits, rental income and other income. If only net income is available, the servicer must multiply the net income amount by 1.25 to estimate the monthly gross income.

Servicers should include non-borrower household income in monthly gross income if it is voluntarily provided by the borrower and if there is documentary evidence that the income has been, and reasonably can continue to be, relied upon to support the mortgage payment. All non-borrower household income included in monthly gross income must be documented and verified by the servicer using the same standards for verifying a borrower’s income.

The servicer may not require a borrower to make an up-front cash contribution (other than the first trial period payment) for the borrower to be considered for the HMP.
The HMP documents instruct the borrower (the term "borrower" includes any co-borrower) to provide the following financial information to the servicer:

If the borrower is employed:
- A signed copy of the most recently filed federal income tax return, including all schedules and forms, if available,
- A signed IRS Form 4506-T (Request for Transcript of Tax Return), and
- Copies of the two most recent paystubs indicating year-to-date earnings.
- For additional income such as bonuses, commissions, fees, housing allowances, tips and overtime, a servicer must obtain a letter from the employer or other reliable third-party documentation indicating that the income will in all probability continue.

If the borrower is self-employed:
- A signed copy of the most recent federal income tax return, including all schedules and forms, if available,
- A signed IRS Form 4506-T (Request for Transcript of Tax Return), and
- The most recent quarterly or year-to-date profit and loss statement for each self-employed borrower.
- Other reliable third-party documentation the borrower voluntarily provides.

Note: For both a salaried or a self-employed borrower, if the borrower does not provide a signed copy of the most recently filed federal income tax return, or if the Compliance Agent so requires, the servicer must submit the Form 4506-T to the IRS to request a transcript of the return.

If the borrower elects to use alimony or child support income to qualify, acceptable documentation includes:
- Photocopies of the divorce decree, separation agreement, or other type of legal written agreement or court decree that provides for the payment of alimony or child support and states the amount of the award and the period of time over which it will be received. Servicers must determine that the income will continue for at least three years.
- Documents supplying reasonably reliable evidence of full, regular and timely payments, such as deposit slips, bank statements or signed federal income tax returns.

If the borrower has other income such as social security, disability or death benefits, or a pension:
- Acceptable documentation includes letters, exhibits, a disability policy or benefits statement from the provider that states the amount, frequency, and duration of the benefit. The servicer must determine that the income will continue for at least three years.
- The servicer must obtain copies of signed federal income tax returns, IRS W-2 forms, or copies of the two most recent bank statements.
If the borrower receives public assistance or collects unemployment:
- Acceptable documentation includes letters, exhibits or a benefits statement from
  the provider that states the amount, frequency, and duration of the benefit. The
  servicer must determine that the income will continue for at least nine months.

If the borrower has rental income, acceptable documentation includes:
- Copies of all pages from the borrower's most recent two years of signed federal
  income tax returns and Schedule E - Supplemental Income and Loss. The
  monthly net rental income to be calculated for HMP purposes equals 75 percent
  of the gross rent, with the remaining 25 percent considered vacancy loss and
  maintenance expense.

A servicer must confirm that the property securing the mortgage loan is the borrower's
primary residence as evidenced by the most recent signed federal income tax return (or
transcript of tax return obtained from the IRS), a credit report and one other form of
documentation that would supply reasonable evidence that the property is the borrower’s
primary residence (such as utility bills in the borrower’s name).

A servicer is not required to modify a mortgage loan if there is reasonable evidence
indicating the borrower submitted false or misleading information or otherwise engaged
in fraud in connection with the modification.

**Standard Modification Waterfall**

Servicers are required to consider a borrower for a refinance through the Hope for
Homeowners program when feasible. Consideration for a Hope for Homeowners
refinance should not delay eligible borrowers from receiving a modification offer and
beginning the trial period. Servicers must use the modification options listed below to
begin the HMP modification and work to complete the Hope for Homeowners refinance
during the trial period.

Servicers must apply the modification steps enumerated below in the stated order of
succession until the borrower’s monthly mortgage payment ratio is reduced as close as
possible to 31 percent, without going below 31 percent (the “target monthly mortgage
payment ratio”). If the applicable PSA or other investor servicing agreement prohibits
the servicer from taking a modification step, the servicer may seek approval for an
exception.

Servicers are not precluded under the HMP from agreeing to a modification that reduces
the borrower’s monthly mortgage payment ratio below 31% as long as the modification
otherwise complies with the HMP requirements. Similarly and where otherwise
permitted by the applicable PSA or other investor servicing contract, servicers are not
precluded under the HMP from agreeing to a modification where the interest rate does
not step up after five years, or where additional principal forbearance is substituted for
extending the term as needed to achieve the target monthly mortgage payment ratio of
31%, so long as the modification otherwise complies with HMP requirements. However,
borrower, servicer and investor incentive payments for these modifications will be paid based on modification terms that reflect the target monthly mortgage payment ratio and standard modification terms.

**Note:** If a borrower has an adjustable-rate mortgage (ARM) or interest-only mortgage, the existing interest rate will convert to a fixed interest rate, fully amortizing loan.

**Step 1:** Capitalize accrued interest, out-of-pocket escrow advances to third parties, and any required escrow advances that will be paid to third parties by the servicer during the trial period and servicing advances (costs and expenses incurred in performing its servicing obligation, such as those related to preservation and protection of the security property and the enforcement of the mortgage) paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by state law. The servicer should capitalize only those third party delinquency fees that are reasonable and necessary. Fees permitted by Fannie Mae and Freddie Mac for GSE loans shall be considered evidence of fees that would be reasonable for non-GSE loans. Late fees may not be capitalized and must be waived if the borrower satisfies all conditions of the Trial Period Plan.

**Step 2:** Reduce the interest rate. If the loan is a fixed rate mortgage or an adjustable-rate mortgage, then the starting interest rate is the current interest rate. If the loan is a Reset ARM, the starting interest rate is the Reset Interest Rate.

Reduce the starting interest rate in increments of .125 percent to get as close as possible to the target monthly mortgage payment ratio. The interest rate floor in all cases is 2.0 percent.

- If the resulting rate is below the Interest Rate Cap, this reduced rate will be in effect for the first five years followed by annual increases of one percent per year (or such lesser amount as may be needed) until the interest rate reaches the Interest Rate Cap, at which time it will be fixed for the remaining loan term.
- If the resulting rate exceeds the Interest Rate Cap, then that rate is the permanent rate.

The “Interest Rate Cap” is the Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed rate conforming loans, rounded to the nearest 0.125 percent, as of the date that the Agreement is prepared.

**Step 3:** If necessary, extend the term and reamortize the mortgage loan by up to 480 months from the modification effective date (i.e., the first day of the month following the end of the trial period) to achieve the target monthly mortgage payment ratio. If a term extension is not permitted under the applicable PSA or other investor servicing agreement, reamortize the mortgage loan based upon an amortization schedule of up to 480 months with a balloon payment due at maturity. Negative amortization after the effective date of the modification is prohibited.

**Step 4:** If necessary, the servicer must provide for principal forbearance to achieve the target monthly mortgage payment ratio. The principal forbearance amount is non-interest
bearing and non-amortizing. The amount of principal forbearance will result in a balloon payment fully due and payable upon the earliest of the borrower’s transfer of the property, payoff of the interest bearing unpaid principal balance, or maturity of the mortgage loan. The modified interest bearing balance (i.e., the unpaid principal balance excluding the deferred principal balloon amount) must create a current mark-to-market LTV (current LTV based upon the new valuation) greater than or equal to 100 percent if the result of the NPV test is negative and the servicer elects to perform the modification.

There is no requirement to forgive principal under the HMP. However, servicers may forgive principal to achieve the target monthly mortgage payment ratio on a standalone basis or before any step in the standard waterfall process set forth above. If principal is forgiven, subsequent steps in the standard waterfall may not be skipped. If principal is forgiven and the interest rate is not reduced, the existing rate will be fixed and treated as the modified rate for the purposes of the Interest Rate Cap.

Verifying Monthly Gross Expenses

A servicer must obtain a credit report for each borrower or a joint report for a married couple who are co-borrowers to validate installment debt and other liens. In addition, a servicer must consider information concerning monthly obligations obtained from the borrower either orally or in writing. The “monthly gross expenses” equal the sum of the following monthly charges:

- The monthly mortgage payment, taxes, property insurance, homeowner’s or condominium association fee payments and assessments related to the property whether or not they are included in the mortgage payment.
- Any mortgage insurance premiums.
- Monthly payments on all closed-end subordinate mortgages.
- Payments on all installment debts with more than ten months of payments remaining, including debts that are in a period of either deferment or forbearance. When payments on an installment debt are not on the credit report or are listed as deferred, the servicer must obtain documentation to support the payment amount included in the monthly debt payment. If no monthly payment is reported on a student loan that is deferred or is in forbearance, the servicer must obtain documentation verifying the proposed monthly payment amount, or use a minimum of 1.5 percent of the balance.
- Monthly payment on revolving or open-end accounts, regardless of the balance. In the absence of a stated payment, the payment will be calculated by multiplying the outstanding balance by 3 percent.
- Monthly payment on a Home Equity Line of Credit (HELOC) must be included in the payment ratio using the minimum monthly payment reported on the credit report. If the HELOC has a balance but no monthly payment is reported, the servicer must obtain documentation verifying the payment amount, or use a minimum of one percent of the balance.
- Alimony, child support and separate maintenance payments with more than ten months of payments remaining, if supplied by the borrower.
- Car lease payments, regardless of the number of payments remaining.
- Aggregate negative net rental income from all investment properties owned, if supplied by the borrower.
- Monthly mortgage payment for second home (principal, interest, taxes and insurance and, when applicable, leasehold payments, homeowner association dues, condominium unit or cooperative unit maintenance fees (excluding unit utility charges)).

**Total Monthly Debt Ratio**

The borrower’s total monthly debt ratio ("back-end ratio") is the ratio of the borrower’s monthly gross expenses divided by the borrower’s monthly gross income. Servicers will be required to send the Home Affordable Modification Program Counseling Letter to borrowers with a post-HMP modification back-end ratio equal to or greater than 55 percent. The letter states the borrower must work with a HUD-approved housing counselor on a plan to reduce their total indebtedness below 55 percent. The letter also describes the availability and advantages of counseling and provides a list of local HUD-approved housing counseling agencies and directs the borrower to the appropriate HUD website where such information is located. The borrower must represent in writing in the HMP documents that (s)he will obtain such counseling.

Face-to-face counseling is encouraged; however, telephone counseling is also permitted from HUD-approved housing counselors provided it covers the same topics as face-to-face sessions. Telephone counseling sessions provide flexibility to borrowers who are unable to attend face-to-face sessions or who do not have an eligible provider within their area.

A list of approved housing counseling agencies is available at http://www.hud.gov/offices/hsg/sfh/hec/fc/ or by calling the toll-free housing counseling telephone referral service at 1-800-569-4287. A servicer must retain in its mortgage files evidence of the borrower notification. There is no charge to either borrowers or servicers for this counseling.

**Mortgages with No Due-on-Sale Provision**

If a mortgage that is not subject to a due-on-sale provision receives an HMP, the borrower agrees that the HMP will cancel the assumability feature of that mortgage.

**Escrow Accounts**

All of the borrower’s monthly payments must include a monthly escrow amount unless prohibited by applicable law. The servicer must assume full responsibility for administering the borrower’s escrow deposit account in accordance with the mortgage documents and all applicable laws and regulations. If the mortgage loan being considered for the HMP is a non-escrowed mortgage loan, the servicer must establish an escrow deposit account prior to the beginning of the trial period. Servicers who do not
have this capacity must implement an escrow process within six months of signing the Servicer Participation Agreement. However, the servicer must ensure that the trial payments include escrow amounts and must place the escrow funds into a separate account identified for escrow deposits.

Servicers are encouraged to perform an escrow analysis prior to establishing the trial period payment. When performing an escrow analysis, servicers should take into consideration tax and insurance premiums that may come due during the trial period. When the borrower's escrow account does not have sufficient funds to cover an expense and the servicer advances the funds necessary to pay an expense to a third party, the amount of the servicer advance that is paid to a third party may be capitalized.

In the event the initial escrow analysis identifies a shortage – a deficiency in the escrow deposits needed to pay all future tax and insurance payments – the servicer must take steps to eliminate the shortage. Any actions taken by the servicer to eliminate the escrow shortage must be in compliance with applicable laws, rules and regulations, including, but not limited to, the Real Estate Settlement Procedures Act and the Truth in Lending Act.

**Compliance with Applicable Laws**

Each servicer (and any subservicer it uses) must be aware of, and in full compliance with, all federal, state, and local laws (including statutes, regulations, ordinances, administrative rules and orders that have the effect of law, and judicial rulings and opinions) – including, but not limited to, the following laws that apply to any of its practices related to the HMP:

- Section 5 of the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices.
- The Equal Credit Opportunity Act and the Fair Housing Act, which prohibit discrimination on a prohibited basis in connection with mortgage transactions. Loan modification programs are subject to the fair lending laws, and servicers and lenders should ensure that they do not treat a borrower less favorably than other borrowers on grounds such as race, religion, national origin, sex, marital or familial status, age, handicap, or receipt of public assistance income in connection with any loan modification. These laws also prohibit redlining.
- The Real Estate Settlement Procedures Act, which imposes certain disclosure requirements and restrictions relating to transfers of the servicing of certain loans and escrow accounts.
- The Fair Debt Collection Practices Act, which restricts certain abusive debt collection practices by collectors of debts, other than the creditor, owed or due to another.
Modification Process

Borrower Solicitation

Servicers should follow their existing practices, including complying with any express contractual restrictions, with respect to solicitation of borrowers for modifications.

A servicer may receive calls from current or delinquent borrowers directly inquiring about the availability of the HMP. In that case, the servicer should work with the borrower to obtain the borrower’s financial and hardship information and to determine if the HMP is appropriate. If the servicer concludes a current borrower is in danger of imminent default, the servicer must consider an HMP modification.

When discussing the HMP, the servicer should provide the borrower with information designed to help them understand the modification terms that are being offered and the modification process. Such communication should help minimize potential borrower confusion, foster good customer relations, and improve legal compliance and reduce other risks in connection with the transaction. A servicer also must provide a borrower with clear and understandable written information about the material terms, costs, and risks of the modified mortgage loan in a timely manner to enable borrowers to make informed decisions. The servicer should inform the borrower during discussions that the successful completion of a modification under the HMP will cancel any assumption feature, variable or step-rate feature, or enhanced payment options in the borrower’s existing loan, at the time the loan is modified.

Servicers must have adequate staffing, resources, and facilities for receiving and processing the HMP documents and any requested information that is submitted by borrowers. Servicers must also have procedures and systems in place to be able to respond to inquiries and complaints about the HMP. Servicers should ensure that such inquiries and complaints are provided fair consideration, and timely and appropriate responses and resolution.

Document Retention

Servicers must retain all documents and information received during the process of determining borrower eligibility, including borrower income verification, total monthly mortgage payment and total monthly gross debt payment calculations, NPV calculations (assumptions, inputs and outputs), evidence of application of each step of the standard waterfall, escrow analysis, escrow advances, and escrow set-up. The servicers must retain all documents and information related to the monthly payments during and after the trial period, as well as incentive payment calculations and such other required documents.

Servicers must retain detailed records of borrower solicitations or borrower-initiated inquiries regarding the HMP, the outcome of the evaluation for modification under the HMP and specific justification with supporting details if the request for modification
under the HMP was denied. Records must also be retained to document the reason(s) for a trial modification failure. If an HMP modification is not pursued when the NPV result is "negative," the servicer must document its consideration of other foreclosure prevention options. If a borrower under an HMP modification loses good standing, the servicer must retain documentation of its consideration of the borrower for other loss mitigation alternatives.

Servicers must retain required documents for a period of seven years from the date of the document collection.

Temporary Suspension of Foreclosure Proceedings

To ensure that a borrower currently at risk of foreclosure has the opportunity to apply for the HMP, servicers should not proceed with a foreclosure sale until the borrower has been evaluated for the program and, if eligible, an offer to participate in the HMP has been made. Servicers must use reasonable efforts to contact borrowers facing foreclosure to determine their eligibility for the HMP, including in-person contacts at the servicer's discretion. Servicers must not conduct foreclosure sales on loans previously referred to foreclosure or refer new loans to foreclosure during the 30-day period that the borrower has to submit documents evidencing an intent to accept the Trial Period Plan offer. Except as noted herein, any foreclosure sale will be suspended for the duration of the Trial Period Plan, including any period of time between the borrower’s execution of the Trial Period Plan and the Trial Period Plan effective date.

However, borrowers in Georgia, Hawaii, Missouri, and Virginia will be considered to have failed the trial period if they are not current under the terms of the Trial Period Plan as of the date that the foreclosure sale is scheduled. Accordingly, servicers of HPN loans secured by properties in these states may proceed with the foreclosure sale if the borrower has not made the trial period payments required to be made through the end of the month preceding the month in which the foreclosure sale is scheduled to occur.

Mortgage Insurer Approval

If applicable, a servicer must obtain mortgage insurer approval for HMP modifications. Servicers should consult their mortgage insurance providers for specific processes related to the reporting of modified terms, payment of premiums, payment of claims, and other operational matters in connection with mortgage loans modified under the HMP.

Executing the HMP Documents

Servicers must use a two-step process for HMP modifications. Step one involves providing a Trial Period Plan outlining the terms of the trial period, and step two involves providing the borrower with an Agreement that outlines the terms of the final modification.
In step one, the servicer should instruct the borrower to return the signed Trial Period Plan, together with a signed Hardship Affidavit and income verification documents (if not previously obtained from the borrower), and the first trial period payment (when not using automated drafting arrangements), to the servicer within 30 calendar days after the Trial Period Plan is sent by the servicer. The servicer is encouraged to contact the borrower before the expiration of the 30-day period if the borrower has not yet responded to encourage submission of the material. The servicer may, in its discretion, consider the offer of a Trial Period Plan to have expired at the end of 60 days if the borrower has not submitted both an executed Trial Period Plan and complete documentation as required under the Trial Period Plan. If the borrower’s submission is incomplete, the servicer should work with the borrower to complete the Trial Period Plan submission. Note: The borrower is not required to have the Hardship Affidavit notarized.

Upon receipt of the Trial Period Plan from the borrower, the servicer must confirm that the borrower meets the underwriting and eligibility criteria. Once the servicer makes this determination and has received good funds for the first month’s trial payment, the servicer should sign and immediately return an executed copy of the Trial Period Plan to the borrower. Payments made by the borrower under the terms of the Trial Period Plan will count toward successful completion irrespective of the date of the executed copy of the Trial Period Plan.

If the servicer determines that the borrower does not meet the underwriting and eligibility standards of the HMP after the borrower has submitted a signed Trial Period Plan to the servicer, the servicer should promptly communicate that determination to the borrower in writing and consider the borrower for another foreclosure prevention alternative.

In step two, servicers must calculate the terms of the modification using verified income, taking into consideration amounts to be capitalized during the trial period. Servicers are encouraged to wait to send the Agreement to the borrower for execution until after receipt of the second to the last payment under the trial period. Note: the borrower is not required to have the Agreement notarized.

Servicers are reminded that all HMP documentation must be signed by an authorized representative of the servicer and reflect the actual date of signature by the servicer's representative.

Acceptable Revisions to HMP Documents

Servicers are strongly encouraged to use the HMP documents available through www.financialstability.gov. Should a servicer decide to revise the HMP documents or draft its own HMP documents, it must obtain prior written approval from Treasury or Fannie Mae with the exception of the following circumstances:

- The servicer must revise the HMP documents as necessary to comply with Federal, State and local law. For example, in the event that the HMP results in a
principal forbearance, servicers are obligated to modify the uniform instrument to comply with laws and regulations governing balloon disclosures.

- The servicer may include, as necessary, conditional language in HMP offers and modification agreements indicating that the HMP will not be implemented unless the servicer receives an acceptable title endorsement, or similar title insurance product, or subordination agreements from other existing lien holders, as necessary, to ensure that the modified mortgage loan retains its first lien position and is fully enforceable.

- If the borrower previously received a Chapter 7 bankruptcy discharge but did not reaffirm the mortgage debt under applicable law, the following language must be inserted in Section 1 of the Trial Period Plan and Section 1 of the Agreement: “I was discharged in a Chapter 7 bankruptcy proceeding subsequent to the execution of the Loan Documents. Based on this representation, Lender agrees that I will not have personal liability on the debt pursuant to this Agreement.”

- The servicer may include language in the HMP cover letter providing instructions for borrowers who elect to use an automated payment method to make the trial period payments.

Unless a borrower or co-borrower is deceased or a borrower and a co-borrower are divorced, all parties who signed the original loan documents or their duly authorized representative(s) must execute the HMP documents. If a borrower and a co-borrower are divorced and the property has been transferred to one spouse in the divorce decree, the spouse who no longer has an interest in the property is not required to execute the HMP documents. Servicers may evaluate requests on a case-by-case basis when the borrower is unable to sign due to circumstances such as mental incapacity, military deployment, etc. Furthermore, a borrower may elect to add a new co-borrower.

Use of Electronic Records

Electronic records for HMP are acceptable as long as the electronic record complies with applicable law.

Assignment to MERS

If the original mortgage loan was registered with Mortgage Electronic Registration Systems, Inc. (MERS) and the originator elected to name MERS as the original mortgagee of record, solely as nominee for the lender named in the security instrument and the note, the servicer MUST make the following changes to the Agreement:

(a) Insert a new definition under the “Property Address” definition on page 1, which reads as follows:

“MERS” is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for lender and lender’s successors and assigns. MERS is the mortgagee under the Mortgage. MERS is organized and existing
under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, (888) 679-MERS.

(b) Add as section 4.1:

That MERS holds only legal title to the interests granted by the borrower in the mortgage, but, if necessary to comply with law or custom, MERS (as nominee for lender and lender’s successors and assigns) has the right: to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the Property; and to take any action required of lender including, but not limited to, releasing and canceling the mortgage loan.

(c) MERS must be added to the signature lines at the end of the Agreement, as follows:

_________________________________________________________
Mortgage Electronic Registration
Systems, Inc. – Nominee for Lender

The servicer may execute the Agreement on behalf of MERS and, if applicable, submit it for recordation.

**Trial Payment Period**

Servicers may use recent verbal financial information to prepare and offer a Trial Period Plan. Servicers are not required to verify financial information prior to the effective date of the trial period. The servicer must service the mortgage loan during the trial period in the same manner as it would service a loan in forbearance.

The trial period is three months in duration (or longer if necessary to comply with applicable contractual obligations). The borrower must be current under the terms of the Trial Period Plan at the end of the trial period to receive a permanent loan modification. Current in this context is defined as the borrower having made all required trial period payments no later than 30 days from the date the final payment is due.

The effective date of the trial period will be set forth in the Trial Period Plan. In most cases, the effective date is the first day of the month following the servicer’s mailing of the offer for the Trial Period Plan. The trial period extends for two (or more if necessary to comply with applicable contractual obligations) additional payments after the effective date.

Servicers are encouraged to require automated payment methods, such as automatic payment drafting. If automatic payment drafting is required, it must be used by all HMP borrowers, unless a borrower opts out.

If the verified income evidenced by the borrower’s documentation exceeds the initial income information used by the servicer to place the borrower in the trial period by more
than 25 percent, the borrower must be reevaluated based on the program eligibility and underwriting requirements. If this reevaluation determines that the borrower is still eligible, new documents must be prepared and the borrower must restart the trial period.

If the verified income evidenced by the borrower’s documentation is less than the initial income information used by the servicer to place the borrower in the trial period, or if the verified income exceeds the initial income information by 25 percent or less, and the borrower is still eligible, then the trial period will not restart and the trial period payments will not change; provided, that verified income will be used to calculate the monthly mortgage payment under the Agreement. (If, based on verified income the result of the NPV test is “negative” for modification, the servicer is not obligated to perform the modification.) However, if the servicer determines the borrower is not eligible for the HMP based on verified income, the servicer must notify the borrower of that determination and that any trial period payments made by the borrower will be applied to the mortgage loan in accordance with the borrower’s current loan documents.

If a servicer has information that the borrower does not meet all of the eligibility criteria for the HMP (e.g., because the borrower has moved out of the house) the servicer should explore other foreclosure prevention alternatives prior to resuming or initiating foreclosure.

Note that under the terms of the Agreement, trial payments should be applied when they equal a full contractual payment (determined as of the time the HMP is offered).

If the borrower complies with the terms and conditions of the Trial Period Plan, the loan modification will become effective on the first day of the month following the trial period as specified in the Trial Period Plan. However, because the monthly payment under the Agreement will be based on verified income documentation, the monthly payment due under the Agreement may differ from the payment amount due under the Trial Period Plan.

Use of Suspense Accounts and Application of Payments

If permitted by the applicable loan documents, servicers may accept and hold as “unapplied funds” (held in a T&I custodial account) amounts received which do not constitute a full monthly, contractual principal, interest, tax and insurance (PITI) payment. However, when the total of the reduced payments held as “unapplied funds” is equal to a full PITI payment, the servicer is required to apply all full payments to the mortgage loan.

Any unapplied funds remaining at the end of the trial payment period that do not constitute a full monthly, contractual principal, interest, tax and insurance payment should be applied to reduce any amounts that would otherwise be capitalized onto the principal balance.
If a principal curtailment is received on a loan that has a principal forbearance, servicers are instructed to apply the principal curtailment to the interest bearing UPB. If, however, the principal curtailment amount is greater than or equal to the interest bearing UPB, then the curtailment should be applied to the principal forbearance portion. If the curtailment satisfies the principal forbearance portion, any remaining funds should then be applied to the interest bearing UPB.

**Recording the Modification**

For all mortgage loans that are modified pursuant to the HMP, the servicer must follow investor guidance with respect to ensuring that the modified mortgage loan retains its first lien position and is fully enforceable.

**Monthly Statements**

For modifications that include principal forbearance, servicers are encouraged to include the amount of the gross UPB on the borrower’s monthly payment statement. In addition, the borrower should receive information on a monthly basis regarding the accrual of “pay for performance” principal balance reduction payments.

**Redefault and Loss of Good Standing**

If, following a successful trial period, a borrower defaults on a loan modification executed under the HMP (three monthly payments are due and unpaid on the last day of the third month), the loan is no longer considered to be in “good standing.” Once lost, good standing cannot be restored even if the borrower subsequently cures the default. A loan that is not in good standing is not eligible to receive borrower, servicer or investor incentives and reimbursements and these payments will no longer accrue for that mortgage. Further, the mortgage is not eligible for another HMP modification.

In the event a borrower defaults, the servicer must work with the borrower to cure the modified loan, or if that is not feasible, evaluate the borrower for any other available loss mitigation alternatives prior to commencing foreclosure proceedings. The servicer must retain documentation of its consideration of the borrower for other loss mitigation alternatives.

**Reporting Requirements**

Each servicer will be required to register with Fannie Mae to participate in the HMP. Fannie Mae will provide an HMP Registration Form to facilitate registration.

Additionally, servicers will be required to provide periodic HMP loan level data to Fannie Mae. The data must be accurate, complete, and in agreement with the servicer’s records. Data should be reported by a servicer at the start of the modification trial period and during the modification trial period, for loan set up of the approved modification, and
monthly after the modification is set up on Fannie Mae's system. Servicers will be required to submit three separate data files as described below.

Note: The following data files can be delivered through a data collection tool on the servicer web portal available through www.financialstability.gov. Detailed guidelines for submitting data files are available at the servicer web portal. For those servicers who cannot use this process, an alternate process to submit data via a spreadsheet will be made available. More information on the alternative process for submitting data in a spreadsheet will be provided in the future.

**Trial Period**

Servicers will be required to provide loan level data in order to establish loans for processing during the HMP trial period. See Exhibit A for trial period set up attributes.

In addition, servicers will be required to report activity during the HMP trial period in order to substantiate the receipt of proceeds during the trial period and to record modification details. See Exhibit B for trial period reporting attributes.

**Loan Setup**

A one time loan set up is required to establish the approved modified HMP loan on Fannie Mae's system. The file layout is the same that is used for establishing loans for processing during the trial period. See Exhibit A for loan set up attributes.

Servicers are required to provide the set up file the business day after the modification closes. The set up file should reflect the status of the loan after the final trial period payment is applied. The set up file will contain data for the current reporting period (e.g., prior month balances).

**Monthly Loan Activity Reporting**

The month after the loan set up file is provided, servicers must begin reporting activity on all HMP loans on a monthly basis (e.g., loan set up file provided in July, the first loan activity report is due in August for July activity). See Exhibit C for monthly reporting attributes.

The HMP loan activity report (LAR) is due by the 4th business day each month. Servicers will have until the 15th calendar day of each month to clear up any edits and have a final LAR reported to Fannie Mae. The Fannie Mae system will validate that the borrower payment has been made as expected and that the last paid installment (LPI) date is current before accruing the appropriate monthly compensation due.

If a loan becomes past due (the LPI date does not advance), the monthly compensation on that loan will not be accrued. If the loan is brought current, compensation will not be caught up (e.g., if a loan was two months past due, and then the borrower makes the
payments and brings the loan current, the annual compensation provided would be for ten months. The two months of compensation associated with the period of delinquency is not recoverable).

Additional Data Requirements

Additional data elements must be collected and reported as specified in Exhibit D. Some of these elements must be collected for all completed modifications regardless of the date of completion; guidance for collecting these elements will be forthcoming shortly. The requirement to collect these elements for trial modifications and for loans evaluated for a modification will be phased in as specified in Exhibit D.

Reporting to Mortgage Insurers

Servicers must maintain their mortgage insurance processes and comply with all reporting required by the mortgage insurer for loans modified under the HMP. Servicers should consult with the mortgage insurer for specific processes related to the reporting of modified terms, payment of premiums, payment of claims, and other operational matters in connection with mortgage loans modified under the HMP.

Servicers are required to report successful HMP modifications and the terms of those modifications to the appropriate mortgage insurers, if applicable, within 30 days following the end of the trial period and in accordance with procedures that currently exist or may be agreed to between servicers and the mortgage insurers.

Servicers must include the mortgage insurance premium in the borrower’s modified payment, and must ensure that any existing mortgage insurance is maintained. Among other things, the servicer must ensure that the mortgage insurance premium is paid. In addition, servicers must adapt their systems to ensure proper reporting of modified loan terms and avoid impairing coverage for any existing mortgage insurance. For example, in the event that the modification includes principal forbearance, servicers must continue to pay the correct mortgage insurance premiums based on the gross UPB, including any principal forbearance amount, must include the gross UPB in their delinquency reporting to the mortgage insurer, and must ensure any principal forbearance does not erroneously trigger automatic mortgage insurance cancellation or termination.

Transfers of Servicing

When a transfer of servicing includes mortgages modified under the HMP, the transferor servicer must provide special notification to the transferee servicer. Specifically, the transferor servicer must advise the transferee servicer that loans modified under the HMP are part of the portfolio being transferred and must confirm that the transferee servicer is aware of the special requirements for these loans, and agrees to assume the additional responsibilities associated with servicing them. A required form of assignment and assumption agreement must be used and is a part of the Servicer Participation Agreement.
Credit Bureau Reporting

The servicer should continue to report a “full-file” status report to the four major credit repositories for each loan under the HMP in accordance with the Fair Credit Reporting Act and credit bureau requirements as provided by the Consumer Data Industry Association (the “CDIA”) on the basis of the following: (i) for borrowers who are current when they enter the trial period, the servicer should report the borrower current but on a modified payment if the borrower makes timely payments by the 30th day of each trial period month at the modified amount during the trial period, as well as report the modification when completed, and (ii) for borrowers who are delinquent when they enter the trial period, the servicer should continue to report in such a manner that accurately reflects the borrower’s delinquency and workout status following usual and customary reporting standards, as well as report the modification when completed. More detailed guidance on these reporting requirements will be published by the CDIA.

“Full-file” reporting means that the servicer must describe the exact status of each mortgage it is servicing as of the last business day of each month.

Fees and Compensation

Late Fees

All late charges, penalties, stop-payment fees, or similar fees must be waived upon successful completion of the trial period.

Administrative Costs

Servicers may not charge the borrower to cover the administrative processing costs incurred in connection with a HMP. The servicer must pay any actual out-of-pocket expenses such as any required notary fees, recordation fees, title costs, property valuation fees, credit report fees, or other allowable and documented expenses. Servicers will not be reimbursed for the cost of the credit report(s).

Incentive Compensation

No incentives of any kind will be paid if (i) the servicer has not executed the Servicer Participation Agreement, or (ii) the borrower’s monthly mortgage payment ratio starts below 31 percent prior to the implementation of the HMP. The calculation and payment of all incentive compensation will be based strictly on the borrower’s verified income. Each servicer must promptly apply or remit, as applicable, all borrower and investor compensation it receives with respect to any modified loan.

With respect to payment of any incentive that is predicated on a six percent reduction in the borrower’s monthly mortgage payment, the reduction will be calculated by comparing the monthly mortgage payment used to determine eligibility (adjusted as applicable to
include property taxes, hazard insurance, flood insurance, condominium association fees and homeowner’s association fees) and the borrower’s payment under HMP.

The amount of funds available to pay servicer, borrower and investor compensation in connection with each servicer’s modifications will be capped pursuant to each servicer’s Servicer Participation Agreement (Program Participation Cap). Treasury will establish each servicer’s initial Program Participation Cap by estimating the number of HMP modifications expected to be performed by each servicer during the term of the HMP. The Program Participation Cap could be adjusted based on Treasury’s full book analysis of the servicer’s loans.

The funds remaining available for a servicer’s modifications under that servicer’s Program Participation Cap will be reduced by the maximum amount of compensation payments potentially payable with respect to each loan modification upon entering into a trial period. In the event the compensation actually paid with respect to a loan modification is less than the maximum amount of compensation payments potentially payable, the funds remaining available for a servicer’s modifications under the HMP will be increased by the difference between such amounts.

Treasury may, from time to time and in its sole discretion, revise a servicer’s Program Participation Cap. Fannie Mae will provide written notification to a servicer of all changes made to the servicer’s Program Participation Cap. Once a servicer’s Program Participation Cap is reached, a servicer must not enter into any agreements with borrowers intended to result in new loan modifications, and no payments will be made with respect to any new loan modifications.

**Servicer Incentive Compensation**

A servicer will receive compensation of $1,000 for each completed modification under the HMP. In addition, if a borrower was current under the original mortgage loan, a servicer will receive an additional compensation amount of $500. All such servicer incentive compensation shall be earned and payable once the borrower successfully completes the trial payment period, provided that the servicer has signed and delivered to Fannie Mae a Servicer Participation Agreement, any related documentation and any required servicer or loan set up data prior to the effective date of the loan modification.

If a particular borrower’s monthly mortgage payment (principal, interest, taxes, all related property insurance and homeowner’s or condominium association fees but excluding mortgage insurance) is reduced through the HMP by six percent or more, a servicer will also receive an annual “pay for success” fee for a period of three years. The fee will be equal to the lesser of: (i) $1,000 ($83.33/month), or (ii) one-half of the reduction in the borrower’s annualized monthly payment. The “pay for success” fee will be payable annually for each of the first three years after the anniversary of the month in which a Trial Period Plan was executed. If the loan ceases to be in good standing, the servicer will cease to be eligible for any further incentive payments after that time, even if the borrower subsequently cures his or her delinquency.
**Borrower's Incentive Compensation**

To provide an additional incentive for borrowers to keep their modified loan current, borrowers whose monthly mortgage payment (principal, interest, taxes, all related property insurance and homeowner’s or condominium association fees but excluding mortgage insurance) is reduced through the HMP by six percent or more and who make timely monthly payments will earn an annual “pay for performance” principal balance reduction payment equal to the lesser of: (i) $1,000 ($83.33/month), or (ii) one-half of the reduction in the borrower's annualized monthly payment for each month a timely payment is made. A borrower can earn the right to receive a “pay for performance” principal balance reduction payment for payments made during the first five years following execution of the Agreement provided the loan continues to be in good standing as of the date the payment is made. The “pay for performance” principal balance reduction payment will accrue monthly but will be applied annually for each of the five years in which this incentive payment accrues, prior to the first payment due date after the anniversary of the month in which the Trial Period Plan was executed. This payment will be paid to the mortgage servicer to be applied first towards reducing the interest bearing UPB on the mortgage loan and then to any principal forbearance amount (if applicable). Any applicable prepayment penalties on partial principal prepayments made by the government must be waived. Borrower incentive payments do not accrue during the Trial Period; however, on the first month of the modification, the borrower will accrue incentive payments equal to the number of months in the trial period.

If and when the loan ceases to be in good standing, the borrower will cease to be eligible for any further incentive payments after that time, even if the borrower subsequently cure his or her delinquency. The borrower will lose his or her right to any accrued incentive compensation when the loan ceases to be in good standing.

**Investor Payment Reduction Cost Share and Up Front Incentives**

If the target monthly mortgage payment ratio is achieved, investors in Non-GSE Mortgages are entitled to payment reduction cost share compensation. This compensation equals one-half of the dollar difference between the borrower’s monthly payment under the modification at the target monthly mortgage payment ratio and the lesser of (i) what the borrower’s monthly payment would be at a 38 percent monthly mortgage payment ratio; or (ii) the borrower’s pre-modification monthly payment. Payment reduction cost share compensation shall accrue monthly as the borrower makes each payment so long as the loan is in good standing as defined in these guidelines. This compensation will be provided for up to five years or until the loan is paid off, whichever is earlier.

Additionally, investors will receive a one-time incentive of $1,500 for each Agreement executed with a borrower who was current prior to the start of the Trial Period Plan. The one-time incentive is conditional upon at least a six percent reduction in the borrower’s monthly mortgage payment.
Neither the payment reduction share nor the up-front incentive shall be payable if the Trial Period Plan is not successfully completed.

**Compliance**

Servicers must comply with the HMP requirements and must document the execution of loan evaluation, loan modification and accounting processes. Servicers must develop and execute a quality assurance program that includes either a statistically based (with a 95 percent confidence level) or a ten percent stratified sample of loans modified, drawn within 30-45 days of final modification and reported on within 30-45 days of review. In addition, a trending analysis must be performed on a rolling 12-month basis.

Treasury has selected Freddie Mac to serve as its compliance agent for the HMP. In its role as compliance agent, Freddie Mac will utilize Freddie Mac employees and contractors to conduct independent compliance assessments. In addition, loan level data will be reviewed for eligibility and fraud.

The scope of the assessments will include, among other things, an evaluation of documented evidence to confirm adherence (e.g., accuracy and timeliness) to HMP requirements with respect to the following:

- Evaluation of Borrower and Property Eligibility
- Compliance with Underwriting Guidelines
- Execution of NPV/Waterfall processes
- Completion of Borrower Incentive Payments
- Investor Subsidy Calculations
- Data Integrity

The review will also evaluate the effectiveness of the servicer’s quality assurance program; such evaluation will include, without limitation, the timing and size of the sample selection, the scope of the quality assurance reviews, and the reporting and remediation process.

There will be two types of compliance assessments: on-site and remote. Both on-site and remote reviews will consist of the following activities (among others): notification, scheduling, self assessments, documentation submission, interviews, file reviews, and reporting.

For on-site reviews, Freddie Mac will strive to provide the servicer with (i) a 30-day advance notification of a pending review and (ii) subsequent confirmation of the dates of the review. However, Freddie Mac reserves the right to arrive at the servicer’s site unannounced. Freddie Mac reserves the right to arrive at the servicer’s site unannounced. Freddie Mac will request the servicer to make available documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self assessment ready for review. Additionally, Freddie Mac may request additional loan files during the review. Interviews will usually be conducted in-person.
During the review window, Freddie Mac will review loan files and other requested documentation to evaluate compliance with HMP terms. Upon the completion of the review, Freddie Mac will conduct an exit interview with the servicer to discuss preliminary assessment results.

For remote reviews, Freddie Mac will request the servicer to send documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self assessment within 30 days of the request. In addition, time will be scheduled for phone interviews, including a results summary call after the compliance review is completed to discuss preliminary results.

The targeted time frame for publishing the servicer assessment report is 30 days after the completion of the review. Treasury will receive a copy of the report five business days prior to the release of the report to the servicer.

There will be an issue/resolution appeal process for servicer assessments. Servicers will be able to submit concerns or disputes to an independent quality assurance team within Freddie Mac.

A draft rating and implication methodology for the compliance assessments will be published in a subsequent Supplemental Directive and servicer feedback will be solicited prior to the finalization of the methodology.
Exhibit A: HMP Trial Modification and Official Modification Loan Setup Data Elements

The following data elements are necessary for the HMP Loan Setup for Trial Modification and Official Modification transactions.

<table>
<thead>
<tr>
<th>Name</th>
<th>Definition</th>
<th>Data Type</th>
<th>Allowable Values</th>
<th>Loan Setup for Trial Period Mandatory/Conditional</th>
<th>Official Modification Mandatory/Conditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSE Servicer Number</td>
<td>The Fannie Mae or Freddie Mac unique Servicer identifier.</td>
<td>Text (30)</td>
<td>C</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Servicer Loan Number</td>
<td>The unique (for the lender) identifier assigned to the loan by the lender that is servicing the loan.</td>
<td>Text (30)</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>HMP Servicer Number</td>
<td>A unique identifier assigned to each Servicer that is participating in the HMP program.</td>
<td>Text (30)</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>GSE Loan Number</td>
<td>A unique number assigned to each loan by a GSE (Fannie or Freddie)</td>
<td>Text (30)</td>
<td>C</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Underlying Trust Identifier</td>
<td>This is the CUSIP associated with the security. A unique identification number assigned to a security by CUSIP (Committee on Uniform Security Identification Procedures) for trading.</td>
<td>Text (9)</td>
<td>C</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Program Type/ Campaign ID</td>
<td>A new program type that will identify campaign types. The unique identifier of a Loan Workout Campaign.</td>
<td>Text (14)</td>
<td>HMP1 - HMP Delinquent, HMP2 - HMP Imminent Default, HMP3 - Deed-In-lieu, HMP4 - Deed-in-lieu with Jr. Lien, HMP5 - Short Sale, HMP6 - Short Sale With Jr. Lien</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Investor Code</td>
<td>Owner of the mortgage.</td>
<td>Numeric (4,0)</td>
<td>1 - Fannie Mae, 2 - Freddie Mac, 3 - Private 4 - Portfolio, 5 - GNMA 6 - FHLMC</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Borrower First Name</td>
<td>First Name of the Borrower of record</td>
<td>Text (100)</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Borrower Last Name</td>
<td>The last name of the Borrower. This is also known as the family name or surname.</td>
<td>Text (100)</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Borrower Social Security Number</td>
<td>The Social Security Number of the borrower</td>
<td>Numeric (9)</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Co-Borrower First Name</td>
<td>First Name of the co-borrower of record</td>
<td>Text (100)</td>
<td>C</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
<td>Data Type</td>
<td>Allowable Values</td>
<td>Loan Setup for Trial Period Mandatory / Conditional</td>
<td>Official Modification Mandatory / Conditional</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>----------------------------</td>
<td>------------------</td>
<td>---------------------------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Co-Borrower Last Name</td>
<td>Last Name of the co-borrower of record</td>
<td>Text (100)</td>
<td>C</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Co-Borrower Social Security Number</td>
<td>The Social Security Number of the Co-Borrower</td>
<td>Numeric (9)</td>
<td>O</td>
<td>O</td>
<td></td>
</tr>
<tr>
<td>Borrower Execution Date</td>
<td>This is the date that the borrower signs the initial documentation for a modification.</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Submission Status</td>
<td>Status of loan data being submitted</td>
<td>Numeric (4,0)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of Original Note</td>
<td>The date on which the original loan funding was dispersed to the borrower(s).</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Unpaid Principal Balance before modification</td>
<td>The total principal amount outstanding as of the end of the month. The UPB should not reflect any accounting based write-downs and should only be reduced to zero when the loan has been liquidated - either paid-in-full, charged-off, REP sold or Service transferred (before modification)</td>
<td>Currency (20,2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Mortgage Type Code</td>
<td>The code that specifies the type of mortgage being applied for or that has been granted.</td>
<td>Numeric (4,0)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last Paid Installment Date before modification</td>
<td>The due date of the last paid installment of the loan.</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>First Lien Indicator</td>
<td>Indicates if loan is first lien.</td>
<td>Boolean</td>
<td>True/False</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Foreclosure Referral Date</td>
<td>The date that the mortgage was referred to an attorney for the purpose of initiating foreclosure proceedings. This date should reflect the referral date of currently active foreclosure process. Loans cured from foreclosure should not have a referral date.</td>
<td>Date (CCYY-MM-DD)</td>
<td>O</td>
<td>O</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
<td>Type/Format</td>
<td>Allowable Values</td>
<td>Loan Setup for Trial Period Mandatory/Conditional</td>
<td>Official Modification Mandatory/Conditional</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
<td>----------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Projected Foreclosure Sale Date</td>
<td>Projected date for foreclosure sale of subject property.</td>
<td>Date (CCYY-MM-DD)</td>
<td>1 - Death of borrower, 2 - Illness of principal borrower, 3 - Illness of borrower family member, 4 - Death of borrower family member, 5 - Martial difficulties, 6 - Curtailment of income, 7 - Excessive obligation, 8 - Abandonment of property, 9 - Distant employment transfer, 10 - Property problem, 11 - Inability to sell property, 12 - Inability to rent property, 13 - Military service, 14 - Other, 15 - Unemployment, 16 - Business failure, 17 - Casualty Loss, 18 - Energy environment costs, 19 - Servicing problems, 20 - Payment adjustment, 21 - Payment dispute, 22 - Transfer of ownership pending, 23 - Fraud, 24 - Unable to contact borrower, 25 - Incarceration</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Hardship Reason Code</td>
<td>Identifies the reason for the borrower’s hardship on their mortgage payment obligations.</td>
<td>Numeric (4,0)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Gross Income</td>
<td>Total monthly income in dollars for all borrowers on the loan. This is the gross income for all borrowers.</td>
<td>Currency (20,2)</td>
<td></td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Monthly Debt Payments excluding PITIA</td>
<td>Total amount of monthly debt payments excluding Principal, Interest, Taxes, Insurance and Association Dues (PITIA)</td>
<td>Currency (20,2)</td>
<td></td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>NPV Date</td>
<td>Net Present Value — calculation date</td>
<td>Date (CCYY-MM-DD)</td>
<td></td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
<td>Data Type</td>
<td>Allowable Values</td>
<td>Loan Setup for Trial Period</td>
<td>Official Modification</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------</td>
<td>-----------------</td>
<td>----------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>NPV Model Result Amount Pre-Mod</strong></td>
<td>Net Present Value amount generated from the model before modification</td>
<td>Currency</td>
<td>(20,2)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td><strong>NPV Model Result Amount Post-Mod</strong></td>
<td>Net Present Value amount generated from the model after modification</td>
<td>Currency</td>
<td>(20,2)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td><strong>Amortization Term before modification</strong></td>
<td>Represents the number of months on which installment payments are based. Example: Balloon loans have a seven year life (Loan Term = 84) but a 30 year amortization period (Amortization Term = 360). Installment payments are determined based on the 360 month term.</td>
<td>Numeric</td>
<td>(4,0)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td><strong>Interest Rate before modification</strong></td>
<td>The interest rate in the month prior to loan modification. Please report as rounded to nearest 8th, i.e. 4.125</td>
<td>Numeric</td>
<td>(6,4)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td><strong>Principal and Interest Payment before modification</strong></td>
<td>The scheduled principal and interest amount in the month prior to loan modification.</td>
<td>Currency</td>
<td>(20,2)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td><strong>Escrow Payment before modification</strong></td>
<td>The escrow amount in the month prior to loan modification. The amount of money that is collected from [added on to] the regular monthly mortgage payment to cover periodic payments of property taxes, private mortgage insurance and hazard insurance by the servicer on behalf of the mortgagor. Depending on the mortgage terms, this amount may or may not be collected. Generally, if the down payment is less than 20%, then these amounts are collected by the servicer.</td>
<td>Currency</td>
<td>(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Association Dues/ Fees before modification</strong></td>
<td>Existing monthly payment for association dues/fees before modification.</td>
<td>Currency</td>
<td>(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Principal Payment Owed or Not Reported</strong></td>
<td>If borrower has contributed any cash or amounts in suspense</td>
<td>Currency</td>
<td>(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Other Contributions</strong></td>
<td>If there are any amounts contributed by the borrower due to Hazard Claims</td>
<td>Currency</td>
<td>(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Attorney Fees Not in Escrow</strong></td>
<td>Estimated legal fee not in escrow for advances capitalization and liquidation expense calculation</td>
<td>Currency</td>
<td>(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Escrow Shortage for Advances</strong></td>
<td>Any escrow advance amounts to be capitalized.</td>
<td>Currency</td>
<td>(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Other Advances</strong></td>
<td>Other advances for advances capitalization other than escrow. Example: Attorney fees, Servicing Fees, etc.</td>
<td>Currency</td>
<td>(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Borrower Contributions</strong></td>
<td>If the borrower is contributing any amounts, they must be reported here</td>
<td>Currency</td>
<td>(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Modified Loan Term – Officer Signature Date</strong></td>
<td>Servicer sign off at the officer level for the loan modification. This is the date the servicer’s officer approved the loan modification. This column will be populated for modification cases that need reclassification. There is no conversion needed for existing cases.</td>
<td>Date</td>
<td>(CCYY-MM-DD)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
<td>Data Type</td>
<td>Allowable Values</td>
<td>Loan Set-up for Trial Period Mandatory / Conditional</td>
<td>Official Modification Mandatory / Conditional</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>------------------</td>
<td>---------------------------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Disbursement Forgiven</td>
<td>If there are any forgiven disbursement for advances capitalization.</td>
<td>Currency (20,2)</td>
<td>C</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Monthly Housing Expense before</td>
<td>The dollar amount per month of the borrower's present housing expense. May be used for their primary or non-primary residence. This must be Principal, Interest, Taxes, Insurance and Association Dates (PITIA).</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>modification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delinquent Interest</td>
<td>Delinquent interest for interest capitalization. It is the amount of delinquent interest from the delinquent loan's LPI date to the workout execution date.</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Interest Owed or Payment Not Reported</td>
<td>If there is interest owed/received but not reported for interest capitalization, this field must be populated.</td>
<td>Currency (20,2)</td>
<td>C</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Servicing Fee Percent after</td>
<td>Percentage of servicing Fee after loan modification (e.g. 0.25)</td>
<td>Numeric (4,2)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>modification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product before Modification</td>
<td>The mortgage product of the loan before the modification.</td>
<td>Numeric (4,0)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Maturity Date before Modification</td>
<td>The date on which the mortgage obligation is scheduled to be paid off, according to the mortgage note. Maturity Date is commonly called Balloon Date for balloon loans, for which scheduled amortization does not pay off the balance of the loan, so that there is a final, large &quot;balloon&quot; payment at the end.</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
<td>Data Type</td>
<td>Allowable Values</td>
<td>Loan Setup for Trial Period Mandatory/Conditional</td>
<td>Official Modification Mandatory/Conditional</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>------------</td>
<td>------------------</td>
<td>--------------------------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Remaining Term before Modification</td>
<td>The number of months until the loan will be paid off, assuming that scheduled payments are made. This will equal lesser of 1. The number of months until the actual balance of the loan will amortize to zero; or 2. the number of months difference between the Loan Extended Term and the number of payments made by the borrower, where number of payments made by the borrower is derived by: Actual Last Paid Installment Date - First Installment Due Date - 1 (in months).</td>
<td>Numeric (4,0)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Front Ratio before Modification</td>
<td>The refreshed Front-end DTI (Principal, Interest, Taxes, Insurance and Association Dues (PITIA)) housing ratio</td>
<td>Numeric (4,2)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Back Ratio before Modification</td>
<td>Percentage of borrower's PITIA plus debts to income ratio. Borrower Total Debt To Income Ratio Percent. The monthly expenses divided by the total monthly income for the Borrower. (e.g. 30.25)</td>
<td>Numeric (4,2)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Principal and Interest Payment at 31% DTI</td>
<td>Principal and Interest payable for a 31% Debt to Income ratio</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Principal and Interest Payment at 38% DTI</td>
<td>Principal and Interest payable for a 38% Debt to Income ratio</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property - Number of Units</td>
<td>Number of units in subject property (Valid values are 1, 2, 3 or 4)</td>
<td>Numeric (4,0)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property - Street Address</td>
<td>The street address of the subject property</td>
<td>Text (100)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property - City</td>
<td>The name of the city where the subject property is located</td>
<td>Text (100)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property - State</td>
<td>The 2-character postal abbreviation of the state, province, or region of the subject property.</td>
<td>Text (2)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property - Zip Code</td>
<td>The code designated by the postal service to direct the delivery of physical mail or which corresponds to a physical location. In the USA, this can take either a 5 digit form (ZIP Code) or a 9-digit form (ZIP + 4).</td>
<td>Text (9)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property Valuation - Method</td>
<td>Type of value analysis.</td>
<td>Numeric (4,0)</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
</tbody>
</table>

1 - Full appraisal – Prepared by a certified appraiser, 2 - Limited appraisal – Prepared by a certified appraiser, 3 - Broker Price Opinion “BPO” – Prepared by a real estate broker or agent, 4 - Desktop Valuation – Prepared by bank employee, 5 - Automated Valuation Model.
<table>
<thead>
<tr>
<th>Name</th>
<th>Definition</th>
<th>Data/Type</th>
<th>Allowable Values</th>
<th>Code Set(s) for Permitted Values</th>
<th>Official Modification</th>
<th>Mandatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Valuation - Date</td>
<td>Date of the property value analysis</td>
<td>Date (CCYY-MM-DD)</td>
<td>“AVM” 6 - Automated Valuation Model “AVM” - Other</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property Valuation - As Is Value</td>
<td>Property as-is value determined by the property valuation</td>
<td>Currency (20,2)</td>
<td></td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property Condition Code</td>
<td>A code denoting the condition of the subject property.</td>
<td>Numeric (4,0)</td>
<td>1 - Excellent 2 - Good, 3 - Fair 4 - Poor 5 - Condemned 6 - Inaccessible</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property Occupancy Status Code</td>
<td>A code identifying the occupancy by the borrower of the subject property.</td>
<td>Numeric (4,0)</td>
<td>1 - Vacant 2 - Borrower Occupied 3 - Tenant Occupied 4 - Unknown 5 - Occupied by Unknown</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Property Usage Type Code</td>
<td>A code identifying the intended use by the borrower of the property.</td>
<td>Numeric (4,0)</td>
<td>1 - Principal Residence 2 - Second or Vacation Home 3 - Investment Property</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Modification Effective Date</td>
<td>The date on which the loan terms will be modified.</td>
<td>Date (CCYY-MM-DD)</td>
<td></td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Product After Modification</td>
<td>The mortgage product of the loan, after the modification (Fixed or Step).</td>
<td>Numeric (4,0)</td>
<td>1 - ARM, 2 - Fixed Rate, 3 - Step Rate, 4 - One Step Variable, 5 - Two Step Variable, 6 - Three Step Variable, 7 - Four Step Variable, 8 - Five Step Variable, 9 - Six Step Variable, 10 - Seven Step Variable, 11 - Eight Step Variable, 12 - Nine Step Variable, 13 - Ten Step Variable, 14 - Eleven Step Variable, 15 - Twelve Step Variable, 16 - Thirteen Step Variable, 17 - Fourteen</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
<td>Type/Scale</td>
<td>Allowable Values</td>
<td>Loan Selection Use</td>
<td>Modification Use</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------</td>
<td>------------------</td>
<td>-------------------</td>
<td>------------------</td>
<td></td>
</tr>
<tr>
<td>Amortization Term after Modification</td>
<td>The number of months used to calculate the periodic payments of both principal and interest that will be sufficient to retire a mortgage obligation.</td>
<td>Numeric (4,2)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Unpaid Principal Balance after modification</td>
<td>The unpaid principal balance of a loan after the loan modification. The unpaid principal balance after modification excludes any applicable forbearance amount and can also be referred to as Net UPB Amount.</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Last Paid Installment Date after modification</td>
<td>The due date of the last paid installment of the loan.</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Interest Rate after modification</td>
<td>The interest rate in the month after loan modification.</td>
<td>Numeric (6,4)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Interest Rate Lock Date for Modification</td>
<td>The date that the rate lock was applied - in reference to modification of loan terms.</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>First Payment Due Date after modification</td>
<td>First payment due date under the modified terms</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Principal and Interest Payment after modification</td>
<td>The P&amp;I amount after modification</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Escrow Payment after modification</td>
<td>Existing monthly payment to escrow-after modification</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Monthly Housing Expense After Modification</td>
<td>The dollar amount per month of the borrowers housing expense after modification. May be used for their primary or non-primary residence. This must be Principal, Interest, Taxes, Insurance and Association Dues (PIHIA).</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Maturity Date after modification</td>
<td>The maturity date of the loan after modification.</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Principal Forbearance Amount</td>
<td>The total amount in dollars of the principal that was deferred through less mitigation.</td>
<td>Currency (20,2)</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Term after Modification</td>
<td>For loans where the term of the loan can be extended rather than increasing the principal and interest payment, this is the total term of the loan including any extension. For all non-extendable loans, the extended term defaults to the original term.</td>
<td>Numeric (4,2)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Front Ratio after modification</td>
<td>Percentage of borrower's PITIA to income ratio</td>
<td>Numeric (4,2)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Back Ratio after modification</td>
<td>Percentage of borrower's PITIA plus debts to income ratio</td>
<td>Numeric (4,2)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Principal Write-Down (Forgiveness)</td>
<td>Amount of principal written-down or forgiven</td>
<td>Currency (20,2)</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Paydown or Payoff of Subordinate Liens</td>
<td>Have sub-ordinate liens been paid off or paid down?</td>
<td>Boolean True/False</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Paydown or Payoff of Subordinate Liens</td>
<td>Amount of paydown or payoff of subordinate liens</td>
<td>Currency (20,2)</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
<td>Datatype</td>
<td>Allowable Values</td>
<td>Loan Set-up (must)</td>
<td>Trial Period (may)</td>
<td>Official Modification (may)</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
<td>----------</td>
<td>------------------</td>
<td>-------------------</td>
<td>-------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Liens Amount</td>
<td>Interest rate cap for the loan.</td>
<td>Number (6,4)</td>
<td>M</td>
<td>M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Max Interest Rate after modification</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Length of Trial Period</td>
<td>The length of the trial period</td>
<td>Numeric (3,3)</td>
<td>M</td>
<td>M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Trial Payment Due Date</td>
<td>The date the 1st payment is due during the trial period</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>O</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Trial Payment Posted Date</td>
<td>The date the first payment posted during the Trail period</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>O</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Trial Payment Received Amount</td>
<td>This is the actual amount of the Payment received from the Borrower to the Servicer for the 1st Trial payment.</td>
<td>Currency (20,2)</td>
<td>M</td>
<td>O</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the product is a Step Rate Type, then step rate related fields must exist. The first occurrence of a Step Rate must have a Step Effective Date of system for the first effective date due to modification.

| Step - Interest Rate Step Number | The sequence is used to uniquely identify and order Loan Interest Rate Adjustment schedule records specific to the loan’s step rate schedule. | Numeric (4) | M | M |
| Step - Payment Effective Date | The date the payment will be effective. | Date (CCYY-MM-DD) | M | M |
| Step - Note Rate | The interest rate in the month after loan modification. | Numeric (6,4) | M | M |
| Step - New Interest Rate | After modification step duration. If this step is the last step and will be the rate and payment effective for the life of the loan, then duration is not required. | Numeric (4) | M | M |
| Step - Principal and Interest Payment | P&I Amount - The amount of the principal and/or interest payment due on the loan for each installment, beginning on the effective date. | Currency (20,2) | M | M |
Exhibit B: HMP Monthly Trial Data Collection Elements

The following data elements are necessary for recording borrower payments during the trial period.

<table>
<thead>
<tr>
<th>Name</th>
<th>Definition</th>
<th>Data Type</th>
<th>Allowable Values</th>
<th>Mandatory/ Conditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMP Servicer Number</td>
<td>A unique identifier assigned to each Servicer that is participating in the HMP program.</td>
<td>Text (30)</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>Servicer Loan Number</td>
<td>The unique (for the lender) identifier assigned to the loan by the lender that is servicing the loan.</td>
<td>Text (30)</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>GSE Loan Number</td>
<td>A unique number assigned to each loan by a GSE (Fannie or Freddie)</td>
<td>Text (30)</td>
<td></td>
<td>C</td>
</tr>
<tr>
<td>GSE Servicer Number</td>
<td>The Fannie Mae or Freddie Mac unique Servicer identifier.</td>
<td>Text (30)</td>
<td></td>
<td>C</td>
</tr>
<tr>
<td>Trial Payment Number</td>
<td>The number of the trial payment being reported. The code that is used to define a single payment number that will be one of a series of payments that together will complete a loan trial payment period.</td>
<td>Numeric (4,0)</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>Trial Payment Received Amount</td>
<td>The actual dollar amount of the payment received from the borrower to the servicer for the trial payment.</td>
<td>Currency (20,2)</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>Trial Payment Posted Date</td>
<td>The date the payment was posted during the trial period.</td>
<td>Date (CCYY-MM-DD)</td>
<td></td>
<td>M</td>
</tr>
</tbody>
</table>
Exhibit C: Monthly Loan Activity Records

The following data elements are required for monthly loan activity records (LARs). Step rate attributes (interest rate, rate effective date, P&I payment) will only be reported on the LAR the month before the rate change is effective. The Action Code and Action Date are only reported when a loan is being removed (e.g., payoff, repurchase).

<table>
<thead>
<tr>
<th>Name</th>
<th>Definition</th>
<th>Date Type</th>
<th>Allowable Value</th>
<th>Minimum Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMP Servicer Number</td>
<td>A unique identifier assigned to each Servicer that is participating in the HMP program.</td>
<td>Text (30)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Servicer Loan Number</td>
<td>The unique (for the lender) identifier assigned to the loan by the lender that is servicing the loan.</td>
<td>Text (30)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Last Paid Installment Date After Modification</td>
<td>The due date of the last paid installment of the loan.</td>
<td>Date (CCYY-MM-DD)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Unpaid Principal Balance After Modification</td>
<td>The unpaid principal balance of a loan after the loan modification. The unpaid principal balance after modification excludes any applicable forbearance amount and can also be referred to as Net UPB Amount.</td>
<td>Currency(20,2)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Interest Payment</td>
<td>Interest portion of the P&amp;I remitted</td>
<td>Currency(20,2)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Principal Payment</td>
<td>Principal portion of the P&amp;I remitted</td>
<td>Currency(20,2)</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Step - Payment Effective Date</td>
<td>The date the payment will be effective.</td>
<td>Date (CCYY-MM-DD)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Step - Note Rate</td>
<td>The interest rate in the month after loan modification.</td>
<td>Numeric (6,4)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Step - Principal and Interest Payment</td>
<td>P&amp;I Amount - The amount of the principal and/or interest payment due on the loan for each installment, beginning on the effective date</td>
<td>Currency(20,2)</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Action Code</td>
<td>A code reported by the lender to update the loan that indicates the action that occurred during the reporting period</td>
<td>Numeric</td>
<td>60 (payoff)  65 (repurchase)  70 (liquidation held for sale)  71 (liquidation 3rd party sale/condemnation/assigned to FTHA/VA)  72 (liquidated pending conveyance)  76 (Deed in Lieu)  77 (Deed-in-Lieu with Jr. lien)  78 (Short Sale)  79 (Short Sale with Jr. Lien)</td>
<td>C</td>
</tr>
<tr>
<td>Action Code Date</td>
<td>The effective date of the action associated with the action code. The action date is required for certain action codes.</td>
<td>Date (CCYY-MM-DD)</td>
<td>N/A</td>
<td>C</td>
</tr>
</tbody>
</table>
Exhibit D
HMP Additional Data Requirements

Data required to be collected as specified below must be reported on a loan by loan basis starting on October 1, 2009. This document does not describe all of the data that the servicer must retain; it addresses only the data that must be reported.

Must be reported starting October 1, 2009 for transactions occurring before October 1, 2009

- Race, ethnicity, sex of borrower and co-borrower (submission by borrower is voluntary)
- Middle name of borrower and co-borrower
- Date of birth of borrower and co-borrower
- Credit score of borrower and co-borrower
- NPV Model inputs, e.g., discount rate, flag for nonstandard model, non-standard re-default rate, non-standard cure rate
- Selected data on loan, borrower, and property characteristics as of origination, to the extent already required by OCC or OTS to be reported under "Mortgage Metrics"

The above fields must be collected as follows and reported starting October 1, 2009:
- all completed modifications;
- trial modifications commenced on or after July 1, 2009; and
- starting on October 1, 2009, loans evaluated for a modification (to be defined) that do not enter trial modifications.

Must be reported starting October 1, 2009 (detailed definitions to be provided by June 1, 2009)

- Reason loans evaluated for a modification were not modified, or that trial modification was not completed
- Status and disposition of eligible loans not modified, including trial mods not completed
- Status and disposition of loans that were modified but failed to remain in good standing because they became 90 or more days delinquent
- Second liens – flag for presence of a second lien; source of information (e.g., credit report); available terms (e.g., fixed vs. ARM; closed- vs. open-end); owner; and payoff. Continuous tracking of second lien status is not required.
- Purpose of loan (e.g., home purchase, refinance, cash-out refi)
- Information about foreclosure suspension
- Information about reliance on non-borrower household income
- Flag for borrower in bankruptcy at time of modification
- Flag for borrower in loss mitigation prior to modification
- Information about involvement of a third party representing the borrower
- Information about mortgage insurance