- **Disposable Net Income**: The Borrower's monthly Disposable Net Income is the Borrower's monthly gross income less (1) payroll deductions, (2) monthly escrow allocations of property taxes, insurance premiums, and mortgage insurance premiums (or if the loan does not have escrows, the monthly amounts of such items should be pro-rated as if the amounts were escrowed), (3) monthly HOA assessments, (4) monthly allocations of all other monthly credit obligations (except investor mortgages covered in item 6 below and excluding principal and interest payments on the Mortgage being modified), (5) all other reasonable living expenses allocated monthly, and (6) any other net negative amounts paid or incurred by Borrower (such as rental income that is exceeded by associated Mortgage payments).

- **DCR Ratio**: The DCR Ratio is the ratio of the Borrower's Disposable Net Income divided by the Borrower's current monthly principal and interest payment (not including escrows).

- **Cash Reserves**: Cash Reserves are any non-retirement liquid assets the Borrower has available for withdrawal from any financial institution or brokerage, including checking and savings accounts, CDs (even if held for an extended time), mutual funds, money market funds, stocks or bonds.

The Borrower Qualification Worksheet includes the imminent default evaluation. The Servicer may use the Borrower Qualification Worksheet to evaluate whether the Borrower is in imminent default or may perform the DCR Ratio and Borrower's Cash Reserves calculations manually or with its own systems. (See Section C65.6(f) for additional information on the Borrower Qualification Worksheet.)

If the Servicer determines the Borrower is not in imminent default or otherwise does not qualify for the Program, then the Servicer should evaluate the Borrower for other available loss mitigation alternatives.

If the Servicer determines that default is imminent, the Servicer must continue to process the request using the required Program parameters set forth in this Chapter C65.

A Servicer must document in its servicing system the basis for its determination of whether 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, pursuant to the requirements described above. (See Section C65.6(f) for additional information regarding documentation retention requirements.)

The Servicer shall comply with all applicable federal, State and local laws in making the determination.

(b) **Mortgages ineligible to be modified under HAMP**

Mortgages ineligible to be modified under the Program include:

- Mortgages secured by Investment Properties or second homes

- Mortgages that have been previously modified under HAMP or those for which the Borrower failed to comply with the terms of a HAMP Trial Period Plan, executed by the Servicer
C65.6: Underwriting the Borrower (05/26/09)

The objective of underwriting the Borrower is to achieve a monthly housing expense-to-income ratio that is as close as possible to, but no less than 31% ("Target Payment"). The Servicer must underwrite the Borrower and calculate the Target Payment, once the Servicer has:

- Established that the Mortgage, property and the Borrower are eligible under HAMP
- Collected the necessary income information from the Borrower
- Analyzed the Borrower's financial situation and verified that all of the information needed to calculate the Target Payment has been provided

This section provides the following requirements related to underwriting the Borrower:

- General requirements, including net present value (NPV) test
- Sequential process for calculating a Target Payment
- Total monthly debt payment-to-income ratio
- Escrows
- Collateral valuation requirements
- Borrower Qualification Worksheet ("Worksheet")

(a) General requirements

- Servicers must account for the income of all Borrowers on the existing Mortgage when considering the Mortgage for modification under HAMP

- Servicers must obtain a credit report for each Borrower, or a joint report for a married couple who are co-Borrowers, dated within 90 days of the date the Servicer first determines Borrower eligibility, to determine the Borrower's total monthly debt expenses. (See Section C65.6(c) titled "Total Monthly Debt Payment-to-Income Ratio" for more information.)

- All Mortgages must be modified to a fully amortizing fixed-rate Mortgage (e.g., modifying to, or maintaining, an adjustable-rate Mortgage or an interest-only Mortgage is not permitted)

- For eligible Mortgages with a scheduled interest rate or payment adjustment occurring during the Trial Period, when the adjustment cannot be determined at the time the Trial Period Plan documents are prepared, Servicers should calculate the Target Payment and underwrite the Borrower assuming the interest rate and payment due at the time of the underwriting remains unchanged during the Trial Period

- Servicers must use current amounts due for taxes and insurance premiums when qualifying the Borrower for the Trial Period Plan and Modification Agreement

- Servicers must consider Borrowers for refinancing into the FHA HOPE for Homeowners program. If the underwriting process for a HOPE for Homeowners refinance would delay eligible Borrowers from receiving a modification offer, Servicers must use the sequential process in Section C65.6 to begin the Home Affordable Modification and work to complete the HOPE for Homeowners refinance during the Trial Period. Consideration for a HOPE for Homeowners refinance should not delay eligible Borrowers from receiving a modification offer and beginning the Trial Period.
The Servicer must use verified income to determine that the Borrower’s current monthly housing expense-to-income ratio is greater than 31% prior to executing the Trial Period Plan. The “monthly housing expense-to-income 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 housing expense-to-income ratio,” Servicers must adjust the Borrower’s current monthly 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.

Net present value test

All Mortgages that meet HAMP eligibility criteria must be evaluated using the standardized NPV test that compares the NPV result for a modification completed pursuant to HAMP to the NPV result for not modifying the Mortgage.

- If the NPV result for the modification scenario is greater than the NPV result for not completing the modification, the result is deemed “positive” and the Servicer must process the modification.

- If the result of the NPV test is negative, the Servicer must modify the Mortgage, unless the Mark-to-Market LTV Ratio is less than 100% and principal is being foreclosed. If principal forbearance is needed to achieve a Target Payment and the resulting Mark-to-Market LTV Ratio would fall below 100%, then the Borrower is not eligible for a modification under HAMP, except as set forth in Section C65.7(c), and the Servicer should review the Borrower for other foreclosure alternatives.

The Servicer must perform the NPV test for the Mortgage at least twice: the first time when qualifying the Borrower for the Trial Period, and a second time, when the final terms of the modification are known. The Servicer must retain the results of the NPV tests (including assumptions, inputs and outputs) performed on the Mortgage. (Note: If the Servicer relied on stated income to prepare and send the Trial Period Plan to the Borrower, the Servicer, before signing and returning the Trial Period Plan to the Borrower must (a) determine continued Borrower eligibility based on verified income, and (b) if the verified income is less than the stated income and principal is being foreclosed, must also run the NPV test again. See Section C65.6(b) Step 1(a) for additional information.)

Servicers use the NPV Calculator to submit loans for the NPV test. The NPV Calculator is available on the Home Affordable Modification Program servicer web portal accessible through http://www.HMPAdmin.com. On this portal, Servicers will have access to the NPV Calculator as well detailed guidelines for submitting proposed modification data for evaluation.

A user ID and password are required for access to the NPV Calculator. Servicers must complete and submit the HMP Registration Form, available at http://www.HMPAdmin.com, to obtain a user ID and password.

(b) Sequential process for calculating an Target Payment

Step 1(a): Verify Borrower’s monthly income

The Servicer must verify the gross monthly income for all Borrowers on the Note. For purposes of HAMP, a Borrower’s income is income that is supported by documentation that is not more than 90 days old as of the date the Servicer first determines Borrower eligibility.

Servicers may rely on verbal (stated) income received from the Borrower to create and send a Trial Period Plan; however, if the verified income evidenced by the Borrower’s documentation:

- Is greater than the initial verbal income information used by the Servicer to place the Borrower in the Trial Period by more than 25%, the Borrower must be reevaluated based on HAMP eligibility and underwriting requirements. If this reevaluation determines that the Borrower is still eligible, a new Trial Period Plan must be prepared and the Trial
Period must be restarted.

- If less than the initial verbal income information used by the Servicer to place the Borrower in the Trial Period, and the Borrower is still eligible, including meeting the NPV test requirements under Section 656.6(a), or if the verified income is greater than the initial verbal income information by 25% 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 Modification Agreement.

If the Servicer determines the Borrower is not eligible for HAMP 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 in accordance with the Borrower's current loan documents.

Net income or tax-exempt income may be used for preliminary screening and qualification but must be multiplied 1.25 to obtain an estimate of gross income.

The Borrowers' gross income amount before any payroll deductions includes base wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, other compensation for personal services, Social Security payment, including Social Security received by adults on behalf of minors or by minors intended for their own support, annuities, insurance policies, retirement funds, pensions, disability or death benefits, unemployment benefits, positive net rental income, and other income the Borrower wants considered and can provide reasonable documentation to support.

Servicers should include non-Borrower household income in the monthly gross income if information supporting 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.

For income verification, Servicers must obtain the following income documentation:

- The most recently signed and dated tax return, complete with all schedules submitted to and on file with the IRS for each Borrower. If the previous year's return is not available, previous year's W-2 for salaried Borrowers must be provided. For all others a copy of the extension request, signed and dated, must be provided. In addition, in all cases where the previous year’s tax return is not provided, the Servicer must obtain a tax transcript by processing IRS Form 4506-T, Request for Transcript of Tax Return.

- A signed Form 4506-T for each Borrower. If the Borrower is not able to provide a signed copy of the most recently filed federal tax return complete with all schedules, or if the Compliance Agent so requires, the Servicer must immediately submit the Form 4506-T to the IRS to request a transcript of the tax return, in order to verify income and occupancy status.

- For wage earners, the two most recent pay stubs for each wage earner on the Note that reflects at least 30 days of year-to-date earnings. For additional income such as bonuses, commissions, tips or overtime, the two most recent pay stubs that reflect at least 30 days of year-to-date earnings or letter from the employer stating frequency of payment and probability of continuance.

- For self-employed Borrowers, the most recent signed and dated quarterly or year-to-date profit and loss statement and other reliable third-party documentation the Borrower voluntarily provides.

- Completed and signed page two of Form 1126, Borrower Financial Information, if the Borrower is current or less than 31 days delinquent. The Servicer must legibly print the Borrower's name below the Borrower's signature and add the Freddie Mac loan number to the form.

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, and
• Copies of signed federal income tax returns, IRS W-2 forms, or copies of the two most recent bank statements

If a Borrower chooses to disclose income from alimony, child support or separate maintenance payments, acceptable documentation includes:

• Copy of the divorce decree, separation agreement or other type of legal written agreement or court decree that sets forth the amount of such payments and the period of time over which they will be received. The Servicer must determine that the income will continue for at least three years, and

• Documentation that provides proof of full, regular and timely payments, such as deposit slips, bank statements, or signed federal income tax returns

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, including Schedule E – Supplemental Income and Loss. To compensate for vacancies and operating and maintenance expenses, no more than 75% of the gross rental income may be used as qualifying income. The Mortgage payment related to the rental property, if any, must be deducted from the 75% of net rental income. If the result is positive, then include the amount in income, otherwise include the negative amount in the total monthly debt payment-to-income ratio.

The Servicer is not required to modify a Mortgage if there is reasonable evidence indicating the Borrower submitted false or misleading information or otherwise engaged in fraud in connection with the modification.

Step 1(b): Calculate the Target Payment

The Servicer must use the sequential steps below to the extent necessary to calculate a Target Payment.

To determine the necessary steps to achieve the Target Payment, the Servicer must calculate the PITIAS Payment after each sequential step (e.g., after every 0.125% decrease in rate, after every additional month in term, if any, and after each forbearance of $100, if any).

The PITIAS Payment is the monthly payment that must be used to calculate the Target Payment that consists of:

• A modified monthly principal and interest payment

• Monthly pro rata amount for real estate taxes, plus applicable monthly Escrow cushion

• Monthly pro rata amount for property and flood insurance, if applicable, plus applicable monthly Escrow cushion

• Monthly pro rata amount of Homeowner’s Association/condominium fees

• If applicable, the Monthly Escrow Shortage Payment (see Section C65.6(d) titled "Escrows")

The Servicer may not include non-housing debt, payments on junior liens or mortgage insurance premium payments in the calculation of the monthly housing expense or PITIAS-to-income ratio. However, the Servicer must include such payments in the calculation of the Borrower’s total monthly debt payment-to-income ratio.

Servicers must follow the sequential process in the order specified below only to the extent necessary to achieve the Target Payment. The Servicer must continue to apply the sequential process to the point that the Target Payment falls just below 31% of the Borrowers’ gross monthly income and then reverse that last sequential step in order to determine the payment that is closest to, but not less than 31% of the Borrower's gross monthly income.
Step 2: Capitalization of arrearages

Amounts that may be capitalized to the unpaid principal balance (UPB) are limited to the following:

- Delinquent accrued interest (and amounts expected to accrue during the Trial Period)
- Funds advanced by the Servicer, or to be advanced and paid to a third party during the Trial Period, for the payment of real estate taxes and insurance premiums
- Foreclosure expenses incurred, including attorney fees and title costs incurred as part of the foreclosure process, subject to the reimbursable limits in Guide Exhibit 57A, Approved Attorney Fees and Title Expenses
- Property preservation expenses not to exceed the reimbursable limits in Exhibit 57, 1-to-4 Unit Property Approved Expense Amounts
- Any other expenses that were advanced and paid to a third party, as specified in Guide Sections 66.29 and 71.13, provided that they were paid to a third party during the Trial Period

Title costs incurred outside of the foreclosure process (i.e., to preserve the First Lien priority of the modified Mortgage, if applicable) are reimbursable through the reimbursement of expenses process described later in this chapter.

Step 3: Interest rate reduction

The Servicer must next reduce the current interest rate on the existing Mortgage in decrements of 0.125% to the extent necessary to achieve the Target Payment. However, the Servicer may not reduce the interest rate below the 2% interest rate floor.

If the resulting interest rate is at or above the Interest Rate Cap, this modified interest rate will be the new Note Rate for the life of the modified Mortgage.

If the resulting rate is below the Interest Rate Cap this reduced rate will be in effect for the first five years of the modified Mortgage. Beginning with the sixth year, the modified interest rate will increase annually by 1% per year (or such lesser amount that may be needed) until the interest rate reaches the Interest Rate Cap.

The Interest Rate Cap is the Freddie Mac Weekly Primary Mortgage Market Survey Rate for 30-year fixed-rate conforming mortgages, rounded to the nearest one-eighth of one percent (0.125%), as of the date that the Modification Agreement is prepared.

Example: The current interest rate on the Mortgage is 8.0% and the Interest Rate Cap is 6.5%. In order to achieve the Target Payment, the interest rate on the Mortgage must be reduced to 6.0%. The interest rate on the modified Mortgage will be fixed at 5.0% for the first five years and then increase by 1.0% in year 6 to 6.0%, and 0.5% in year 7 to 6.5%. Thereafter, the interest rate will remain at 6.5% for the remaining term of the Mortgage.

If the Target Payment is reached based on a reduction to the interest rate, then the Servicer must prepare and send the Borrower the Trial Period Plan. If the Servicer is able to achieve a PITIAS Payment that is closer to the Target Payment using Step 4, then the Servicer must consider extending the term of the Mortgage as provided in Step 4.

Step 4: Extend amortization term

The Servicer must extend the Mortgage term in one-month increments only to the extent necessary to achieve the Target Payment. However, the Servicer may not extend the term to allow more than 480 modified payments from the Modification Effective Date.

If the Target Payment is reached based on Steps 3 and 4, then the Servicer must prepare and send the Borrower the Trial Period Plan using only these steps. If the Servicer is able to achieve a PITIAS Payment that is closer to the Target Payment using Step 5, then the Servicer must consider forbearance of part of the Mortgage principal as provided in Step...
5.

**Step 5: Partial principal forbearance**

The Servicer must incrementally forbear a portion of the unpaid principal balance in $100 amounts, to the extent necessary until the payment on the remaining interest-bearing balance creates the Target Payment. However, if the result of the NPV test is negative, the amount of principal forbearance is limited, so that the modified interest-bearing principal balance (i.e., the unpaid principal balance excluding the deferred principal amount) creates a Mark-to-Market LTV Ratio (the ratio that is based on the modified interest-bearing principal balance of the Mortgage and the current value of the property) greater than or equal to 100%, except as set forth in Section C65.7(c). (See Section C65.6(e) for additional information on obtaining the value that must be used for this purpose.)

(Note: Until the Servicer has obtained access to the NPV Calculator, the Servicer must, for purposes of sending the Borrower a Trial Period Plan, limit the amount of principal forbearance to an amount that would not cause the Mark-to-Market LTV Ratio to fall below 100%, and only to the extent necessary to achieve the Target Payment. However, the Servicer must have obtained access to the NPV Calculator and must perform the NPV test prior to the modification of the Mortgage. Except as set forth in Section C65.7(c), if after completing this step, the Mark-to-Market LTV Ratio would fall below 100% in order to achieve the Target Payment and the Servicer does not have access to the NPV Calculator, then the Servicer must contact Freddie Mac for further directions. See Step 6 for documentation and submission requirements.)

This process splits the debt into an interest bearing amortizing principal balance and a deferred non-amortizing principal portion. The deferred principal, or principal forbearance balance, is non-interest bearing and non-amortizing and will be due in the form of a balloon payment upon the earlier of transfer of all or a portion of the property, the payoff of the interest bearing balance, or the new maturity date of the modified Mortgage.

If the Target Payment is achieved while either maintaining a Mark-to-Market LTV Ratio on the interest-bearing principal balance that is equal to or greater than 100% or obtaining a NPV positive result, regardless of the Mark-to-Market LTV Ratio, then the Servicer must prepare and send the Borrower the Trial Period Plan using these steps.

For Mortgages that have a principal forbearance, the Servicer must make the authorized changes to the Modification Agreement as described in Section C65.7(d).

Refer to Section C65.10 for special servicing requirements for Mortgages with a partial principal forbearance.

**Step 6: Non-qualified Borrowers**

Once the Servicer has verified the Borrower's income, if the Target Payment cannot be achieved using Steps 2-5 above or the Borrower feels he or she cannot afford the Target Payment, the Servicer must consider the Borrower for a different alternative to foreclosure solution. If the Servicer is unable to offer the Borrower a different foreclosure alternative solution, the Servicer must refer the Mortgage to Freddie Mac for evaluation.

The Servicer must fax the following information and documentation to (571) 382-4902:

- Contact name, phone number and email address for the Servicer
- Page two of Form 1126, Borrower Financial Information, if the Borrower is current or less than 31 days delinquent
- Borrower's income documentation
- Documentation used to verify Borrower's occupancy
- Copy of the Borrower's credit report
- Borrower's Hardship Affidavit
- Automated value or BPO if obtained from a source other than Freddie Mac
• Mortgage insurance approval (if applicable)
• Copy of the Borrower Qualification Worksheet screen, or equivalent reflecting all input and analysis results, including any and all information used to determine the following:
  • Imminent default
  • Proposed Trial Period Plan and/or Modification Agreement terms
• Any and all information required to be input into the NPV Calculator and the results of the NPV test

Servicers must temporarily suspend any foreclosure sale and must not refer a Mortgage to foreclosure while Freddie Mac is evaluating the Borrower.

Servicers may not forgive principal on Mortgages serviced for Freddie Mac.

(c) Total Monthly Debt Payment-to-Income Ratio

Servicers must calculate the Borrower’s total monthly debt payment-to-income ratio using monthly expenses verified by obtaining a credit report for each Borrower (or a joint report for a married couple who are co-Borrowers) in addition to any monthly obligations provided by the Borrower either verbally or in writing.

The Servicer must calculate a total monthly debt payment-to-income ratio for each Borrower to whom a Trial Period Plan Plan is being offered. For this purpose, the monthly debt payment is the sum of the monthly charges for the following:

• PITIAS Payment (see Section C65.6(a))
• Payments on all installment debts with more than 10 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 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% of the balance.
• Monthly payments 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%.
• Monthly payment on a Home Equity Line of Credit (HELOC) must be included in the total monthly debt payment-to-income 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 1% of the balance.
• Alimony, child support and separate maintenance payments with more than 10 months of payments remaining
• Car lease payments, regardless of the number of payments remaining
• Aggregate negative net rental income from all Investment Properties owned
• 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))
• Payments on any subordinate lien
• Payments for mortgage insurance premiums, if applicable.

Credit counseling
Borrowers with a total monthly debt payment-to-income ratio (calculated as described above) that is equal to or greater than 55% are required to enter a counseling program with a Department of Housing and Urban Development (HUD)-approved housing counseling agency as a condition for the modification.

Servicers must notify Borrowers with a total monthly debt payment-to-income ratio equal to or greater than 55% of the counseling requirement using the HAMP Counseling Referral Letter (see Section C65.2), and must retain a copy of the HAMP Counseling Referral Letter provided to the Borrower in the Mortgage file.

The modification will not take effect until the Borrower provides a signed statement indicating that he or she will obtain counseling. The Modification Agreement that the Borrower must sign includes such a statement and will satisfy this requirement.

A list of HUD-approved counseling agencies is available at http://www.hud.gov or by calling the toll-free number at 1-800-569-4287.

(d) Escrows

Unless prohibited by applicable law, an Escrow account must be created on the Mortgage when Escrows are not maintained on the existing Mortgage. The Servicer must establish the Escrow account at the time the Trial Period Plan becomes effective and provide any Real Estate Settlement Procedures Act (RESPA) and any other disclosures required by applicable federal, State, or local law within the time periods prescribed by such laws.

Escrows advanced by the Servicer

Any advances previously made by the Servicer or any advances that will be made during the Trial Period to pay property taxes or insurance premiums may be capitalized in the UPB as part of the qualification process as long as they were paid to third parties prior to the modification.

Servicers must use known amounts due for taxes and insurance premiums when qualifying the Borrower and determining the final terms of the Modification Agreement.

Escrow reserve deficiencies

For taxes and insurance premiums that are not yet due before the Modification Effective Date, the Servicer must determine the amount needed to establish the Escrow account (Escrow shortage) that, together with the monthly Escrow payment included in the monthly Mortgage payment, will be sufficient to pay all future taxes and insurance premiums when they fall due.

The Borrower may either remit the Escrow shortage as a lump sum payment or Monthly Escrow Shortage Payment as part of the Target Payment. This amount may not be capitalized in the UPB of the Mortgage.

If the Borrower elects to make Monthly Escrow Shortage Payments, the amount must be spread equally over a 60-month period and be included when calculating the proposed Target Payment. The Servicer then prepares the Trial Period Plan based on this election.

Subsequent Escrow analyses

If the Borrower elected to pay the Escrow shortage described above over a 60-month period, the Servicer must take that into account in any subsequent Escrow analysis to ensure that the Borrower may continue to pay those amounts over the remaining months and not have the amounts accelerated or compressed into a new Escrow payment as a result of a future Escrow analysis. To facilitate this, Servicers may choose to spread any additional Escrow shortage as a result of a subsequent Escrow analysis over the remaining months of the 60-month period.

Example: The Escrow analysis completed at the beginning of the Trial Period indicates an Escrow shortage of $1,000 and the Borrower elected to pay this shortage over a 60-month period, which equaled a Monthly Escrow Shortage Payment of $16.67 included as part of the proposed Target Payment. A subsequent Escrow analysis
completed 12 months after the loan has been modified resulted in an additional Escrow deficiency of $500. The Servicer may spread this shortage amount of $500 over the remaining 48 months of the Escrow shortage payment period, which would result in a total monthly Escrow shortage payment of $27.09 to fund the Escrow account.

(e) **Collateral valuation requirements**

The Servicer must obtain a property valuation for input into the NPV Calculator and for purposes of determining the Mark-to-Market LTV Ratio. The property valuation used may not be more than 90 days old from the date the Servicer first determines Borrower eligibility.

- For Mortgages that are 31 days or more delinquent, Freddie Mac will provide an AVM value, if such a value is available. We will provide the AVM values in a special report that we will update by the fifth business day of each month on our web site at [http://www.freddiemac.com/singlefamily/service/mha_modification.html](http://www.freddiemac.com/singlefamily/service/mha_modification.html). A secure User ID and password is required to retrieve this report. This is the same User ID and password Servicers use to access their Servicer Performance Profile and any of the Manager Series tools. Servicers may request access using the signup form provided on the web site.

- For Mortgages that are current or less than 31 days delinquent, the Servicer must either obtain a value through our web site at [https://www.bpodirect.net](https://www.bpodirect.net) or by requesting an HVE automated value through one of Freddie Mac’s distributors

HVE values may only be obtained for 1-unit attached or detached dwellings or Condominium or PUD units. Mortgages secured by 2- to 4-unit properties, Manufactured Homes, dwellings on a leasehold estate, and, if eligible under a Seller’s Purchase Documents, Cooperative Share Mortgages, are not eligible for HVE.

When obtaining a value through HVE, the Servicer will be given the following data:

- HVE Point value
- HVE Low value
- HVE High value
- Forecast Standard Deviation
- Confidence Score

The HVE point value that the Servicer uses must have a Forecast Standard Deviation that is no greater than 0.20 (corresponding to a high or medium confidence score).

If a Servicer has not yet set up a relationship to obtain HVE values through one of our distributors, the Servicer should consider doing so now. Information related to HVE and our distributors can be found at [http://www.freddiemac.com/hve/hve.html](http://www.freddiemac.com/hve/hve.html).

- For all Mortgages for which AVM or HVE data is not available or when the confidence score is low, the Servicer must obtain the value from our web site at [https://www.bpodirect.net](https://www.bpodirect.net) in accordance with Section 65.39

If the Servicer has a Freddie Mac BPO or appraisal with an effective date no more than 90 days from the date the Servicer first determines Borrower eligibility the Servicer may use that BPO or appraisal.

(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.