The Worksheet is available on our secure web site at 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) and any statements set forth on the Worksheet. The Borrower Qualification Worksheet may not be used to determine the final modification terms for Mortgages for which the Servicer utilized an interim month at the end of the Trial Period and delayed the due date of the first modified payment as provided in section C65.7(c). Servicers are responsible for the accuracy of all data entered into the Worksheet, that it is entered correctly, and for the integrity of the results. Servicers may not use the Worksheet for any purpose other than to assist them in connection with their servicing of Mortgages for Freddie Mac under this chapter.

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 web site.

We have also prepared and made available on the web site 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 8(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 (07/06/09)

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
- 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"). When preparing the Trial Period Plan offer package, the Servicer must determine the Trial Period Plan Effective Date and the due date of the first Trial Period payment in accordance with the following instructions:

<table>
<thead>
<tr>
<th>If the Servicer sends the Trial Period Plan to the Borrower.</th>
<th>... then the Trial Period Plan Effective Date is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>On or before the 15th of the month</td>
<td>The first day of the next month</td>
</tr>
<tr>
<td>After the 15th of the month</td>
<td>The first day of the month after the next month</td>
</tr>
</tbody>
</table>

For example, if the Servicer sends the Trial Period Plan to the Borrower on June 10, the Trial Period Plan Effective
Date and first Trial Period payment due date are both July 1. If the Servicer sends the Trial Period Plan to the Borrower on June 17, the Trial Period Plan Effective Date and first Trial Period payment due date are both August 1.

Note: In the first example, unless the Borrower submits the first Trial Period payment on or before July 31, the Servicer must consider the Trial Period Plan to have expired on July 31. If the Servicer does not receive the Borrower’s signed Trial Period Plan and all other required documentation (see Section C65.5) by August 9 (assuming that the Servicer received the Borrower’s first Trial Period payment by July 31), the Servicer may consider the Trial Period Plan offer to have expired on August 9.

- 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 Servicer must receive the Borrower’s first Trial Period payment on or before the last day of the month in which the Trial Period Plan Effective Date occurs (Trial Period Plan Offer Deadline). Otherwise, the Servicer must consider the Trial Period Plan offer to have expired.

The Servicer should encourage the Borrower to sign and return the following documentation by no later than the Trial Period Plan Offer Deadline (it must be received no more than 60 days from the date the Trial Period Plan offer was sent):

- Two original executed Trial Period Plan documents
- 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 (Note: The Borrower is not required to have the Hardship Affidavit notarized )
- 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

We encourage the Servicer to contact the Borrower before the Trial Period Plan Offer Deadline if the Borrower has not yet submitted two executed originals of the Trial Period Plan, the first Trial Period payment due under the Trial Period Plan and all other required documentation. Even if the first Trial Period payment was made on or before the Trial Period Plan Offer Deadline, the Servicer may, in its discretion, consider the offer of a Trial Period Plan to have expired either at the end of 60 days from the date the Trial Period Plan offer was sent or the Trial Period Plan Offer Deadline, whichever is later, if the Borrower has not submitted both executed Trial Period Plans and all other required documentation as set forth above. If the Borrower’s submission is incomplete, the Servicer should work with the Borrower to complete the Trial Period Plan submission.

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”.)

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 Trial Period Plan 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 EDR reporting cycle for the month in which the Trial Period Plan Effective Date occurs, provided the Servicer receives the first payment due under the Trial Period Plan on or before the Trial Period Plan Offer Deadline (which is the last day of the month in which the Trial Period Plan Effective Date occurs), even if the Servicer has yet to receive an executed Trial Period Plan or the required income verification and other documentation from the Borrower. The default action date the Servicer must report is the Trial Period Plan Effective Date. 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 the new default action date and the "HMP" default reason code, once the Servicer receives the revised Borrower's first payment due under the new Trial Period Plan.

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 656(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.

A Servicer preparing the Modification Agreement should allow sufficient processing time for the Servicer to prepare the Modification Agreement and provide it to the Borrower for execution, so that the Borrower has sufficient time to return it to the Servicer and make the first modified payment by its due date, which is the first day of the month following the final Trial Period month.

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 recodification 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).

In the event the Borrower does not pay the final Trial Period payment on or before the due date set forth in Section 2 of the Trial Period Plan, then the Servicer may, at its option, prepare the Modification Agreement such that the
Modification Effective Date and the date the first modified payment is due is the first day of the second month following the final Trial Period month. However, in this case interest will not begin to accrue at the modified interest rate on the modified principal balance until the first day of the month following the final Trial Period month to accommodate the first modified payment of interest in arrears.

For example, if the final Trial Period payment is due March 1 and the Servicer elects the option described above, the Borrower is not required to make any payment during April, and the first payment under the Modification Agreement is due on May 1. During the month of March, interest will accrue at the current rate under the current loan documents. The modified interest rate will take effect on April 1. The modified payment due on May 1 will pay interest in arrears that accrued during April on the modified principal balance at the modified interest rate.

If the Servicer elects this option, the Borrower will not be required to make an additional Trial Period payment during the month (the "interim month") between the final Trial Period month and the month in which the first modified payment is due. Neither the Borrower nor the Servicer will be entitled to accrue incentive compensation for the interim month if the Borrower does not submit funds in an amount that is at least equivalent to the Trial Period payment during the interim month (See Sections C55.9(a) and (b)).

A Servicer must treat all Borrowers the same in applying this option by selecting, in its discretion and evidenced by a written policy, the date by which the final Trial Period payment must be submitted ("cutoff date") before the Servicer applies this option. The cutoff date must be after the due date for the final Trial Period payment as set forth in Section 2 of the Trial Period Plan.

In the event the Borrower submits funds during the interim month, the effects of the interim month and associated curtailment of principal or reduced capitalization of arrears on the terms of the Modification Agreement may not alter the Servicer's previous determination of the Borrower's eligibility at the time the Servicer executed the Trial Period Plan.

The Servicer must modify the Home Affordable Modification Agreement Cover Letter to inform the Borrower of (i) the delay of the Modification Effective Date and first modified payment due date by one month and (ii) the effects of the interim month, including, but not limited to, the delay in the effective date of the modified interest rate, any increase in the delinquent interest capitalized, and the loss of one month's accrual of the incentive payment if the Borrower does not submit additional funds in an amount that is at least equivalent to the Trial Period payment during the interim month.

* 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:

**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 C 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 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</th>
<th>Monthly Principal and Interest</th>
<th>Monthly Escrow Payment</th>
<th>Total Monthly Payment</th>
<th>Payment Begins On</th>
<th>Number of Monthly Payments</th>
</tr>
</thead>
</table>

  http://www.allregs.com/tpl/documentPrint.aspx?did3=11767f7d2e0e4310b3f3b02bfcf571c9&lid=7e3f840a... 9/15/2009
### Payment Schedule

<table>
<thead>
<tr>
<th>1-5</th>
<th>[2.00%]</th>
<th>00/00/0000</th>
<th>$0000.00</th>
<th>$000.00, adjusts annually after year 1</th>
<th>$000.00, adjusts annually after year 1</th>
<th>00/00/0000</th>
<th>60</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>[3.00%]</td>
<td>00/00/0000</td>
<td>$0000.00</td>
<td>Adjusts Annually</td>
<td>Adjusts Annually</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>Adjusts Annually</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>Adjusts Annually</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>Adjusts Annually</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.

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
C65.14: 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.
Exhibit 2
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2009

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission File Number: 000-53330

Federal Home Loan Mortgage Corporation
(Exact name of registrant as specified in its charter)

Freddie Mac

Federally chartered corporation
(State or other jurisdiction of incorporation or organization)

52-0904874
(I.R.S. Employer Identification No.)

8200 Jones Branch Drive, McLean, Virginia
(Address of principal executive offices)

22102-3110
(zip code)

(703) 903-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T ($232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer (Do not check if a smaller reporting company) ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of July 31, 2009, there were 648,305,154 shares of the registrant’s common stock outstanding.

Source: FEDERAL HOME LOAN MORTGAGE CORP, 10-Q, August 07, 2009
PART I — FINANCIAL INFORMATION

This Quarterly Report on Form 10-Q includes forward-looking statements, which may include statements pertaining to the conservatorship and our current expectations and objectives for internal control remediation efforts, future business plans, liquidity, capital management, economic and market conditions and trends, market share, legislative and regulatory developments, implementation of new accounting standards, credit losses, and results of operations and financial condition on a GAAP, Segment Earnings and fair value basis. You should not rely unaided on our forward-looking statements. Actual results might differ significantly from those described in or implied by such forward-looking statements due to various factors and uncertainties, including those described in (i) Management’s Discussion and Analysis, or MD&A, “MD&A — FORWARD-LOOKING STATEMENTS” and “RISK FACTORS” in this Form 10-Q and in the comparably captioned sections of our Annual Report on Form 10-K for the year ended December 31, 2008, or 2008 Annual Report, and our Form 10-Q for the first quarter of 2009 and (ii) the “BUSINESS” section of our 2008 Annual Report. These forward-looking statements are made as of the date of this Form 10-Q and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

Throughout PART I of this Form 10-Q, including the Financial Statements and MD&A, we use certain acronyms and terms and refer to certain accounting pronouncements which are defined in the Glossary.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

You should read this MD&A in conjunction with our consolidated financial statements and related notes for the three and six months ended June 30, 2009 and our 2008 Annual Report.

Overview

Freddie Mac was chartered by Congress in 1970 with a public mission to stabilize the nation’s residential mortgage market and expand opportunities for home ownership and affordable rental housing. Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market. Our participation in the secondary mortgage market includes providing our credit guarantee for residential mortgages originated by mortgage lenders and investing in mortgage loans and mortgage-related securities. Through our credit guarantee activities, we securitize mortgage loans by issuing PCs to third-party investors. We also resecuritize mortgage-related securities that are issued by us or Ginnie Mae as well as private, or non-agency, entities. We also guarantee multifamily mortgage loans that support housing revenue bonds issued by third parties and we guarantee other mortgage loans held by third parties. Securitized mortgage-related assets that back PCs and Structured Securities that are held by third parties are not reflected as our assets. We earn management and guarantee fees for providing our guarantee and performing management activities (such as ongoing trustee services, administration of pass-through amounts, paying agent services, tax reporting and other required services) with respect to issued PCs and Structured Securities.

We had net income attributable to Freddie Mac of $0.8 billion for the second quarter of 2009 and total equity of $8.2 billion as of June 30, 2009. Net loss attributable to common stockholders was $374 million for the second quarter of 2009, reflecting the payment of $1.1 billion of dividends in cash on the senior preferred stock. As discussed below, total equity benefited from the cumulative effect of a change in accounting principle, which increased total equity by $5.1 billion. Our financial results for the second quarter of 2009 reflect the favorable impact on the fair value of our derivatives and on our investment activities of the steepening of the yield curve, as short-term rates decreased and long-term rates increased, as well as spread tightening. This favorable impact was partially offset by large credit-related expenses and losses on loans purchased due to loan modification. Second quarter net income also reflects a decrease in our provision for credit losses that we estimate to be approximately $1.4 billion related to an enhancement to our methodology for estimating loan loss reserves.

We expect a variety of factors will place downward pressure on our financial results in future periods, and could cause us to incur GAAP net losses. Key factors include the potential for continued deterioration in the housing market, which could increase credit-related expenses and security impairments, adverse changes in interest rates and spreads, which could result in mark-to-market losses, and our efforts under the MHA Program and other government initiatives, some of which are expected to have an adverse impact on our financial results. We believe that the recent modest home price improvements were largely seasonal, and expect home price declines in future periods. Consequently, our provisions for credit losses will likely remain high during the remainder of 2009 and increase above the level recognized in the second quarter. To the extent we incur GAAP net losses in future periods, we will likely need to take additional draws under the Purchase Agreement. In addition,

Source: FEDERAL HOME LOAN MORTGAGE CORP, 10-Q, August 07, 2009
present value of the income that the holder would have received had there been no modification, i.e., had the mortgage been foreclosed.

**Home Affordable Refinance.** The Home Affordable Refinance initiative gives eligible homeowners with loans owned or guaranteed by us or Fannie Mae an opportunity to refinance into more affordable monthly payments. Under Home Affordable Refinance, we will help borrowers who have mortgages with high current LTV ratios to refinance their mortgages without obtaining new mortgage insurance in excess of what was already in place. On July 1, 2009, we announced that the current LTV ratio limit would be increased from 105% to 125%.

The Freddie Mac Relief Refinance MortgageSM, which we announced in March 2009, is our implementation of Home Affordable Refinance. We have worked with FHFA to provide us the flexibility to implement this element of the MHA Program. The Home Affordable Refinance effort is targeted at borrowers with current LTV ratios above 90%; however, our implemented program also allows borrowers with LTV ratios below 80% to participate. Through our program, we offer this refinancing option only for qualifying mortgage loans we hold in our portfolio or that we guarantee. We will continue to bear the credit risk for refinanced loans under this program, to the extent that such risk is not covered by existing mortgage insurance or other existing credit enhancements.

We began purchasing loans under this program in April 2009 and as of June 30, 2009 we had purchased approximately 28,500 loans totalling $5.1 billion of unpaid principal balances originated under the program.

On June 5, 2009, we announced our Relief Refinance Mortgage — Open Access offering and other changes to the Relief Refinance Mortgage. The Open Access offering allows borrowers to refinance a Freddie Mac-owned or guaranteed mortgage with any lender that is a Freddie Mac-approved seller/servicer. Previously, borrowers had to work with the lender who currently services their mortgage.

**Compliance Agent.** We are the compliance agent for certain foreclosure prevention activities under the MHA Program. Among other duties, as the program compliance agent, we will conduct examinations and review servicer compliance with the published rules for the program. Some of these examinations are on-site, and others involve off-site documentation reviews. We will report the results of our examination findings to Treasury. Based on the examinations, we may also provide Treasury with advice, guidance and lessons learned to improve operation of the program.

**Consulting Services.** We are advising and consulting with Treasury about the design, results and future improvement of the MHA Program.

**Second Lien Program.** On April 28, 2009, the Obama Administration announced new efforts under the MHA Program to achieve greater affordability for homeowners by lowering payments on second mortgages through modifications. Under the program, also known as 2MP, participating servicers will modify the borrower’s monthly payments under a second mortgage when a modification to the first lien mortgage is made under the MHA Program. Servicers may alternatively extinguish the second lien (if the investor that owns the second lien mortgage agrees) in exchange for a lump-sum payment under a pre-set formula determined by Treasury when appropriate.

The 2MP offers incentive payments to borrowers, servicers and investors and requires principal forbearance on the second lien in the same proportion as any principal forbearance granted on the first lien: We do not expect to incur significant direct costs under the program, because we only own or guarantee an insignificant amount of second lien mortgages. This program has not been implemented and we cannot yet determine any other likely impacts on us.

**Short Sale and Deed-in-Lieu Program.** On May 14, 2009, the Obama Administration announced the Foreclosure Alternatives Program, which is designed to permit borrowers who are ineligible to participate in HAMP to sell their homes in “short sales.” In a short sale, the owner sells the home and the lender accepts proceeds that are less than the outstanding mortgage indebtedness. The program also provides a process for borrowers to convey title to their homes through a deed-in-lieu of foreclosure. In both cases, the program will offer incentives to the servicer and the borrower. This program has not been implemented, and we cannot yet determine its impact on us.

**Other Developments.**

Various state and local governments have been taking actions that could delay or otherwise change their foreclosure processes. These actions could increase our expenses, including by potentially delaying the final resolution of delinquent mortgage loans and the disposition of non-performing assets. In addition, Congress has considered, but not yet enacted, legislation that would allow bankruptcy judges to modify the terms of mortgages on principal residences for borrowers in Chapter 13 bankruptcy. If enacted, this legislation could cause bankruptcy filings to rise, potentially increasing charge-offs associated with mortgages in our single-family mortgage portfolio and increasing our losses on loans purchased, which are recognized on our consolidated statements of operations. For more information, see “EXECUTIVE SUMMARY — Legislative and Regulatory Matters” in this Form 10-Q and “RISK FACTORS — Legal and Regulatory Risks” in our 2008 Annual Report.

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Freddie Mac
Guaranteed PCs and Structured Securities

We guarantee the payment of principal and interest on issued PCs and Structured Securities that are backed by pools of mortgage loans. We issued approximately $154 billion and $132 billion of PCs and Structured Securities backed by single-family mortgage loans during the three months ended June 30, 2009 and 2008, respectively, and $258 billion and $245 billion during the six months ended June 30, 2009 and 2008, respectively. We also issued approximately $1.0 billion and $0.2 billion of PCs and Structured Securities backed by multifamily mortgage loans during the three months ended June 30, 2009 and 2008, respectively, and $1.1 billion and $0.2 billion during the six months ended June 30, 2009 and 2008, respectively. At June 30, 2009 and December 31, 2008, we had $1,838.0 billion and $1,807.6 billion of issued PCs and Structured Securities, of which $440.5 billion and $424.5 billion, respectively, were held as investments in mortgage-related securities on our consolidated balance sheets. The vast majority of these PCs and Structured Securities were issued in securitizations accounted for in accordance with FIN 45 at the time of issuance. The assets that underlie issued PCs and Structured Securities as of June 30, 2009 consisted of approximately $1,802.5 billion in unpaid principal balance of mortgage loans or mortgage-related securities and $35.5 billion of cash and short-term investments, which we invest on behalf of the PC trusts until the time of payment to PC investors. There were $1,771.0 billion and $1,800.6 billion at June 30, 2009 and December 31, 2008, respectively, of securities we issued in securitization of our PCs and other previously issued Structured Securities. These restructured securities do not increase our credit-related exposure and consist of single-class and multi-class Structured Securities backed by PCs, REMICs, interest-only strips, and principal-only strips. See "NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — Change in Accounting Principles" for information on SFAS 166 and SFAS 167 which will result in our consolidation of most of our securitizations on our balance sheets upon adoption of the standards in January 2010.

Our guarantee obligation represents the recognized liability associated with our guarantee of PCs and Structured Securities net of cumulative amortization. In addition to our guarantee obligation, we recognized a reserve for guarantee losses on PCs that totaled $24.4 billion and $14.9 billion at June 30, 2009 and December 31, 2008, respectively. At inception of an executed guarantee, we recognize a guarantee obligation at fair value. Subsequently, we amortize our guarantee obligation under the static effective yield method. For more information on the static effective yield method, see "NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in our 2008 Annual Report. In the first quarter of 2009, we enhanced our methodology for evaluating significant changes in economic events to be more in line with the current economic environment and to monitor the rate of amortization on our guarantee obligation so that it remains reflective of our expected duration of losses.

Other Mortgage-Related Guarantees

We provide long-term stand-by commitments to certain of our customers, which obligate us to purchase delinquent loans that are covered by those agreements. These non-securitized financial guarantees totaled $3.9 billion and $10.6 billion at June 30, 2009 and December 31, 2008, respectively. During the six months ended June 30, 2009 and 2008, several of these agreements were terminated, in whole or in part, at the request of the counterparties to permit a significant portion of the performing loans previously covered by the long-term standby commitments to be securitized as PCs or Structured Transactions, which totaled $3.7 billion and $18.8 billion, respectively, in issuances of these securities in these periods. We also had outstanding financial guarantees on multifamily housing revenue bonds that were issued by third parties of $9.2 billion at both June 30, 2009 and December 31, 2008.

Liquidity Guarantees

As part of the guarantee arrangements pertaining to multifamily housing revenue bonds, we provided commitments to advance funds, commonly referred to as "liquidity guarantees." The advances to counterparties provide funding for their purchase of the bonds until they can be resold. In the event they cannot be resold within a certain period, then these guarantees require our repurchase of any tendered tax-exempt and related taxable pass-through certificates and housing revenue bonds that are unable to be remarketed. We hold cash and cash equivalents on our consolidated balance sheets in excess of the amount of these commitments. No liquidity guarantee advances were outstanding at June 30, 2009 and December 31, 2008.

Derivative Instruments

Derivative instruments primarily include written options, written swaptions, interest-rate swap guarantees and guarantees of stated final maturity Structured Securities. Derivative instruments also include short-term default and other guarantee commitments that we account for as derivatives.
Exhibit 3
SUBJECTS

With this Single-Family Seller/Servicer Guide ("Guide") Bulletin, we are announcing the following changes to the Home Affordable Modification Program ("Program") requirements:

- Providing criteria for determining whether a Borrower, who is current or less than 31 days delinquent, is in imminent default, and announcing that the Borrower Qualification Worksheet may be used to determine if a Borrower, who is current or less than 31 days delinquent, is in imminent default.

- Introducing the NPV Calculator and revising the requirements for determining the amount of principal forbearance that may be permitted in order to achieve the Target Payment.

- Revising the requirements for verification of income when the Servicer uses stated income to create and send the Borrower a Trial Period Plan. We are also revising the income documentation requirements.

- Revising the definition of Interest Rate Cap.

- Revising the time frame within which the Borrower must respond to the Trial Period Plan offer package from 14 days to 30 days (Offer Deadline), and providing additional guidance for when the Borrower fails to submit the executed Trial Period Plan and other documents by the Offer Deadline.

- Providing credit bureau reporting requirements for Borrowers in the Trial Period.

- Revising the collateral valuation requirements to require that the property valuation used may not be more than 90 days old from the date the Servicer first determines Borrower eligibility.

- Revising eligibility requirements as follows:
  - Permitting FHA, VA and RHS Mortgages, provided Servicers comply with the guidance issued by the relevant agency with respect to modification of these Mortgages.
  - Revising the documentation requirements for verifying that the Mortgaged Premises is the Borrower’s Primary Residence.

- Revising the requirements for verifying installment debt and other expenses that must be included in the calculation of the Borrower’s total monthly debt payment-to-income ratio.

- Providing further guidance on Program incentives as it relates to the Servicer “pay for success” fee and the Borrower “pay for performance” fee.

- Revising the Transfer of Servicing requirements to require that the Transferor Servicer notify the Transferee Servicer if the transferring portfolio includes Mortgages modified under the Program, and confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of these Mortgages.
I Incorporating the requirements for reporting data to Fannie Mae in its capacity as financial agent for the United States Department of the Treasury ("Treasury")

II Incorporating Servicer requirements as provided by Freddie Mac, the Compliance Agent for Treasury.

We have also made changes to the Hardship Affidavit. In particular, the Hardship Affidavit now includes certain requirements related to requests for the collection of government monitoring data, including race, ethnicity and sex. Refer to Guide Sections C65.4 and C65.13 for additional information regarding these requirements. The revised Hardship Affidavit is available with the other Program documents on our secure web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html.

Finally, we are updating the Guide to incorporate the changes announced in Bulletin 2009-8 (Home Affordable Modification Program), as well as other previously announced changes.

Background

With Bulletin 2009-6 (Home Affordable Modification Program), Freddie Mac announced the eligibility, processing, underwriting and other requirements for the Program (subsequently amended with Bulletin 2009-8). These Bulletins supported the uniform guidance for loan modifications across the mortgage industry issued by Treasury on March 4, 2009.

On April 6, 2009, Treasury issued Supplemental Directive 09-01, which provided additional guidance to Servicers for adoption and implementation of the Program for mortgage loans that are not owned, securitized or guaranteed by Freddie Mac or Fannie Mae, many of the changes announced in this Bulletin more closely align our requirements with the requirements of that directive.

SERVICING REQUIREMENTS

Criteria for determining imminent default

Guide Chapter C65 currently requires that Servicers determine, based on the Borrower Qualification Worksheet ("Worksheet"), whether a Borrower, who is current or less than 31 days delinquent, is in imminent default. When the Worksheet was introduced in Bulletin 2009-8, we indicated that it was not yet designed to determine whether a Borrower, who is current or less than 31 days delinquent, qualifies for a modification under the Program.

With this Bulletin, we revised these requirements to provide the criteria for determining whether a Borrower is in imminent default. We are also announcing that Servicers may, but at this time are not required to, use the Worksheet to evaluate whether the Borrower is in imminent default.

With this change, the Worksheet may now be used to determine the Trial Period payment for all eligible Borrowers, the terms of the modification for eligible Borrowers, and whether a Borrower, who is current or less than 31 days delinquent, is in imminent default.

The updated Worksheet will be available on our secure web site at http://www.freddiemac.com/singlefamily/service/mha_modification.html beginning April 23, 2009. Freddie Mac is developing an automated solution to assist Servicers with the imminent default evaluation; the automated solution will be available at a later date.

Sections C65.4, C65.5, C65.6 and C65.7 have been updated to reflect these changes.
NPV Calculator

With this Bulletin, we are announcing that all Mortgages that meet the Program eligibility criteria must be evaluated using the standardized net present value (NPV) test that compares the NPV result for a modification under the Program to the NPV result for not modifying the Mortgage. We have also updated the Guide to reflect the following:

- 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 forbeared. 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 this Program, except as set forth in Section C65.7(c), and the Servicer should review the Borrower for other foreclosure alternatives.

The NPV Calculator has been developed for Servicers 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. A user ID and password are required for access to the NPV Calculator. Servicers must complete and submit the HMP Registration Form, available on the web site, to obtain a user ID and password.

Sections C65.6 and C65.7(c) have been updated to reflect these changes.

Income verification requirements

Stated income requirements

Chapter C65 permits a Servicer to use stated (verbal) income to create and send the Trial Period Plan to the Borrower and requires that the Borrower’s verified income be within a tolerance of plus or minus 10% of the income data used to calculate the proposed Trial Period Payment. With this Bulletin, we revised those requirements to require the following:

- If the verified income 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 the Program 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 the verified income is 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 C65.6(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 the Program 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. At that point the Servicer must explore other foreclosure alternatives with the Borrower.

Section C65.6 has been updated to reflect this change.
Income documentation requirements

Income documentation requirements have been revised as follows:

- Use of non-Borrower household income is permitted if documentation supporting it is voluntarily provided by the Borrower
- Additional guidance has been added regarding when Form 4506-T, Request for Transcript of Tax Return, must be processed
- Eliminated the requirement that for self-employed Borrowers, the profit and loss statement be prepared by a third party
- Revised the requirements for documenting the following:
  - Social security, disability or death benefits, or pension to reflect, among other things, that the Servicer must determine that the income will continue for at least three years
  - Alimony, child support or separate maintenance payments to reflect that the Servicer must determine that the income will continue for at least three years
  - Public assistance or unemployment income to reflect that the Servicer must determine that the income will continue for at least nine months

Section C65.6 has been updated to reflect this change

Definition of Interest Rate Cap

We revised the definition of Interest Rate Cap to reflect that 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.

Sections C65.1 and C65.6 have been updated to reflect this change

Responding to the Trial Period Plan offer package

We revised the time frame within which the Borrower must respond to the Trial Period Plan offer package from 14 days to 30 days from the date the Servicer sends the offer package to the Borrower. This date is the Offer Deadline, and is the date the Servicer must insert in the Trial Period Plan.

Sections C65.1 and C65.7 have been updated to reflect this change. We also updated Section C65.7 to reflect that 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.

Credit Bureau reporting requirements

Section C65.7(b) has been updated to reflect that Servicers must continue to report a “full-file” status report to the four major credit repositories based on the following:

- For Borrowers that 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
- For Borrowers that 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 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 Consumer Data Industry Association.
Collateral valuation requirements

We have revised the collateral valuation requirements to reflect that the property valuation used for input into the NPV Calculator and for purposes of determining the Mark-to-Market LTV Ratio may not be more than 90 days old, instead of 60, from the date the Servicer first determines Borrower eligibility. Section C65.6 has been updated to reflect this change.

Eligibility requirements

Program eligibility requirements have been revised to include the following changes to Mortgage eligibility and occupancy:

- With respect to the eligibility of FHA, VA and RHS Mortgages to be modified under the Program, Servicers must comply with guidance issued by the relevant agency.

- Servicers must validate that the Borrower is occupying the property as a Primary Residence, by using the Borrower’s most recent signed federal income tax return (or transcript of the tax return obtained from the Internal Revenue Service), 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 for the subject property in the Borrower’s name).

Section C65.4 has been revised to reflect this change.

Verifying installment debt and other expenses

We have revised the requirements for verifying installment debt and other expenses that must be included in the calculation of the Borrower’s total monthly debt payment-to-income ratio. The changes include the following:

- For any installment 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.

- For payments on a Home Equity Line of Credit (HELOC), the payment on the 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.

Section C65.6 has been revised to reflect these changes. We also revised the credit report requirements to provide that the Servicer must obtain a credit report dated within 90 days, instead of 60, of the date the Servicer first determines Borrower eligibility for each Borrower (or a joint report for a married couple who are co-Borrowers).

Program incentive requirements

Section C65.9 has been updated to reflect additional guidance with respect to Program incentive payments and that the Servicer “pay for success” fee and the Borrower “pay for performance” fee will be paid if the Borrower’s modified monthly payment results in at least a 6% reduction in the monthly Mortgage payment used to determine eligibility.

Transfer of Servicing requirements

Section C65.8 has been revised to reflect that when a Transfer of Servicing includes Mortgages modified under the Program, the Transferor Servicer must notify the Transferee Servicer that such Mortgages are a part of the transferring portfolio and must confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of these Mortgages.
Reporting data to Fannie Mae in its capacity as financial agent for Treasury

All Servicers are required to register with Fannie Mae in its capacity as financial agent for Treasury ("Financial Agent") and provide periodic Program loan level data to the Financial Agent. To register, Servicers must complete and submit the HMP Registration Form, which is available at http://www.HMPadmin.com (This is the same form that must be completed for access to the NPV Calculator.)

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

Section C65.11 has been revised to incorporate the data reporting requirements and to provide detail on the manner in which the data must be provided. In addition, Servicers should review the information available at http://www.HMPadmin.com with respect to these reporting requirements.

Compliance Agent

Treasury has selected Freddie Mac to serve as its Compliance Agent for the Program. We have created new Section C65.15 to incorporate requirements provided by the Compliance Agent, which include, but are not limited to, the following:

- Servicers must document the execution of loan evaluation, loan modification and accounting processes
- Servicers must develop and execute a quality assurance program
- Required scope of the compliance assessments for both on-site and remote assessments

Section C65.15 may be updated from time to time based on input received from the Compliance Agent.

Program documentation

We are providing additional instructions with respect to authorized changes for the Modification Agreement. Section C65.7(d) (formerly Section C65.7(e)) has been updated with these instructions and the authorized changes for the Trial Period Plan, which we announced in Bulletin 2009-8.

We also updated Section C65.2 to add instructions regarding the execution of Program documentation.

Previously announced changes

We have updated the Guide to reflect the following changes previously announced in Bulletin 2009-8:

- Updated Section C65.4 to reflect that the Borrower must currently have a monthly housing expense-to-income ratio greater than 31% to be eligible for the Program
- Updated Section C65.6 to reflect that a Mortgage may not be modified under the Program based on capitalization of arrears only. (As noted in Bulletin 2009-8, Borrowers may be considered for a modification based on capitalization of arrears only in accordance with Chapter B65 and other agreements between Freddie Mac and the Servicer)
- Changed the name of the Workout Plan to Trial Period Plan throughout Chapter C65
- Updated Section C65.2 to incorporate Form 1119, HMP Counseling Referral Letter, and Form 1125, HMP Special Inspector General Troubled Asset Relief Program (SIGTARP) Fraud Notice, into the list of Program documents in Section C65.2 and provided requirements with respect to the required use of both forms. We have also updated Section C65.2 to add Freddie Mac Form numbers for the various Program documents that are not Uniform Instruments.
- Incorporated the requirements for co-branding and the use of the Making Home Affordable logo in Section C65.2
- Updated Section C65.6 to reflect the revised fax number for Servicers to use when referring a Mortgage to Freddie Mac when the Target Payment cannot be achieved. In addition, with this Bulletin we updated that section to include other additional information with respect to such referrals.

REMINDER

As announced on March 4, 2009 and in Bulletin 2009-6, Servicers should suspend foreclosure sales on owner-occupied properties where the Borrower may be eligible for a modification under the Program.

For Mortgages eligible for the Program, the Servicer must not complete foreclosure sales until the Servicer has completed efforts to contact the Borrower and has determined that either (i) the Borrower is unresponsive or (ii) the Borrower does not have the capacity or willingness to participate in the Program or any other Freddie Mac workout program.

For Mortgages that are ineligible for the Program, Servicers must determine on a case-by-case basis whether additional foreclosure relief should be extended to allow time for another alternative to foreclosure to be completed or whether the Servicer should proceed with the foreclosure sale.

CONCLUSION

Revised Chapter C65, Home Affordable Modification Program, has been posted on FreddieMac.com and will be updated in the Guide on AllRegs. Once updated in AllRegs, Servicers should refer to the Guide Chapter C65, not the version on FreddieMac.com, for the most current Program requirements.

Freddie Mac remains focused on assisting troubled Borrowers with Freddie Mac-owned Mortgages avoid preventable foreclosure. The changes announced in this Bulletin are part of our ongoing efforts to promote sustainable homeownership and stabilize communities and neighborhoods across the nation.

If after reviewing this Bulletin you have any questions about the Program or Freddie Mac’s role in the Program, please contact your Freddie Mac representative or call (800) FREDDIE.

Sincerely,

[Signature]

Patricia J. McClung
Vice President
Offerings Management