



Streamlined Modification Program

An efficient workout solution to help borrowers avoid foreclosure.

On March 4, 2009, the Administration announced a new loan modification initiative, the Home Affordable Modification Program. With this announcement, Servicers should no longer accept new applications for mortgage modifications under the Streamlined Modification Program. Servicers should also no longer solicit borrowers for a modification under the Streamlined Modification Program, and should instead begin to solicit eligible delinquent borrowers who are 31 or more days delinquent for a modification under the [Home Affordable Modification Program](#).

> Borrower Profile

- Borrowers must own and occupy their property as a Primary Residence.
- Borrowers must have missed three or more monthly mortgage payments.
- There must be affirmation of financial hardship.
- Borrowers may be in foreclosure, but may not be in active bankruptcy or in pending litigation regarding the mortgage.

> Key Features

- Streamlined modification provides a sustainable long-term solution for defaulted borrowers.
- Borrowers are required to remit the proposed affordable payment for a three-payment trial period prior to the modification of the mortgage.
- Program is effective for mortgages originated on or before January 1, 2008.

STREAMLINED MODIFICATION PROGRAM OBJECTIVE

To create an affordable first mortgage monthly payment of no more than 38% of the household's monthly gross income.

PROGRAM QUALIFICATION

Reason for Default	<ul style="list-style-type: none"> ▪ Borrower demonstrates hardship or change in financial situation by documenting income and signing hardship affidavit.
Eligible Property Types	<ul style="list-style-type: none"> ▪ 1-unit primary residence, including condominiums, PUDs and Leasehold Estates.
Eligible Mortgages	<ul style="list-style-type: none"> ▪ Freddie Mac-owned conventional mortgages, including Conforming Jumbo and other mortgages sold under negotiated purchase documents. ▪ 1-unit, owner-occupied, single-family primary residences, including condos, cooperatives and manufactured homes. ▪ The property cannot be abandoned, vacant, condemned or in a state of disrepair.
Loan and Property Value	<ul style="list-style-type: none"> ▪ Mark-to-market (MTM) LTV \geq 90% (ratio of payoff to current value), which includes all amounts to be capitalized (<i>a.k.a.</i> indebtedness-to-value). ▪ Subordinate financing not considered in PITIA calculation or MTM LTV ratio. ▪ Requires property value no more than 90 days old at time of the modification offer.
Borrower Eligibility Requirements	<ul style="list-style-type: none"> ▪ Borrowers who have missed three or more monthly mortgage payments. ▪ Affirmation of financial hardship. ▪ Borrowers who may be in foreclosure, but may not be in active bankruptcy or in pending litigation involving the mortgage.

DOCUMENTATION

Income	<ul style="list-style-type: none"> ▪ Most recent pay stub or salary voucher. ▪ For a self-employed borrower, complete signed federal income tax return for the previous year or year-to-date profit and loss statement that at a minimum reflects the last full quarter's information. ▪ Documentation must not be more than 90 days old as of the date of the modification offer. ▪ Verified monthly gross income must support the stated income within a tolerance of \pm 10%.
Credit Bureau Report	<ul style="list-style-type: none"> ▪ Not required
Timing for Modification of Documents	<ul style="list-style-type: none"> ▪ Borrower has 14 days from mailing of the loan modification package to complete, sign and return the modification agreement, hardship affidavit, income documentation, first payment due under the trial period terms and any applicable executed disclosures.

MODIFICATION STRUCTURE

Definition of PITIA	<ul style="list-style-type: none"> ▪ Principal ▪ Interest ▪ Taxes ▪ All property-related insurance premiums (homeowner's insurance, mortgage insurance, hazard insurance) ▪ Association fees (HOA/condominium fees)
Escrows	<ul style="list-style-type: none"> ▪ Escrows are required. ▪ Association fees are not included in escrow. ▪ Borrower may remit any escrow deficiency as a lump sum payment or over a 60-month period. The deficiency may not be capitalized in the UPB. ▪ Previous advances by the Servicer to pay property taxes or insurance premiums that were due and payable or advances that will be paid for taxes and insurance premiums that fall due during the trial period must be capitalized in the UPB as part of the qualification process for the new payment and terms.

Modification Process	<ul style="list-style-type: none"> ▪ Use borrower's monthly gross income, or net income x 125% if gross income is not available. ▪ Calculate the maximum affordable payment of no greater than 38% of monthly household gross income. ▪ Solve for new monthly affordable payment using the following sequential steps until the 38% PITIA-to-income ratio is achieved: <ul style="list-style-type: none"> ▪ Capitalize arrearage and then calculate a new monthly payment using the new UPB, the current note rate on the mortgage, and the remaining term to maturity. If an affordable payment is achieved, fix the interest rate permanently at the current note rate. ▪ Extend amortization term up to a maximum of 480 months from the modification date. ▪ Reduce interest rate in decrements of 0.125% to no lower than 3.0%. If the modified interest rate is below the lower of the current note rate or the market rate, a 5-year fixed rate with yearly rate increases of no more than 1% per year to a maximum of the lower of the current note rate or market rate in effect at the time the modification documents are prepared. Thereafter, the rate will remain fixed. ▪ Forebear principal, so that the interest bearing principal is not less than 100% MTM LTV, including capitalized amounts. Deferred principal will not be subject to interest and requires an additional balloon payment due upon sale, payoff or maturity. Deferred principal will be non-interest bearing and non-amortizing, and paid as an additional balloon payment due upon sale, payoff, or maturity. ▪ If PITIA-to-income ratio of no more than 38% cannot be achieved, borrower does not qualify for this program. Servicer must explore other foreclosure alternatives.
Additional Terms	<ul style="list-style-type: none"> ▪ May capitalize accrued interest, amounts advanced for past due real estate taxes and insurance premiums (and advances for taxes and insurance premiums that fall due during the trial period), and delinquency charges paid to third parties. ▪ Unpaid late fees waived. ▪ No negative amortization. ▪ Principal write-down not permitted. ▪ The UPB may exceed Freddie Mac's conforming loan limit as a result of the modification.
TRIAL PERIOD (3 MONTHS)	
Servicer Reporting and Remitting	<ul style="list-style-type: none"> ▪ Temporarily suspend foreclosure activities during pendency of modification offer, during ongoing negotiations with a potential SMP candidate, and during the trial period and cease foreclosure activities upon successful completion of trial period. ▪ Place borrower payments in suspense until total payments comprise one full payment under the original mortgage terms. ▪ Follow existing process to advance scheduled principal and interest to Freddie Mac. ▪ Report to Freddie Mac as a forbearance using default action code 09-Forbearance. ▪ Report to credit agencies using standard process for loans on forbearance.
Borrower Payments	<ul style="list-style-type: none"> ▪ Borrower must make three monthly payments at the modified payment amount during the trial period prior to the modification of the mortgage taking effect. ▪ If borrower fails to successfully complete trial period, payments made during this period are applied in accordance with the terms of the existing mortgage; payments are not returned to the borrower.
FEES	
Fees Paid by Borrower	<ul style="list-style-type: none"> ▪ No modification-related fees charged to the borrower. ▪ No cash contribution required, unless borrower elects to fund the escrow deficiency in a lump sum. ▪ Borrower's mortgage insurance premium rate should not change due to loan modification, however, Borrower's premium may be calculated against the total modified principal balance. Check with your mortgage insurance company.
Fees Paid by Servicer	<ul style="list-style-type: none"> ▪ Notary, recordation, property value and other required fees. ▪ May request reimbursement for certain modification costs that would otherwise be paid by borrower.
Servicer Compensation	<ul style="list-style-type: none"> ▪ \$800 paid upon successful completion of the borrower's trial period and modification process.

Learn more about the Streamlined Modification Program:

- Call (800) FREDDIE
- Visit http://www.freddiemac.com/singlefamily/service/streamlined_modification.html

Servicer understands that this document may not incorporate every requirement under, and is not to be relied on as a replacement or substitute for, the information contained in the *Single-Family Seller/Servicer Guide* (Guide) or Guide Bulletin. Servicer is responsible for complying with the requirements of the Guide and relevant Guide Bulletins(s), notwithstanding the extent to which they may be inconsistent with this document. Refer to Chapter J33 of the *Single-Family Seller/Servicer Guide*.