



Making Home AffordableSM Program
Handbook for Servicers of Non-GSE Mortgages

Version 2.0
As of September 22, 2010

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FOREWORD

In February 2009, the Obama Administration introduced the Making Home Affordable Program, a plan to stabilize the housing market and help struggling homeowners get relief and avoid foreclosure. In March 2009, the Treasury Department (Treasury) issued uniform guidance for loan modifications across the mortgage industry and subsequently updated and expanded that guidance in a series of policy announcements.

The Making Home Affordable Program Handbook for Servicers of Non-GSE Mortgages (Handbook) is intended to provide a consolidated resource for programmatic guidance related to the MHA Program for mortgage loans that are not owned or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Mortgages). Servicers of mortgage loans that are owned or guaranteed by Fannie Mae or Freddie Mac should refer to any relevant guidance issued by the applicable GSE.

This Handbook incorporates and supersedes in their entirety the following Supplemental Directives (SDs), as well as related frequently asked questions (FAQs) and waivers: SD 09-01; 09-02; 09-03; 09-04; 09-06; 09-07; 09-08; 09-10; 10-01; 10-02; 10-03; 10-04; and 10-10. In addition, this Handbook incorporates and supersedes in its entirety the guidance set forth in SD 10-05 under the headings “Servicer Safe Harbor” and “Treatment of Principal Forbearance in HAMP.” Should a servicer identify a discrepancy between this Handbook and a previously issued SD, FAQ or waiver, the servicer should rely on the guidance in this Handbook. Unless otherwise noted, each reference to a “Section” in a Chapter of this Handbook is a reference to the applicable Section of that Chapter.

This Handbook will be expanded in the near future to include policy guidance on related programs, including the Home Affordable Foreclosure Alternatives Program, the Second Lien Modification Program and Principal Reduction Alternative. Until such expansion, the relevant SDs, FAQs and waivers apply, and any references in such documents to guidance that has been incorporated into this Handbook are deemed to refer to the applicable Chapter and Section of this Handbook containing such guidance. This Handbook constitutes Program Documentation under the Servicer Participation Agreement and is incorporated by reference into the Servicer Participation Agreement.

This Handbook will be updated periodically with new policy or procedural changes as they are announced. Questions about the Handbook or compliance with Handbook guidance should be referred to the Program Administrator and the Compliance Agent, respectively. Fannie Mae serves as the Program Administrator and Freddie Mac serves as the Compliance Agent, each in its capacity as financial agent of the United States (as designated by Treasury).

OVERVIEW

Chapter I: Making Home Affordable Program

General guidance regarding the Making Home Affordable (MHA) Program. The guidelines set forth in this Handbook apply to all eligible Non-GSE Mortgages secured by one- to four-unit owner-occupied single-family properties.

Chapter II: Home Affordable Modification Program

The Home Affordable Modification Program (HAMP), a national mortgage modification program, provides eligible borrowers the opportunity to modify their first lien mortgage loans to make them more affordable. Under HAMP, servicers apply a uniform loan modification process to provide eligible borrowers with affordable and sustainable monthly payments for their first lien mortgage loans. Affordability is achieved through the application of interest rate reduction, term extension, principal forbearance and principal forgiveness.

Chapter III: Home Affordable Unemployment Program

The Home Affordable Unemployment Program (UP) provides assistance to borrowers who are unable to make their mortgage payments as a result of unemployment. UP grants qualified borrowers a forbearance period of at least three months, during which mortgage payments are reduced or suspended, allowing borrowers to seek employment without the fear that they will lose their homes to foreclosure.

Chapter IV: Home Affordable Foreclosure Alternatives Program

The Home Affordable Foreclosure Alternatives (HAFA) Program provides opportunities for borrowers to transition to more affordable housing through a short sale or deed-in-lieu (DIL) of foreclosure when they can no longer afford to stay in their home but want to avoid foreclosure. HAFA provides financial incentives to servicers, investors, and borrowers that utilize a short sale or a DIL to avoid a foreclosure on a HAMP-eligible loan.

This Handbook does not currently include policy guidance regarding HAFA, but it will be expanded to include such guidance in the near future. Until such time, servicers should comply with SD 09-09 Revised as well as any related FAQs and waivers.

Chapter V: Second Lien Modification Program

The Second Lien Modification Program (2MP) is designed to work in tandem with HAMP to offer borrowers with second mortgage liens even greater affordability. Under 2MP, when a borrower's first lien is modified under HAMP and the servicer of the second lien is a 2MP participant, that servicer must offer to modify the borrower's second lien according to a defined protocol and/or to accept a lump sum payment from Treasury in exchange for full or partial extinguishment of the second lien. All servicers of eligible second lien Non-GSE Mortgages may participate in 2MP. A servicer need not service the related first lien or participate in HAMP in order to participate in 2MP.

This Handbook does not currently include policy guidance regarding 2MP, but it will be expanded to include such guidance in the near future. Until such time, servicers should comply with SD 09-05 Revised as well as any related FAQs and waivers.

Chapter VI: Government Loans

Mortgage loans insured or guaranteed by a federal government agency, such as the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA) or the Department of Agriculture's Rural Housing Service (RHS), are eligible for modification under HAMP to the extent the applicable agency has issued HAMP guidance.

FHA announced FHA-HAMP to provide assistance to borrowers with FHA-insured loans who are unable to meet their mortgage payments. Treasury FHA-HAMP provides pay-for-performance compensation for borrowers and pay-for-success compensation to servicers for FHA-insured first

lien Non-GSE Mortgages that are modified under FHA-HAMP on or after August 15, 2009. For specific guidance related to eligibility, underwriting and administration of FHA-HAMP, servicers should consult the guidance issued by FHA in Mortgagee Letter 2009-23 and other existing or future guidance issued by FHA.

RHS announced Special Loan Servicing to provide assistance to borrowers with Single Family Housing Guaranteed Loan Program loans who are unable to meet their mortgage payments. RD-HAMP provides pay-for-performance compensation for borrowers and pay-for-success compensation for servicers for RHS-guaranteed first lien Non-GSE Mortgages that are modified under Special Loan Servicing on or after September 24, 2010. For specific guidance related to eligibility, underwriting and administration of Special Loan Servicing, servicers should consult the final rule published by RHS (75 Fed. Reg. 52,429 (August 26, 2010)) (Final Rule) and other existing or future guidance issued by RHS.

VA announced VA-HAMP to provide assistance to borrowers with VA guaranteed loans who are unable to meet their mortgage payments. Treasury does not provide incentive compensation related to VA-HAMP. For specific guidance related to eligibility, underwriting and administration of VA-HAMP, servicers should consult the guidance issued by VA in Circular 26-10-6 and other existing or future guidance issued by VA.

Supplemental Directives

For reference purposes, a list of the SDs incorporated in and superseded by the guidance in this Handbook is provided in the following table.

SD	Issue Date of SD	Effective Date of SD	Title of SD
09-01	April 6, 2009	April 6, 2009	Introduction to the Home Affordable Modification Program
09-02	April 21, 2009	April 21, 2009	Fair Housing Obligations Under the Home Affordable Modification Program
09-03	July 6, 2009	July 6, 2009	Trial Period Guidance
09-04	July 31, 2009	September 1, 2009	Home Price Decline Protection Incentives
09-06	September 11, 2009	December 1, 2009	Data Collection and Reporting Requirements Guidance
09-07	October 8, 2009	October 8, 2009/ March 1, 2010	Streamlined Borrower Evaluation Process
09-08	November 3, 2009	January 1, 2010	Borrower Notices

SD	Issue Date of SD	Effective Date of SD	Title of SD
09-10	December 23, 2009	December 23, 2009	Temporary Review Period for Active Trial Modifications Scheduled to Expire on or before January 31, 2010
10-01	January 28, 2010	June 1, 2010	Program Update and Resolution of Active Trial Modifications
10-02	March 24, 2010	June 1, 2010	Borrower Outreach and Communication
10-03	March 26, 2010	August 15, 2009	Modifications of Loans Insured by the Federal Housing Administration (FHA)
10-04	May 11, 2010	August 1, 2010	Home Affordable Unemployment Program
10-10	September 17, 2010	September 24, 2010	Modifications of Loans Guaranteed by the Rural Housing Service

Website Resources

For Non-GSE Mortgages, key servicer documents and tools relating to the MHA Program are housed and maintained on www.HMPAdmin.com. The site provides general guidelines and overview documents available to the public as well as secure access to core tools and documents needed to implement the MHA Program.

For GSE-specific information, servicers should refer to the:

- Fannie Mae Website (www.efanniemae.com) for Fannie Mae loans, or
- Freddie Mac Website (www.freddiemac.com) for Freddie Mac loans.

Servicer Support

For questions regarding:	Contact:
<ul style="list-style-type: none">• Supplemental Directives, policy clarifications, and loan-level questions for Non-GSE Mortgages• All reporting to Treasury for Non-GSE Mortgages	HAMP Solution Center: support@hmpadmin.com 1-866-939-4469 9:00 a.m. to 9:00 p.m. ET, Monday through Friday



Chapter I

Making Home Affordable Program (MHA)

1 SERVICER PARTICIPATION IN MHA

1.1 Servicer Participation Agreement

To participate in MHA for Non-GSE Mortgages, the servicer must register and execute a Servicer Participation Agreement, related documents, and, if applicable, one or more Service Schedules (SPA) with the Program Administrator on or before October 3, 2010. The SPA governs servicer participation in MHA for all Non-GSE Mortgages.

The entity that has the direct contractual obligation to the investor to perform the servicing functions is the entity that will formally elect to participate in MHA by signing the SPA. This entity will sign the SPA regardless of whether (i) it has engaged one or more subservicers to perform some or all of the servicing functions on its behalf or (ii) it is subject to oversight by a master servicer that does not have a direct contractual obligation to the investor to perform the servicing functions. If the entity that signed the SPA sub-contracts out any portion of its responsibilities as a servicer to another party, the entity that signed the SPA will be liable for the acts and omissions of the sub-contracted party under the SPA.

MHA reflects usual and customary industry standards for mortgage loan modifications, short sales and DILs contained in typical servicing agreements, including pooling and servicing agreements (PSAs) governing private label securitizations. Participating servicers are required to consider all eligible mortgage loans for Services (as defined in the SPA) unless prohibited by the rules of the applicable PSA and/or other investor servicing agreements. As further described in Section 1.3, participating servicers are required to use reasonable efforts to remove any prohibitions and obtain waivers or approvals from all necessary parties in order to carry out the requirements of the SPA.

1.2 Servicer Safe Harbor


As part of Helping Families Save Their Homes Act of 2009 (HFSTHA), Congress established the Servicer Safe Harbor by amending the Truth in Lending Act for the purpose of providing a safe harbor to enable such servicers to modify and refinance mortgage loans under a “qualified loss mitigation plan.” Treasury has determined that each residential loan modification under HAMP (including Principal Reduction Alternative modifications) and 2MP, as well as each short sale and deed-in-lieu of foreclosure under HAFA, is a “qualified loss mitigation plan” as defined in the Servicer Safe Harbor. In addition, Treasury anticipates that the “FHA Program Adjustments to Support Refinancings for Underwater Homeowners,” which were previously announced by Treasury on March 26, 2010, will also constitute a “qualified loss mitigation plan” as defined in the Servicer Safe Harbor.

1.3 Investor Solicitation

Within 90 days of executing a SPA, the servicer must review all servicing agreements to determine investor participation in HAMP. Within 30 days of identifying an investor as a non-participant, the servicer must contact the investor in writing at least once, encouraging the investor to permit modifications under HAMP.

Servicers that executed a SPA prior to March 24, 2010 must, by July 30, 2010, have provided to the Program Administrator an Investor Participation List containing the following information: (1) the number of investors for whom it services loans; (2) a list of those investors who do not participate in HAMP; and (3) the number of loans serviced for each investor that does not participate in HAMP.

Participating servicers that execute a SPA after March 24, 2010 must provide the Investor Participation List to the Program Administrator within 120 days of SPA execution.



Servicers are required to notify the Program Administrator of changes to the Investor Participation List within 30 calendar days of any change.

1.4 Transfers of Servicing

When a participating servicer transfers or assigns mortgage loans, or servicing rights relating to mortgage loans, that constitute Eligible Loans pursuant to the SPA, the transferee servicer must assume the transferor's obligations under the SPA with respect to the transferred Eligible Loans. A transferring servicer may not use a transfer to circumvent its existing obligations under the SPA. If the transferee servicer has signed its own SPA, the Eligible Loans involved in the transfer become subject to the transferee servicer's SPA. If a transferee servicer has not signed its own SPA, it will be required to execute an assignment and assumption agreement, the form of which is attached as an exhibit to the SPA.

A servicer may transfer an Eligible Loan free and clear of all SPA obligations only if one of the five circumstances set forth in Section 3.1 of Chapter II exists with respect to such loan, and any applicable response period has elapsed, unless a borrower with continued eligibility requests consideration prior to the effective date of the servicing transfer. The transferee servicer is not required to execute an assignment and assumption agreement in order to transfer such loans.

All incentive payments made after successful completion of the trial period will be made to the servicer of record, as indicated on the records of the Program Administrator for Treasury. When negotiating a servicing transfer, the transferor servicer and the transferee servicer should make arrangements as appropriate to account for incentive payments accordingly.

1.5 Program Participation Caps

The amount of funds available to pay servicer, borrower and investor compensation in connection with each servicer's Services are capped pursuant to each servicer's SPA (Program Participation Cap). Treasury establishes each servicer's initial Program Participation Cap using an allocation methodology by estimating the number of Services expected to be performed by each servicer during the term of the SPA. The Program Participation Cap can be adjusted based on Treasury's full book analysis of the servicer's loans.

The funds remaining available for Services under a servicer's Program Participation Cap are reduced by the maximum amount of projected compensation payments potentially payable with respect to each Service. In the event the compensation actually paid with respect to a Service is less than the maximum amount of compensation payments potentially payable, the funds remaining available for a servicer's Services under the SPA are increased by the difference between such amounts.

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

1.6 Compliance with Applicable Laws

Each servicer and any sub-servicer that the servicer uses will be subject to and must fully comply with all federal, state, and local laws, including statutes, regulations, ordinances, administrative rules and orders that have the effect of law, and judicial rulings and opinions including, but not limited to, the following laws that apply to any of its practices related to HAMP.

Law	Description
Section 5 of the Federal Trade Commission Act	Prohibits unfair or deceptive acts or practices
The Equal Credit Opportunity Act (ECOA) and the Fair Housing Act	Prohibits discrimination on a prohibited basis in connection with mortgage transactions
The Real Estate Settlement Procedures Act (RESPA)	Imposes certain disclosure requirements and restrictions relating to transfers of the servicing of certain loans and escrow accounts
The Fair Debt Collection Practices Act	Restricts certain abusive debt collection practices by collectors of debts, other than the creditor, owed or due to another
Fair Lending Laws	Ensure that servicers and lenders do not treat a borrower less favorable on grounds, such as race, religion, national origin, gender, marital or familial status, age handicap, or receipt of public assistance income in connection with any loan modification. These laws also prohibit red-lining.
Fair Credit Reporting Act	Regulates the collection, dissemination, and use of consumer information, including consumer credit information

2 Compliance

Treasury has engaged Freddie Mac as the Compliance Agent for the elements of MHA that are addressed in this Handbook. Freddie Mac has created an independent division, Making Home Affordable-Compliance (MHA-C) for this purpose. MHA-C conducts independent compliance assessments and servicer reviews to evaluate servicer compliance with the requirements of MHA.

2.1 Compliance Assessments

MHA-C conducts the following types of assessments:

- On-site Readiness, Governance, and Implementation reviews
- Remote and On-Site Loan File Reviews
- NPV Reviews
- Program Disbursement Reviews
- Targeted and Follow-Up Reviews

The scope of the compliance assessments includes but is not limited to the following:

- Consideration of Borrower and Property Eligibility
- Underwriting Guidelines
- NPV/Waterfall processes
- Borrower Incentive Payments
- Investor Subsidy Calculations
- Data Integrity and Accuracy of Servicer Reporting
- Content and Distribution of Borrower Notices
- Complaint and Escalation Management

- Servicer Quality Assurance processes
- Internal control design, effectiveness, and assessments

For on-site reviews, MHA-C will strive to provide the servicer with 30 days' advance notice, but reserves the right to arrive unannounced. During the course of conducting compliance assessments, MHA-C will request such documentation, policies, procedures, loan files, and other materials necessary to conduct the review. As specified in the SPA, servicers are required to provide MHA-C with the documentation requested. Upon completing an assessment, MHA-C will provide the servicer with preliminary results as soon as possible in order to ensure that all relevant information has been considered.

2.2 Documentation

Servicers are required to maintain appropriate documentary evidence of their MHA-related activities, and to provide that documentary evidence upon request to MHA-C. Servicers must maintain required documentation in well-documented servicer system notes or in loan files for all MHA activities, for a period of seven years from the date of the document collection. Required documentation includes but is not limited to:

- Any internal or external materials developed by the servicer such as training materials, reports, memoranda, or other documentation.
- All policies and procedures related to the servicer's customer service hotline and escalations process and where applicable, reference the servicer's associated policies and procedures for modifying loans held in their own portfolio.
- Evidence of assessment of investor willingness to participate in MHA programs and any specific outreach to investors or attempts to obtain waivers on either a portfolio or loan-by-loan basis, including copies of any contracts with investors relied upon in denying modifications. This should include, where applicable, documentation relating to specific parameters or limitations on participation required by investors for steps in the waterfall.
- The servicer's process for pre-screening non-performing loans against the basic program requirements prior to referring any loan to foreclosure or conducting scheduled foreclosure sales.
- Documentation of all communications, solicitations and Borrower Notices, whether verbal (e.g., phone contact) or written (e.g., email), with or to the borrower or trusted advisor. Appropriate documentation includes, but is not limited to, the dates of communications, names of contact person(s), and a summary of the conversation.
- Evidence of postponement of scheduled foreclosure sales in applicable scenarios as outlined in Section 3 of Chapter II.
- All documents and information received during the process of determining borrower eligibility, including:
 - Evidence of receipt of the Initial Package;
 - Borrower income verification;
 - Total monthly mortgage payment calculations;
 - Total monthly gross debt payment calculations;
 - NPV calculations (assumptions, inputs and outputs);
 - Evidence of application of each step of the standard waterfall;
 - Escrow analysis;
 - Escrow advances; and
 - Escrow set-up.
- Substitution of income documents for borrowers in active Chapter 7 or Chapter 13 bankruptcy.
- All policies and procedures related to the servicer's policies and procedures for modifying loans held in their own portfolio when relied upon in the decision-making process or when applying good business judgment.

- All documents and information related to the terms of the TPP Notice as well as the borrower's performance and monthly payments during the trial period.
- Waiver of the TPP for borrowers in active Chapter 13 bankruptcies.
- The outcome of each evaluation for modification in addition to the specific justification and the supporting details if the request for modification was denied. Records must be retained to document the reason(s) for a trial modification failure.
- All documents and information related to the terms of the permanent modification as well as the borrower's performance and monthly payments to retain good standing.
- Written policies and procedures relating to UP forbearance plans, including:
 - Determining eligibility for the program including: unemployment status; any requirement for receipt of unemployment benefits prior to commencement of the forbearance period; duration and status of unemployment benefits; waiver of the 31 percent mortgage payment ratio threshold; and forbearance term extension criteria;
 - Determining any borrower eligibility recertification and re-employment status;
 - Determining when an UP forbearance plan requires a payment and how the payment amount is determined;
 - Canceling any existing HAMP trial modifications determined to be eligible for an UP forbearance plan; and
 - All documents and information related to the servicer's consideration of the borrower for other loss mitigation alternatives.
- All documents and information related to the servicer's consideration of the borrower for other loss mitigation alternatives.
- Certification prior to foreclosure sale as outlined in Section 3.4.3 of Chapter II.
- All documents and information related to receipt and distribution of the borrower, servicer and investor incentive payments.


2.3 Communication of Findings and Results

The targeted time frame for providing the servicer assessment report to the servicer is 30 days after the completion of the review. Treasury will receive a copy of the report five business days prior to the release of the report to the servicer. There will be an issue and resolution appeal process for servicer assessments. Servicers will be able to submit concerns or disputes to an independent quality assurance team within MHA-C.

2.4 Treasury FHA-HAMP and RD-HAMP Compliance

FHA, RHS and Treasury have agreed that each will perform certain compliance activities for loans modified under Treasury FHA-HAMP and RD-HAMP as described in Chapter VI. FHA and RHS, as applicable, will:

- Validate that each modified loan is an eligible mortgage loan under the eligibility criteria set forth in Section 2.1 of Chapter VI and FHA-HAMP Mortgagee Letters or Section 2.2 of Chapter VI and the Final Rule;
- Establish a process to ensure that loans submitted to the HAMP Reporting Tool are properly modified under each of FHA's or RHS's own proprietary modification program requirements and under the requirements of Section 2.1 or Section 2.2 of Chapter VI;
- Notify the Program Administrator if any loans previously entered into the HAMP Reporting Tool are no longer valid under FHA-HAMP or Special Loan Servicing;
- Validate the submission of each such loan to the FHA Single Family Default Monitoring System (SFDMS) or RHS Guaranteed Loan System (GLS); and
- Assess each servicer's compliance with all FHA-HAMP or Special Loan Servicing requirements, as well as such servicer's internal control program under Treasury FHA-HAMP or RD-HAMP.



MHA-C will perform the following compliance activities with respect to Treasury FHA-HAMP and RD-HAMP loans, as applicable:

- Review servicers' cash records to determine if the related FHA-HAMP or Special Loan Servicing loan has been current for the appropriate period of time.
 - If such loan has been current, then MHA-C shall:
 - Calculate the six percent requirement for the servicer pay-for-success compensation and identify and report any discrepancies within the data in the HAMP Reporting Tool;
 - Compare results of the six percent calculation with the Program Administrator's payment record for the servicer and identify and report any discrepancies; and
 - Determine if the borrower pay-for-performance compensation was appropriately applied to the borrower's loan balance; and
 - If such loan was not current, MHA-C will report that loan as a discrepancy.

Each servicer is required to develop, enforce and review on a quarterly basis for effectiveness an internal control program designed to:

- Ensure effective delivery of Services in connection with Treasury FHA-HAMP and/or RD-HAMP and compliance with applicable Treasury FHA-HAMP and/or RD-HAMP documentation, including the FHA-HAMP Mortgagee Letters and the Final Rule and existing or future regulation or guidance issued by FHA or RHS for requirements related to eligibility, underwriting and administration of FHA-HAMP or Special Loan Servicing;
- Detect mortgage loan modification fraud; and
- Monitor compliance with applicable consumer protection and fair lending laws.

The internal control program must include documentation of the control objectives for Treasury FHA-HAMP and/or RD-HAMP activities, the associated control techniques, and mechanisms for testing and validating the controls.

Each servicer is also required to provide FHA or RHS, as applicable, with access to all internal control reviews and reports that relate in whole or in part to modifications under FHA-HAMP or Special Loan Servicing performed by it and any external parties or consultants hired by such servicer to enable FHA or RHS to fulfill its compliance duties.



Chapter II

Home Affordable Modification Program (HAMP)

1 Eligibility

1.1 HAMP Eligibility Criteria

A loan is eligible for HAMP if the servicer verifies that all of the following criteria are met:

First lien	The mortgage loan is a first lien mortgage loan originated on or before January 1, 2009. This includes mortgages secured by: <ul style="list-style-type: none">• Cooperative shares,• Condominium units, and• Manufactured housing (the first lien mortgage loan must secure the manufactured home and the land, both of which must be classified as real property under applicable state law).
Not previously HAMP modified	The mortgage loan has not been previously modified under HAMP. For more information, refer to the Continued Eligibility guidance in Section 1.2.
Delinquent or in imminent default	The mortgage loan is delinquent or default is reasonably foreseeable. Loans currently in foreclosure are eligible.
Owner-occupied, single family property	The mortgage loan is secured by a one- to four-unit property, one unit of which is the borrower's principal residence. Additionally, a loan may be considered for HAMP if: <ul style="list-style-type: none">• The property was originally non-owner occupied, but the servicer can verify that it is currently the borrower's principal residence.• The borrower is temporarily displaced (e.g., military service, temporary foreign service assignment, or incarceration) but was occupying the property as his or her principal residence immediately prior to his or her displacement, intends to occupy the property as his or her principal residence upon his or her return and the current occupant is not a tenant.
Not vacant or condemned	The property securing the mortgage loan is not vacant or condemned.
Financial hardship	A borrower has documented a financial hardship and represented that he or she does not have sufficient liquid assets to make the monthly mortgage payments.
Minimum monthly mortgage payment ratio	The borrower's monthly mortgage payment (including principal, interest, taxes, insurance, and when applicable, association fees) prior to the modification is greater than 31 percent of the borrower's verified monthly gross income.
Escrow account established	The borrower agrees to set up an escrow account for taxes and hazard and flood insurance prior to the beginning of the trial period if one does not currently exist.

Unpaid principal balance limits	The current unpaid principal balance (UPB) of the mortgage loan prior to capitalization is not greater than: <ul style="list-style-type: none"> • 1 Unit \$729,750 • 2 Units \$934,200 • 3 Units \$1,129,250 • 4 Units \$1,403,400
Program cut-off date	The servicer has received a timely first trial period payment from the borrower on or before December 31, 2012.

1.2 Additional Factors Impacting HAMP Eligibility

Certain factors impacting HAMP eligibility are described below:

No waiver of legal rights	The servicer may not require a borrower to waive legal rights as a condition of HAMP.
No up-front contribution	The servicer may not require a borrower to make any “good faith” payment or up-front cash contribution to be considered for HAMP.
Active litigation	A borrower in active litigation regarding the mortgage loan is eligible for HAMP.
Redemption rights following foreclosure	Whether a borrower can qualify for HAMP if the mortgage loan is currently in the redemption period after a foreclosure sale is dependent on the amount of time remaining in the redemption period and other legal requirements of the state in which the property is located. When permissible under state law, the servicer should, on a case-by-case basis, seek investor approval prior to evaluating a borrower for HAMP during a redemption period.
Balloon loans	Balloon loans that have matured or that mature during the HAMP trial period are eligible for HAMP subject to investor guidelines.
Inter vivos Revocable Trust	A loan secured by a property owned by an inter vivos revocable trust is eligible for HAMP as long as the borrower: <ul style="list-style-type: none"> • Is a trustee of the trust, • Is a primary beneficiary of the trust, and • Occupies the property as his or her principal residence. <p>The borrower must sign all HAMP-related documents in both an individual capacity and as trustee of the inter vivos revocable trust.</p>
Subordinate Liens	HAMP does not require extinguishment of subordinate lien instruments as a condition of modification. However, servicers must follow investor guidance to ensure first lien priority.
HUD Counseling	Borrowers with back-end ratios of 55 percent or more must agree in writing to obtain HUD-approved counseling as a condition of receiving a permanent modification, even if they recently completed counseling. See Section 6.7 for more information.

Continued Eligibility	<p>A borrower who has been evaluated for HAMP, but does not meet the minimum eligibility criteria described in Section 1.1, or who meets the minimum eligibility criteria, but is not qualified for HAMP by virtue of a negative NPV test result, excessive forbearance or other financial reason, may request reconsideration for HAMP at a future time if they experience a change in circumstance.</p> <p>A servicer's obligation to offer the borrower a modification is considered satisfied, and the borrower is not eligible for a subsequent offer, if either (1) the borrower received a modification and lost good standing (as defined in Section 9.4); (2) for TPPs with effective dates on or after June 1, 2010, the borrower received a TPP offer and failed to make one or more payments by the last day of the month in which it was due; or (3) for TPPs with effective dates prior to June 1, 2010, the borrower received a TPP offer and either (i) failed to make all required payments by the end of the trial period, or (ii) failed to provide all required documents by the end of the trial period.</p>
Co-Borrower	<p>An occupying co-borrower may be considered for HAMP if a quitclaim deed evidencing that the non-occupying co-borrower has relinquished all rights to the property has been recorded. Servicers must refer to investor guidance to determine which parties are required to sign the HAMP documents.</p>
Non-Occupant Co-Borrower	<p>Income of both a borrower and co-borrower must be used for HAMP evaluation, even if the co-borrower is not an occupant of the property. Each borrower and co-borrower is eligible for only one HAMP modification even if the co-borrower owns and occupies another property that secures a loan that otherwise would be eligible for HAMP consideration. If a servicer can discern, from review of the RMA or other income documentation, that a non-occupant co-borrower has a loan on his or her principal residence, the servicer should notify the co-borrower that he or she is only eligible for a HAMP modification on one loan. In the event of a failure of a trial modification on a loan where a non-occupant co-borrower's income was used, the co-borrower remains eligible for HAMP consideration on his or her principal residence.</p>
Unemployed Borrower	<p>A borrower who is currently receiving unemployment benefits should be evaluated for the Home Affordable Unemployment Program as set forth in Chapter III.</p>
Borrowers in Bankruptcy	<p>Borrowers in active Chapter 7 or Chapter 13 bankruptcy cases are eligible for HAMP at the servicer's discretion in accordance with investor guidelines, but servicers are not required to solicit these borrowers proactively for HAMP. Notwithstanding the foregoing, such borrowers must be considered for HAMP if the borrower, borrower's counsel or bankruptcy trustee submits a request to the servicer.</p>

<p>First Lien Home Equity Loans and Lines of Credit</p>	<p>Servicers must consider for modification all first lien home equity loans (HELs) and home equity lines of credit (HELOCs) that meet the basic HAMP eligibility criteria so long as the servicer has the:</p> <ul style="list-style-type: none"> • Capability within its servicing system and/or mortgage file to clearly identify the loan as a first lien; and • Ability to establish an escrow for the loan as required by this Handbook. <p>Servicers that have servicing systems that do not provide the required functionality are strongly encouraged to complete system enhancements that will allow modification of first lien HELs and HELOCs.</p> <p>If a servicer utilizes a separate servicing system for first lien mortgage loans other than HELs and HELOCs and would convert the HEL or HELOC to the first lien mortgage system in order to establish an escrow account, then the servicer may wait until the borrower successfully completes the TPP before establishing an escrow account. However, the servicer is still required to include the escrow amount in the trial period payment.</p> <p>Any modification of a first lien HELOC must result in a modified loan that is a fixed rate, fully amortizing loan that does not permit the borrower to draw any further amounts from the line of credit.</p>
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2 Communication and Borrower Notices

2.1 Servicer Requirements

All servicer communications must provide the borrower with clear written information designed to help the borrower understand the modification process in accordance with this Handbook.

Toll Free Phone Number – Servicers must provide a toll-free telephone number where the borrower can reach a representative of the servicer capable of providing specific details about the HAMP modification process. The hours of operation for the toll-free telephone number must be listed.

Adequate Facilities – Servicers must have adequate staffing, written procedures, resources and facilities for receipt, management, retention and retrieval of borrower documents to ensure that borrowers are not required to submit multiple copies of documents.

Cooperation with Authorized Advisors – Servicers must, subject to receipt of written authorization from the borrower, accept information and other required verification documents submitted by a trusted advisor (e.g., HUD-approved housing counseling agencies, non-profit consumer advocacy organizations, legal guardians, powers of attorney or legal counsel) on behalf of a borrower and should use that information to determine HAMP eligibility. Servicers may use written authorization previously received from the borrower or written authorization provided contemporaneously with the submission of the RMA.

The borrower is also considered to have provided written authorization if a copy of a power of attorney, order of guardianship, or other legal papers authorizing a third party to act on behalf of the borrower are provided. Written authorization may be supplanted by the legal documents authorizing a third party to act more generally on behalf of the borrower in cases of disability or borrowers unavailable due to active duty military service.

At their discretion, servicers may pledge any portion of the upfront servicer incentive that is earned in conjunction with a completed HAMP modification to compensate trusted advisors acting on behalf of a borrower, provided that there is no fee charged to the borrower.

Response to Borrower Inquiries – Servicers must have written procedures and personnel in place to provide timely and appropriate responses to borrower inquiries and complaints in connection with HAMP within the timelines specified in this Handbook. These procedures must include a process through which borrowers may escalate disagreements to a supervisory level, where a separate review of the borrower's eligibility or qualification can be performed.

Electronic Mail – Electronic mail may only be sent to an email address provided by the borrower when the borrower has agreed to receive communications electronically. Such email address must be documented in the servicing system and/or mortgage file.

2.2 Borrower Solicitation

Each servicer must have clear and comprehensive internal written policies for identification and solicitation of borrowers who are potentially eligible for HAMP based on information in the servicer's possession. These procedures should follow investor guidelines and comply with all contractual restrictions.

Servicers must pre-screen all first lien mortgage loans where two or more payments are due and unpaid to determine if they meet the following basic criteria for consideration under HAMP:

- One-to-four unit residential property,
- Occupied by the borrower as his or her principal residence,
- Not vacant or condemned,
- Loan originated on or before January 1, 2009,
- UPB does not exceed HAMP limits, and
- Not previously modified under HAMP.

Servicers must proactively solicit for HAMP any borrower whose loan passes this pre-screen, unless the servicer has documented that the investor is not willing to participate in HAMP pursuant to the requirements outlined in Section 1.3 of Chapter I.

Solicitation must include written communication clearly describing HAMP. Use of the form of solicitation letter available on www.HMPAdmin.com shall satisfy this requirement. The servicer's HAMP solicitation may also identify other options potentially available to help the borrower cure the delinquency and retain homeownership.

2.2.1 Reasonable Effort

A servicer is deemed to have made a "Reasonable Effort" to solicit a borrower if over a period of at least 30 calendar days:

- The servicer made a minimum of four telephone calls to the last known phone numbers of record, at different times of the day; and
- The servicer sent two written notices to the last address of record by sending one letter via certified/express mail or via overnight delivery service (such as Federal Express or UPS) with return receipt/delivery confirmation and one letter via regular mail.

Any contact with eligible borrowers, whether by telephone, mail or otherwise, must:

- Advise borrowers that they may be eligible for HAMP;

- Clearly describe the Initial Package that the borrower is required to submit pursuant to the requirements outlined in Section 4, and state what other information the servicer needs to complete the HAMP analysis;
- Provide a toll-free telephone number through which the borrower can reach a servicer representative; and
- Identify any unique requirements the servicer may have established for submission of an Initial Package received later than 30 business days prior to a scheduled foreclosure sale date.

All contact attempts must be documented in the servicing file. If the servicer has documentation evidencing that it satisfied the Reasonable Effort standard for HAMP prior to June 1, 2010, re-solicitation of the borrower is not required.

2.2.2 Right Party Contact

Successful efforts by a servicer to communicate with the borrower or co-borrower about resolution of the delinquency are termed “Right Party Contact” for purposes of this Handbook. If Right Party Contact is established and the borrower expresses an interest in HAMP, the servicer must send a written communication to the borrower via regular or electronic mail that clearly describes the Initial Package, which is required to be submitted by the borrower to request a HAMP modification. The communication should:

- Describe the income evidence required to be evaluated for HAMP;
- Provide the RMA (or other proprietary financial information form substantially similar in content to the RMA and, if necessary, a Hardship Affidavit); and
- Include an Internal Revenue Service (IRS) Form 4506T-EZ (or IRS Form 4506-T, if necessary).

The communication should also include clear language stating that during the HAMP evaluation the home will not: (i) be referred to foreclosure; or (ii) be sold at a foreclosure sale if the foreclosure process has already been initiated. In the communication, the servicer must include a specific date by which the Initial Package must be returned, which must be no less than 15 calendar days from the date of the communication.

If Right Party Contact is established prior to satisfaction of the Reasonable Effort standard, the servicer must continue to take steps to satisfy the Reasonable Effort standard until the Initial Package is submitted by the borrower.

If Right Party Contact is established, but the borrower does not submit an Initial Package, the servicer must resend the Initial Package communication. Again, the servicer must include a specific date by which the Initial Package must be returned, which must be no less than 15 calendar days from the date of the second communication. If the borrower does not respond by providing an Initial Package within the required time period set forth in the second communication, the servicer may determine the borrower to be ineligible for HAMP.

If Right Party Contact is established, but the borrower submits an incomplete Initial Package within the required time period, the servicer must comply with the “Incomplete Information Notice” requirements set forth below in Section 2.3.3. If the borrower does not respond to either the 30-day Incomplete Information Notice or the 15-day Incomplete Information Notice by providing an Initial Package within the required time period, the servicer may determine the borrower to be ineligible for HAMP.

Servicers must acknowledge receipt of the Initial Package within 10 business days per the requirements in Section 4.5 and respond within 30 calendar days with either an Incomplete Information Notice (as outlined in Section 2.3.3), a TPP Notice (as outlined in Section 8.1) or a Non-Approval Notice (as outlined in Section 2.3.2).

2.2.3 Exception to Notice Requirement

The servicer is not required to send an Initial Package if, as a result of discussions with the borrower or based on information in the servicer's possession, the servicer determines that the borrower does not meet the basic eligibility criteria for HAMP as described in Section 1.1 or the servicer determines that the borrower's monthly mortgage obligation (including principal, interest, taxes, insurance and, when applicable, =association fees) is substantially less than 31 percent of the borrower's gross monthly income. Such decision must be documented in the applicable servicing file.

2.3 Borrower Notices

A servicer must send a Borrower Notice to every borrower that has been evaluated for HAMP, but is not offered a TPP, is not offered a permanent modification or is at risk of losing eligibility for HAMP because they have failed to provide required financial documentation. A borrower has been "evaluated" for HAMP using verified information on or after June 1, 2010 if the borrower has submitted an Initial Package to the servicer.

A borrower has been "evaluated" for HAMP using stated information prior to June 1, 2010 if:

- A written request is submitted (either hardcopy or electronic submission) for consideration for a modification that includes, at a minimum, current borrower income and a reason for default or explanation of hardship, as applicable; or
- A verbal request provided sufficient financial and other data to allow the servicer to complete an NPV analysis; or
- A TPP has been offered.

2.3.1 Content of Borrower Notices

The content of the Borrower Notices will vary depending on the information intended to be conveyed or the determination made by the servicer. All Borrower Notices must be written in clear, non-technical language, with acronyms and industry terms such as NPV explained in a manner that is easily understandable.

The model clauses for borrower notices that are set forth in Exhibit A provide sample language that may be used to communicate the status of a borrower's request for a HAMP modification. The model clauses relate to the Not Approved/Not Accepted reason codes set forth in the HAMP Additional Data Requirements Data Dictionary available on www.HMPAdmin.com. Use of the model clauses is optional; however, they illustrate a level of specificity that is deemed to be in compliance with language requirements of this Handbook.

All Borrower Notices must include the following detail:

- A toll-free number that allows the borrowers to reach a representative of the servicer capable of providing specific details about the contents of the Borrower Notice and reasons for a non-approval determination.
- The Homeowners HOPE™ Hotline Number (888-995-HOPE), with an explanation that the borrower can seek assistance at no charge from HUD-approved housing counselors and can request assistance in understanding the Borrower Notice by asking for MHA HELP.
- Any information, disclosures or notices required by the borrower's mortgage documents and applicable federal, state and local law.

2.3.2 Non-Approval Notices

For borrowers not approved for a TPP or permanent HAMP modification, the Non-Approval Notice provides the primary reason(s) for the non-approval. In addition to the information listed in Section 2.3.1, any Non-Approval Notice must also:

- Include a description of other foreclosure alternatives for which the borrower may be eligible, if any, including but not limited to other modification programs, short sale and/or deed in lieu or forbearance.
- Identify the steps the borrower must take in order to be considered for those options.
- If the servicer has already approved the borrower for a foreclosure alternative program, information necessary to participate in or complete the alternative should be included. Whenever a non-government foreclosure prevention option is discussed, the notice should be clear that the borrower was considered but is not eligible for HAMP.

The servicer may not conduct a foreclosure sale within the 30 calendar days after the date of a Non-Approval Notice or any longer period required to review supplemental material provided by the borrower in response to a Non-Approval Notice unless the reason for non-approval is (1) ineligible mortgage, (2) ineligible property, (3) offer not accepted by borrower / request withdrawn, or (4) the loan was previously modified under HAMP.

A model clause describing these rights is provided in Exhibit A. Use of the model clause is optional; however, it illustrates the level of specificity that is deemed to be in compliance with the language requirements of this Handbook.


2.3.2.1 Non-Approval Notice—Negative NPV Result

When the borrower is not approved for a HAMP modification because the transaction is NPV negative, the Non-Approval Notice must include an explanation of the NPV analysis and a list of those input fields noted below with a notice that the borrower may, within 30 calendar days of the date of the notice, request the date the NPV calculation was completed and the values used to populate the following NPV input fields:

- Unpaid balance on the original loan as of [the data collection date]
- Interest rate before modification as of [the data collection date]
- Months delinquent as of [the data collection date]
- Next ARM reset date (if applicable)
- Next ARM reset rate (if applicable)
- Principal and interest payment before modification
- Monthly insurance payment
- Monthly real estate taxes
- Monthly HOA fees (if applicable)
- Monthly gross income
- Borrower's Total Monthly Obligations
- Borrower credit score
- Co-borrower credit score (if applicable)
- Zip Code
- State

The purpose of providing this information is to allow the borrower the opportunity to correct values that may impact the analysis of the borrower's eligibility. Servicers are not required to provide the numeric NPV results or NPV input values not enumerated above.

If the borrower or the borrower's authorized representative requests the specific NPV values verbally or in writing within 30 calendar days from the date of the Non-Approval Notice, the



servicer must provide the requested details to the borrower within 10 calendar days of the request.

If the loan is scheduled for foreclosure sale when the borrower requests the NPV values, the servicer may not complete the foreclosure sale until 30 calendar days after the servicer delivers the NPV values to the borrower. This will allow the borrower time to make a request to correct any values that may have been inaccurate.

Upon written receipt from the borrower of evidence that one or more of the NPV values is inaccurate, the servicer must verify the evidence. If the evidence is accurate, material and likely to change the NPV outcome, the servicer must re-run the NPV calculation and respond accordingly. Other values not affected by the correction do not need to be changed from the first NPV calculation.

If the borrower identifies inaccuracies in the NPV values, the servicer must suspend the foreclosure sale until the inaccuracies are reconciled.

2.3.2.2 Non-Approval Notice—Payment Default During the Trial Period

This Non-Approval Notice informs the borrower that he or she failed to make one or more trial period payments in a timely manner and, as a result, the borrower has defaulted on the TPP.

2.3.2.3 Non-Approval Notice—Loan Paid Off or Reinstated

This Non-Approval Notice confirms that the subject loan was paid off or reinstated and must provide the payoff or reinstatement date. If the loan was reinstated this notice must include a statement that the borrower may contact the servicer to request reconsideration under HAMP if they experience a subsequent financial hardship.

2.3.2.4 Non-Approval Notice—Withdrawal of Request or Non-Acceptance of Offer

This Non-Approval Notice confirms that the borrower either withdrew the request for consideration for a TPP or HAMP modification or did not accept a TPP or a HAMP modification offer. Failure to make the first trial period payment in a timely manner is considered non-acceptance of the TPP.

2.3.3 Incomplete Information Notice

If the servicer receives an incomplete Initial Package or needs additional documentation to verify the borrower's eligibility and income, the servicer must send the borrower an Incomplete Information Notice that lists the additional documentation that the servicer requires to verify the borrower's eligibility. The Incomplete Information Notice must include a specific date by which the documentation must be received, which must be no less than 30 calendar days from the date of the notice. If the documents are not received by the date specified in the notice, the servicer must make one additional attempt to contact the borrower in writing regarding the incomplete documents. This additional notice must include the specific date by which the documentation must be received, which must be no less than 15 calendar days from the date of the second notice. If a borrower is unresponsive to these requests for documentation the servicer may discontinue document collection efforts and determine the borrower to be ineligible for HAMP. In such an instance, the servicer must send the borrower a Non-Approval Notice.

Notwithstanding the foregoing, if a borrower submits an incomplete Initial Package and the servicer can, based on the information and documentation submitted, determine that the borrower is not eligible for HAMP, then the servicer may issue a Non-Approval Notice to the borrower reflecting the reasons for non-approval, without requesting documents to complete the Initial Package.

3 Protections Against Unnecessary Foreclosure

3.1 Suspension of a Referral to Foreclosure

A servicer may not refer any loan to foreclosure or conduct a scheduled foreclosure sale unless and until at least one of the following circumstances exists:

- The borrower is evaluated for HAMP and is determined to be ineligible for the program; or
- The borrower is offered a TPP, but fails to make current trial period payments as set forth in Section 8.3; or
- The servicer has established Right Party Contact, has sent at least two written requests asking the borrower to supply required information in accordance with Section 2.2.2, and has otherwise satisfied the Reasonable Effort solicitation standard, and the borrower failed to respond by the dates indicated in those requests; or
- The servicer has satisfied the Reasonable Effort solicitation standard without establishing Right Party Contact; or
- The borrower or co-borrower states he or she is not interested in pursuing a HAMP modification and such statement is reflected by the servicer in its servicing system and/or mortgage file.

3.2 Suspension of Foreclosure Proceedings in Process


With respect to a borrower who submits a request for HAMP consideration after a loan has been referred to foreclosure, the servicer must, immediately upon the borrower's acceptance of a TPP based on verified income, and for the duration of the trial period, take those actions within its authority that are necessary to halt further activity and events in the foreclosure process, whether judicial or non-judicial, including but not limited to refraining from scheduling a sale or causing a judgment to be entered.

The servicer will not be in violation of this section to the extent that: (a) a court with jurisdiction over the foreclosure proceeding (if any), or the bankruptcy court in a bankruptcy case, or the public official charged with carrying out the activity or event, fails or refuses to halt some or all activities or events in the matter after the servicer has made reasonable efforts to move the court or request the public official for a cessation of the activity or event; (b) the servicer must take some action to protect the interests of the owner, investor, guarantor or servicer of the loan in response to action taken by the borrower or other parties in the foreclosure process; or (c) there is not sufficient time following the borrower's acceptance of the TPP for the servicer to halt the activity or event, provided that in no event shall the servicer permit a sale to go forward. The servicer must document in the servicing file if any of the foregoing exceptions to the requirement to halt an existing foreclosure sale is applicable.

3.3 Suspension of Scheduled Foreclosure Sale

When a borrower submits a request for HAMP consideration after a foreclosure sale date has been scheduled and the request is received no later than midnight of the seventh business day prior to the foreclosure sale date (Deadline), the servicer must suspend the sale as necessary to evaluate the borrower for HAMP. Servicers are not required to suspend a foreclosure sale when: (1) a request for HAMP consideration is received after the Deadline; (2) a borrower received a permanent modification and lost good standing (as described in Section 9.4); (3) a borrower received a TPP offer and failed to make one or more payments under the TPP by the last day of the month in which it was due; or (4) a borrower was evaluated based upon an Initial Package and determined to be ineligible under HAMP requirements.

The servicer will not be in violation of this section to the extent that a court with jurisdiction over the foreclosure proceeding (if any), or the bankruptcy court in a bankruptcy case, or the public



official charged with carrying out the activity or event, fails or refuses to halt the sale after the servicer has made reasonable efforts to move the court or request the public official for a cessation of the sale. The servicer must document in the servicing system and/or mortgage file if the foregoing exception to the requirement to suspend an existing foreclosure sale is applicable.

A borrower is deemed to have requested consideration for HAMP when an Initial Package is received by the servicer or its foreclosure attorney/trustee prior to the Deadline. However, the servicer may establish additional requirements for requests received later than 30 calendar days prior to a scheduled foreclosure sale date, including, for example, a requirement that the Initial Package be delivered through certified/express delivery mail with return receipt/delivery confirmation to either the servicer or the foreclosure attorney/foreclosure trustee. These requirements must be posted on the servicer's Website and communicated to the borrower in writing in accordance with Section 2.2 or through other written communication.

If the borrower contacts the servicer prior to the Deadline, the servicer must inform the borrower of the Deadline and any document submission requirements.

3.4 Mitigating Foreclosure Impact

The servicer must take the following actions to mitigate foreclosure impact:

3.4.1 Simultaneous Trial Period Plan and Foreclosure Explanation

When a borrower is simultaneously in foreclosure and is either being evaluated for HAMP or is in a TPP, the servicer must provide the borrower with a written notification that explains, in clear language, the concurrent modification and foreclosure processes and that states that even though certain foreclosure activities may continue, the home will not be sold at a foreclosure sale while the borrower is being considered for HAMP or while the borrower is making payments under a TPP. For model language for this notification, refer to Exhibit B. Use of the model language is optional; however, it illustrates the level of specificity that is deemed to be in compliance with the language requirements of this Handbook.

3.4.2 Foreclosure Attorney/Trustee Communication

Servicers must develop and implement written policies and procedures to provide notification to their foreclosure attorney/trustee regarding a borrower's HAMP status, including whether the borrower is potentially eligible for HAMP (and is subject to Section 2.2), and whether the borrower is being evaluated for, or is currently in, a TPP. Servicers must ensure that their foreclosure attorney/trustee adheres to all of the requirements of Section 3.1, Section 3.2 and Section 3.3 with respect to referral to foreclosure, stay of foreclosure actions and suspension of foreclosure sales.

3.4.3 Certification Prior to Foreclosure Sale

Servicers must develop and implement written procedures applicable to all loans that are potentially eligible for HAMP (and are subject to Section 2.2) that require the servicer to provide to the foreclosure attorney/trustee a written certification that (i) one of the five circumstances under Section 3.1 exists, and (ii) all other available loss mitigation alternatives have been exhausted and a non-foreclosure outcome could not be reached. This certification must be provided no sooner than seven business days prior to the scheduled foreclosure sale date (the Deadline) or any extension thereof.

4 Request for Modification

For all TPPs with effective dates on or after June 1, 2010, a servicer may evaluate a borrower for HAMP only after the servicer receives the following documents, subsequently referred to as the

“Initial Package”. Throughout this Handbook, unless otherwise indicated, all references to the “borrower” include any and all co-borrowers. The Initial Package includes:

- Request for Modification and Affidavit Form,
- IRS Form 4506-T or 4506T-EZ, and
- Evidence of income.

For all documents required by Treasury (other than for IRS Form 4506-T/4506T-EZ), electronic submission and signatures are acceptable.

4.1 Request for Modification and Affidavit (RMA) Form

The RMA provides the servicer with borrower financial information, including the cause of the borrower’s hardship. The financial information and hardship sections of the RMA must be completed and executed by the borrower and, if applicable, any co-borrower. The RMA is available on www.HMPAdmin.com.

Servicers may require use of the RMA by all borrowers requesting consideration for HAMP or may use other proprietary financial information forms that are substantially similar in content to the RMA. When provided by or on behalf of the borrower, the RMA form must be accepted by servicers in lieu of any servicer-specific form(s). When the RMA is not used, servicers must obtain an executed MHA Hardship Affidavit, which is available on www.HMPAdmin.com. Servicers may also incorporate all of the information on this standalone affidavit into their proprietary form. Throughout this Handbook, the term RMA is used to indicate both the HAMP RMA form and servicer proprietary forms substituted for the RMA.

4.1.1 Hardship Affidavit

Included in the RMA is a Hardship Affidavit. Every borrower seeking a modification, regardless of delinquency status must sign a Hardship Affidavit that attests that the borrower is unable to continue making full mortgage payments and describes one or more of the following types of hardship:


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

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

HAMP does not distinguish between short-term and long-term hardships for eligibility purposes.

4.1.2 Government Monitoring Data (GMD)

In addition to financial information, the RMA (or Hardship Affidavit if the RMA form is not used) solicits data related to the race, ethnicity and sex of the borrower and co-borrower, referred to as Government Monitoring Data (GMD).



Treasury has directed the Program Administrator to enter into agreements on behalf of the Department of Housing and Urban Development (HUD) with loan servicers participating in HAMP for the purpose of directing servicers to request GMD in order to monitor compliance with the Fair Housing Act, 42 U.S.C. 3601 et seq., and other applicable fair lending and consumer protection laws. HUD has informed Treasury that it is requesting the monitoring information pursuant to this authority and its general regulatory authority under the Fair Housing Act. HUD and Treasury consider any agreements entered into between servicers and the Program Administrator on behalf of HUD to be agreements entered into with an enforcement agency to monitor or enforce compliance with federal law, within the meaning of 12 C.F.R. 202.5(a)(2).

Federal Reserve Board regulations interpreting ECOA permit creditors to collect information on the race, ethnicity and sex of borrowers if the information is “required by a regulation, order, or agreement issued by, or entered into with a court or an enforcement agency (including the Attorney General of the United States or a similar state official) to monitor or enforce compliance with [ECOA], this regulation, or other federal or state statutes or regulations.” 12 C.F.R. 202.5(a)(2).

This Handbook (a) constitutes an agreement entered into between the Program Administrator, on behalf of HUD, and servicers participating in HAMP with respect to Non-GSE Mortgages; and (b) is an agreement entered into by participating servicers with an enforcement agency (HUD) to permit the enforcement agency to monitor or enforce compliance with federal law, within the meaning of 12 C.F.R. 202.5(a)(2).

Treasury has specified that GMD shall be collected on the RMA or Hardship Affidavit. Servicers shall request, but not require, that each borrower who completes the RMA or Hardship Affidavit in connection with HAMP furnish GMD.

Servicers are required to report GMD to the Program Administrator as part of the additional data reporting requirements set forth in Section 11.4.


4.1.2.1 Collection of GMD

Servicers should ensure that their servicing staff and managers understand the importance of requesting that borrowers being evaluated for HAMP provide GMD and should provide servicing staff with scripts and other job aids that help them explain to borrowers the importance of providing this information.

When a borrower completes the RMA or Hardship Affidavit by mail or over the Internet, the borrower will be able to read the disclosure contained just beneath the Information for Government Monitoring Purposes section heading, determine whether he or she wishes to furnish the GMD, and complete the remainder of the Information for Government Monitoring Purposes section accordingly.

In a face-to-face interview or over the phone, the servicer should first read to the borrower the disclosure contained just beneath the Information for Government Monitoring Purposes section heading of the RMA or the Hardship Affidavit, explaining that the federal government requests this monitoring information in order to monitor compliance with federal statutes that prohibit lenders from discriminating against borrowers based on the borrower characteristics collected in GMD. After reading the disclosure to the borrower, the servicer should ask the borrower whether he or she desires to furnish the information. If the borrower elects to furnish GMD, the servicer should read the race, ethnicity and sex categories and options from the Information for Government Monitoring Purposes section, and check the boxes as directed by the borrower.

Written GMD takes precedence over verbal GMD regardless of the date obtained. In addition, if the borrower has previously provided verbal GMD, but returns the RMA or Hardship Affidavit and



the borrower specifically checks the box that states he or she does not wish to furnish GMD, the RMA or Hardship Affidavit will supersede the previously provided data. However, if the borrower fails to provide GMD and does not check the box, the servicer should use the information provided verbally.

Borrower Declines to Provide GMD

If a borrower chooses not to provide GMD, or any part of it, the servicer may not refuse to accept an RMA or Hardship Affidavit. If the borrower completes the RMA or Hardship Affidavit in a face-to-face setting and chooses not to furnish the GMD, he or she should check or direct the servicer to check the "I do not wish to furnish this information" box within the Information for Government Monitoring Purposes section of the RMA or Hardship Affidavit. If the borrower chooses not to check the box, the servicer should note this fact on the form.

If the borrower completes the RMA or Hardship Affidavit by mail or over the Internet and chooses not to furnish the data, he or she should check the "I do not wish to furnish this information" box within the Information for Government Monitoring Purposes section of the RMA or Hardship Affidavit. If the borrower chooses not to furnish the data or checks the box, the servicer should indicate in the appropriate spaces within the Information for Government Monitoring Purposes section that the RMA or Hardship Affidavit was received by mail, telephone, or Internet and note the fact that the borrower chose not to furnish the GMD.

GMD from Observation or Origination

If a borrower declines to provide GMD, the servicer should attempt to provide the information based on visual observation, information learned from the borrower or surname. The servicer must note on the form that the information is based on servicer observations. Servicing staff should be provided with training and job aids (e.g., desk references, scripts and, where feasible, system prompts) to supply this information based on visual observation or surname.

Alternately, if the servicer has reasonable access to GMD supplied by the borrower at origination and the borrower(s) remain the same, the servicer is required to provide that information.

4.2 IRS Form 4506-T or 4506T-EZ

All borrowers must provide a signed and completed IRS Form 4506-T or 4506T-EZ (Request for Transcript of Tax Return) with the Initial Package. Although either form is acceptable, use of the IRS Form 4506T-EZ is encouraged because of its relative simplicity. Both forms are posted on www.HMPAdmin.com. Borrowers can locate and complete a version of IRS Form 4506T-EZ in either English or Spanish on www.MakingHomeAffordable.gov.


The servicer must submit the borrower's Form to the IRS for processing unless the borrower provides a signed copy of his or her most recent federal income tax return, including all schedules and forms.

4.3 Evidence of Income

The Initial Package must also include documentation to verify the borrower's income as described in Section 5.1. The income documentation may not be more than 90 days old as of the date the documentation is received by the servicer. There is no requirement to refresh the income documentation during the TPP.

4.4 Reasonably Foreseeable or Imminent Default

A borrower that is current or has only one payment due and unpaid by the end of the month in which it is due and who contacts the servicer to request HAMP consideration must be evaluated to determine if he or she is at risk of imminent default. Each servicer must have written standards



for determining imminent default that are consistent with applicable contractual agreements and accounting standards and must apply the standards equally to all borrowers.

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

A servicer must document in its servicing system and/or mortgage file the basis for its determination that a payment default is imminent and retain all documentation used to reach this conclusion.

4.5 Acknowledgment of Initial Package

Within 10 business days following receipt of an Initial Package, the servicer must acknowledge in writing the borrower's request for HAMP participation by sending the borrower confirmation that the Initial Package was received and a description of the servicer's evaluation process and timeline. If the Initial Package is received from the borrower via email, the servicer may email the acknowledgment. Servicers must maintain evidence of the date of receipt of the borrower's Initial Package in its records.

A single written communication sent within 10 business days of receipt of a borrower's request for HAMP participation may also include, at the servicer's discretion, the results of its review of the Initial Package.

4.6 Review of Initial Package

Within 30 calendar days from the date an Initial Package is received, the servicer must review the documentation provided by the borrower for completeness. If the documentation is incomplete or insufficient for use in underwriting, the servicer must send the borrower an Incomplete Information Notice in accordance with the guidance set forth in Section 2.3.3.

If the borrower's documentation is complete, the servicer must evaluate the borrower's eligibility for HAMP and either:


- Send the borrower a TPP Notice (see Section 8.1); or
- Make a determination that the borrower is not eligible for HAMP and communicate this determination to the borrower in accordance with the guidance in Section 2.3.2.

5 Verification

Servicers must verify a borrower's eligibility for HAMP using the documentation provided by the borrower in the Initial Package prior to offering the borrower a TPP.

5.1 Evidence of Income

Servicers should request that the borrower provide the income verification documentation listed below but may, if consistent with contractual requirements, substitute other reliable forms of verification when appropriate. However, servicers may not require verification documentation in addition to the documentation listed below unless the servicer determines that additional documentation is necessary to resolve discrepancies between the RMA, tax documents and income documentation. Servicers are responsible for determining that any information provided



by the borrower that is needed to evaluate the borrower's qualification for HAMP is complete and accurate.

When verifying a borrower's income and evaluating a borrower's eligibility for HAMP, servicers should use good business judgment consistent with the judgment employed when modifying mortgage loans held in their own portfolio. For example, servicers may use the: current income documentation when there is a discrepancy between tax returns and current income documentation if the borrower has changed jobs or has had a substantial pay cut; or information from the tax transcript obtained via form 4506T-EZ when differences exist between the transcript and the tax return provided by the borrower.

5.1.1 Wage or Salary Income

Each wage earning borrower must provide copies of two recent pay stubs, not more than 90 days old at time of submission, indicating year-to-date earnings.

Servicers may accept pay stubs that are not consecutive if, in the business judgment of the servicer, it is evident that the borrower's income has been accurately established.

When two pay stubs indicate different periodic income, servicers may use year-to-date earnings to determine the average periodic income, and account for any non-periodic income reflected in either of the pay stubs.

When verifying annualized income based on the year-to-date earnings reflected on pay stubs, servicers may, in their business judgment, make adjustments when it is likely that sources of additional income (bonus, commissions, etc.) are not likely to continue.

5.1.2 Self-Employment Income

Each self-employed borrower must provide his or her most recent quarterly or year-to-date profit and loss statement. Audited financial statements are not required.

When calculating gross income for self-employed borrowers, a servicer should include the borrower's net profit plus any salary or draw amounts that were paid to the borrower in addition to adding any of the allowable adjustments used in analyzing the tax returns for the business, such as nonrecurring income and expenses, depreciation and depletion (if applicable).

5.1.3 Other Earned Income

Other earned income includes, but is not limited to, bonus, commission, fee, housing allowance, tips and overtime. Borrowers with other earned income must provide reliable third party documentation describing the nature of the income (e.g., an employment contract or printouts documenting tip income). Educational grant funds that are intended for a specific learning purpose are not a source of income for the purposes of HAMP.

5.1.4 Benefit Income

Benefit income includes, but is not limited to, social security, disability, death benefits, pension, public assistance and adoption assistance. Government benefits granted under the Supplemental Nutrition Assistance Program (i.e., food stamps) are considered to be a source of income for the purposes of HAMP because, like other income, they are used by the borrower to cover reasonable monthly living expenses.

Borrowers who receive benefit income must provide evidence of (i) the amount and frequency of the benefits such as letters, exhibits, a disability policy or benefits statement from the provider, and (ii) receipt of payment, such as copies of the two most recent bank statements or deposit

advices showing deposit amounts. If a benefits statement is not available, servicers may rely only on receipt of payment evidence, if it is clear that the borrower's entitlement is ongoing.

5.1.5 Unemployment Benefits

Borrowers who receive unemployment benefits and request assistance under HAMP must be evaluated for and, if eligible, offered an UP forbearance plan before the borrower may be considered for HAMP. See Chapter III, Home Affordable Unemployment Program.

5.1.6 Rental Income

Borrowers who receive rental income must provide evidence of that income, which is generally documented on IRS Schedule E (Supplemental Income and Loss) of the borrower's tax return for the most recent tax year.

When Schedule E is not available to document rental income because the property was not previously rented, servicers may accept a current lease agreement and bank statements or cancelled rent checks.

If the borrower is using income from the rental of a portion of the borrower's principal residence, the income may be calculated at 75 percent of the monthly gross rental income, with the remaining 25 percent considered vacancy loss and maintenance expense.

If the borrower is using rental income from properties other than the borrower's principal residence, the income to be calculated for HAMP purposes should be 75 percent of the monthly gross rental income, reduced by the monthly debt service on the property (i.e., principal, interest, taxes, insurance, including mortgage insurance, and association fees), if applicable.

Rental income should not be included in a borrower's monthly gross income if there is currently no income due to vacancy (even if rental income was identified in their tax return or tax transcript). The servicer must reconcile any differences between what the borrower communicates and the borrower's information. For example, the servicer might choose to perform a property inspection of the rental property.

5.1.7 Alimony, Separation Maintenance, and Child Support Income


Borrowers are not required to use alimony, separation maintenance or child support income to qualify for HAMP. However, if the borrower chooses to provide this income, it should be documented with (i) copies of the divorce decree, separation agreement or other legal written agreement filed with a court, or a court decree that provides for the payment of alimony or child support and states the amount of the award and the period of time over which it will be received, and (ii) evidence of receipt of payment, such as copies of the two most recent bank statements or deposit advices showing deposit amounts. If the borrower voluntarily provides such income, and that income renders the borrower ineligible for a HAMP offer, the servicer is allowed to remove that income from consideration and re-evaluate the borrower for HAMP eligibility.

5.1.8 Threshold for Documenting Passive and Non-Wage Income

Notwithstanding the other provisions of this Section 5.1, passive and non-wage income (including rental, part-time employment, bonus/tip, investment and benefit income) does not have to be documented if it constitutes less than 20 percent of the borrower's total income.

5.1.9 Non-Borrower Household Income

A non-borrower is someone who is not on the original note (and may or may not be on the original security instrument), but whose income has been relied upon to support the mortgage payment. Non-borrower household income that may be considered for HAMP qualification must come from someone who resides in the residence. Examples include a non-borrower spouse,



parent, child or a non-relative, but in each case, a person who shares in the occupancy of the home and provides some support for the household expenses.

Servicers should include non-borrower household income in monthly gross income if it is voluntarily provided by the borrower and if, in the servicer's business judgment, that the income reasonably can continue to be relied upon to support the mortgage payment. Non-borrower household income included in the monthly gross income must be documented and verified by the servicer using the same standards for verifying a borrower's income. If income is being used for a non-borrower, the servicer should use only the income that the non-borrower will contribute to the mortgage.

5.2 Borrowers in Active Bankruptcy—Substitution of Evaluation Documents

When a borrower is in an active Chapter 7 or Chapter 13 bankruptcy, the servicer may accept copies of the bankruptcy schedules and tax returns (if returns are required to be filed) in lieu of the RMA and Form 4506T-EZ, and may use this information to determine borrower eligibility (with the income documentation). Servicers should request the schedules and tax returns from the borrower, borrower's counsel or bankruptcy court. If the bankruptcy schedules are greater than 90 days old as of the date that such schedules are received by the servicer, the borrower must provide updated evidence of income to determine HAMP eligibility. Additionally, either directly or through counsel, borrowers must provide a completed and executed Hardship Affidavit (or RMA).

5.3 Occupancy Verification

The servicer must obtain a credit report for each borrower or a joint report for a married couple who are co-borrowers to confirm that the property securing the mortgage loan is the borrower's principal residence. If the credit report is inconsistent with other information provided by the borrower, the servicer must use good business judgment in reconciling the inconsistency.

A servicer can consider a mortgage loan for HAMP that, while originally secured by non-owner occupied property, has become the borrower's principal residence as long as such occupancy can be verified.

5.4 Verifying Monthly Gross Expenses

Servicers must verify the borrower's monthly gross expenses as reported by the borrower on the RMA using the credit report, tax returns or transcripts and other verification documentation provided by the borrower. Monthly gross expenses include the monthly charges described in the following list:

- The monthly mortgage payment, taxes, property insurance, homeowner's or condominium association fee payments and assessments related to the property whether or not they are included in the mortgage payment.
- Any mortgage insurance premiums.
- Monthly payments on all closed-end subordinate mortgages.
- Alimony, child support and separate maintenance payments with more than ten months of payments remaining, if supplied by the borrower.
- Car lease payments, regardless of the number of payments remaining.
- 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 three-percent.
- Aggregate negative net rental income from all investment properties owned, if supplied by the borrower.

- Monthly mortgage payment for second home including principal, interest, taxes and insurance and, when applicable, leasehold payments, homeowner association dues, condominium unit or cooperative unit maintenance fees, but excluding unit utility charges.
- Payments on all installment debts with more than ten months of payments remaining, including debts that are in a period of either deferment or forbearance. When payments on an installment debt are not on the credit report or are listed as deferred, the servicer must obtain documentation to support the payment amount included in the monthly debt payment. If no monthly payment is reported on a student loan that is deferred or is in forbearance, the servicer will obtain documentation verifying the proposed monthly payment amount, or use a minimum of 1.5 percent of the balance.
- Monthly payment on a HELOC will be included in the payment ratio using the minimum monthly payment reported on the credit report. If the HELOC has a balance, but no monthly payment is reported, the servicer will obtain documentation verifying the payment amount, or use a minimum of one percent of the balance.

A servicer should not consider expenses of non-borrower household members when calculating monthly gross expenses.

5.5 Fraud

Servicers should not modify a mortgage loan if there is reasonable evidence indicating the borrower submitted income information that is false or misleading or if the borrower otherwise engaged in fraud in connection with the modification.

5.6 Document Perfection

Servicers must use good business judgment when determining the level of perfection of the verification documents. Servicers may elect to accept documents with imperfections (blank fields, erasures, use of correction tape, inaccurate dates, etc.) if the servicer determines that the imperfections are immaterial to the business decision, are not indicative of fraud and do not impact the servicer's ability to verify the completeness and accuracy of the borrower's financial representations.

5.7 Borrower Signatures

Unless a borrower is deceased or divorced, all parties who signed the original loan documents or their duly authorized representative(s) should sign HAMP documents. However, servicers may encounter circumstances where a co-borrower signature is not obtainable, for reasons such as mental incapacity, military deployment or contested divorce. Servicers should use good business judgment, in accordance with existing servicing agreements and investor guidelines, when determining whether to accept a document without a co-borrower's signature.

6 Underwriting

Servicers must determine the borrower's eligibility for a modification using information obtained in the Initial Package and subsequently verified. Servicers are required to complete their assessment of borrower eligibility and notify the borrower of the eligibility determination within 30 calendar days of receiving all required borrower documentation.

6.1 Monthly Mortgage Payment Ratio

To qualify for HAMP, verified income documentation must confirm that the borrower's monthly mortgage payment ratio prior to the modification is greater than 31 percent. The monthly mortgage payment ratio is the ratio of the borrower's current monthly mortgage payment to the monthly gross income of all borrowers on the mortgage note, whether or not those borrowers reside in the property.

If the borrower's monthly mortgage payment ratio is less than 31 percent, the borrower is not eligible for HAMP and the servicer must send the borrower a Non-Approval Notice (see Section 2.3.2) and consider the borrower for alternative loss mitigation options in accordance with Section 8.7.

6.1.1 Monthly Gross Income

Monthly gross income is the borrower's income amount before any payroll deductions and includes:

- Wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, and/or other compensation for personal services.
- Social Security payments, food stamps and adoption subsidies, including those received by adults on behalf of minors or by minors intended for their own support.
- Monthly income from annuities, insurance policies, retirement funds, pensions and disability or death benefits.
- Rental income and other miscellaneous sources of income.

If only net income is available, the servicer must multiply the net income amount by 1.25 (125 percent) to estimate the monthly gross income. All non-taxed income, including non-taxed social security income, is considered net income.

6.1.2 Monthly Mortgage Payment

The monthly mortgage payment used to determine borrower eligibility includes the monthly payment of principal, interest, property taxes, hazard insurance, flood insurance, condominium association fees and homeowner's association fees, as applicable, regardless of whether these expenses are included in the borrower's current mortgage payment. It also includes any escrow payment shortage amounts that are subject to a repayment plan. The monthly mortgage payment does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

6.1.2.1 Pending ARM Resets

With respect to borrowers with adjustable rate mortgage (ARM) loans that have a rate reset scheduled within 120 days after the date of the evaluation (Reset ARM), the monthly mortgage payment used to determine eligibility will be the greater of: (i) the borrower's current scheduled monthly mortgage payment, or (ii) a fully amortizing monthly mortgage payment based on the note reset rate using the index value as of the date of the evaluation (Reset Interest Rate).

The borrower's current scheduled monthly mortgage payment is used to determine eligibility for adjustable rate loans that reset more than 120 days after the date of the evaluation.

If a borrower has an ARM or interest-only mortgage loan, the mortgage loan will convert to a fixed interest rate, fully amortizing mortgage loan. For ARM loans that provide for a monthly payment option (e.g., specified minimum payment, interest only payment, 30-year fully amortizing payment or 15-year fully amortizing payment), and a rate reset is scheduled within 120 days of the date of HAMP evaluation, the payment used to calculate the 31 percent monthly mortgage payment ratio should be the fully amortizing monthly mortgage payment based on the note reset rate using the index value as of the date of the evaluation. For most option ARMs, the 30-year fully amortizing payment option should be used in the standard modification waterfall to reduce the borrower's monthly mortgage payment ratio as close as possible to, without going below, 31 percent.

6.1.2.2 Reasonable Efforts to Obtain Association Fee Information

If a borrower has indicated that there are association fees, but has not been able to provide written documentation to verify the fees, the servicer may rely on the information provided by the

borrower if the servicer has made reasonable efforts to obtain the association fee information in writing.

6.1.2.3 Loan Secured by Property in a Leasehold Jurisdiction

If a loan is secured by a property in a leasehold jurisdiction such as Hawaii, lease rent payments should be included in the monthly mortgage payment calculation.

6.2 Coordination with Hope for Homeowners

Servicers are required to consider a borrower for a refinance through the Federal Housing Administration's HOPE for Homeowners (H4H) program when feasible. Consideration for an H4H refinance should not delay eligible borrowers from receiving a TPP Notice. The servicer's obligation as it relates to the H4H requirement is that while the servicer is gathering information to determine if a borrower meets the minimum eligibility criteria for HAMP, it should also be assessing whether the borrower may be eligible to refinance through H4H. This assessment would involve asking the following set of questions:

- Will the loan amount exceed \$550,440?
- Has the borrower made less than six (6) full payments during the life of the first lien loan?
- Does the borrower have an ownership interest in other residential real estate, including any second homes or rental properties?
- Was the mortgage to be refinanced originated after January 1, 2008?
- Does the property contain more than one (1) unit?

If the answer to all of these questions is "NO", the borrower may be eligible for H4H. In this case, the servicer should counsel the borrower to seek a refinance with an H4H lender.

Servicers are not under any circumstances required to take an H4H loan application from the borrower.

If the servicer participating in HAMP is not a mortgage loan originator and does not have the capability to appropriately evaluate or consider borrowers for refinancing into H4H, the servicer may counsel a borrower to seek a refinance with an H4H lender.

If the servicer knows that the related owner or third party investor does not permit principal forgiveness, which is required under H4H, no servicer action is required with respect to that loan. However, the servicer may not refuse to consider a borrower for HAMP or refuse to initiate a TPP for an otherwise qualified borrower subject to that borrower applying for and being denied a loan under H4H.

However, the servicer may not refuse to consider a borrower for HAMP or refuse to initiate a TPP for an otherwise qualified borrower subject to that borrower applying for, and being denied a loan under, H4H.

6.3 Standard Modification Waterfall

Servicers must apply the modification steps enumerated below in the stated order of succession until the borrower's monthly mortgage payment ratio is reduced to 31 percent (target monthly mortgage payment ratio). A borrower will qualify for HAMP only if the interest rate on the mortgage loan can be reduced by at least 0.125 percent without the modified monthly mortgage payment ratio going below 31 percent. If the servicer cannot reduce the borrower's monthly mortgage payment ratio to the target of 31 percent, the modification will not satisfy HAMP requirements and no incentives will be payable in connection with the modification.

6.3.1 Step 1—Capitalization

In the first step, the servicer capitalizes accrued interest, out-of-pocket escrow advances to third parties, and any required escrow advances that will be paid to third parties by the servicer during the TPP. In addition, the servicer capitalizes servicing advances that are made for costs and expenses incurred in performing servicing obligations, such as those related to preservation and protection of the security property and the enforcement of the mortgage, provided such costs and expenses are (i) consistent with the security instrument; (ii) allowable under GSE guidelines; and (iii) not prohibited by applicable law.

For example, foreclosure fees and costs paid to a third party in the ordinary course of business are considered servicing advances and may be capitalized unless the borrower agrees to pay the fees and costs upfront.

However, fees associated with modification of the mortgage, such as modification agreement recording fees and title fees generally are not covered by the security instrument and may not be capitalized. Recording fees and title fees generally are considered administrative costs and may be reimbursable by the investor through the ordinary course of business, subject to applicable investor contracts.

Any prior forbearance amount may be capitalized to the extent that such forbearance is permitted under, and any required disclosures comply with, all applicable laws, rules and regulations.

The servicer should capitalize only those third party delinquency fees that are reasonable and necessary. Fees permitted by Fannie Mae and Freddie Mac for GSE loans shall be considered evidence of fees that would be reasonable for Non-GSE Mortgages.

Late fees may not be capitalized and must be waived if the borrower satisfies all conditions of the TPP. The servicer may not capitalize junior lien holder subordination fees. Servicers are not required, but may choose to pay those fees out of pocket and offset costs out of their incentive payments. In addition, lender paid mortgage insurance premium costs should not be capitalized. Lender paid mortgage insurance premiums are a lender obligation and not an obligation of the borrower.


6.3.2 Step 2—Interest Rate Reduction

In the second step, the servicer reduces the starting interest rate in increments of 0.125 percent to get as close as possible to the target monthly mortgage payment ratio. The interest rate floor is 2.0 percent. If a borrower has an ARM or interest-only mortgage, the existing interest rate will convert to a fixed interest rate, fully amortizing loan.

If the loan is a fixed rate mortgage or an adjustable-rate mortgage, the starting interest rate is the current interest rate. If the loan is a Reset ARM, the starting interest rate is the Reset Interest Rate if it is within 120 days of reset.

If the current mortgage rate (or the ARM reset rate, if applicable) is not at a 0.125 percentage point increment, servicers should not round the interest rate first. Begin with the un-rounded rate and reduce it in 0.125 percentage-point increments until the target monthly mortgage payment ratio is achieved. Upon reaching the point where a further 0.125 percentage-point increment will reduce the rate below 2.0 percent, set the rate to exactly 2.0 percent with no term extension and determine if the target monthly mortgage payment ratio is achieved. If it is not, move to the next step of the waterfall (term extension). The interest rate must be fully reduced to 2.0 percent prior to any term extension.

For example, test for the target monthly mortgage payment ratio at 2.180 percent; if it is not achieved, reduce the rate to 2.055 percent and test again; if it is not achieved, reduce the rate to



2.000 percent and test again; if it is not achieved, fix the rate at 2.000 percent and move to the term extension step of the waterfall.

If the resulting rate is below the Interest Rate Cap (as defined in Section 9.3.6), this reduced rate will be in effect for the first five years. This is followed by annual increases of one percent per year (or such lesser amount as may be needed) until the interest rate reaches the Interest Rate Cap, at which time the rate will be fixed for the remaining loan term.

If the resulting rate exceeds the Interest Rate Cap, then that rate is the permanent rate.

6.3.3 Step 3—Term Extension

If necessary, in the third step the servicer extends the term and re-amortizes the mortgage loan by up to 480 months from the Modification Effective Date to achieve the target monthly mortgage payment ratio. The Modification Effective Date is the due date for the first payment under the permanent modification. The term extension steps must be made in one-month increments.

If a term extension is not permitted under the applicable servicing agreement or applicable law, reamortize the mortgage loan based upon an amortization schedule of up to 480 months with a balloon payment due at maturity. Negative amortization after the effective date of the modification is prohibited. The servicer will document the prohibition on the term extension, if applicable.

If the loan's current remaining term is greater than 480 months, it does not disqualify the borrower from HAMP eligibility. If the borrower is eligible under HAMP and the reduction of their current interest rate to 2.0 percent is not sufficient to reach the target monthly mortgage payment ratio of 31 percent, the servicer will skip the term extension step of the standard modification waterfall. The servicer will proceed to the principal forbearance step of the waterfall to attempt to achieve the target monthly mortgage payment ratio of 31 percent. The servicer will enter the remaining term in the NPV input field labeled "Amortization Term after Modification" so that the number in this field and the "Remaining Term" NPV input field are identical.

6.3.4 Step 4—Principal Forbearance

If necessary, the servicer will provide for principal forbearance to achieve the target monthly mortgage payment ratio. The principal forbearance amount is non-interest bearing and non-amortizing.


The amount of principal forbearance will result in a balloon payment fully due and payable upon the earliest of the borrower's transfer of the property, payoff of the interest bearing UPB, or at maturity of the mortgage loan.

6.3.5 Principal Forgiveness

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

6.3.6 Variation from Standard Modification Waterfall

Servicers, in accordance with investor guidelines, are not precluded from providing borrowers with a more favorable modification than that required by HAMP. Instances where the servicer deviates from the standard modification waterfall must be noted in the servicing system or mortgage file. In addition, the borrower, servicer and investor incentive payments will be paid



based on modification terms that reflect the monthly mortgage payment ratio and standard modification waterfall terms. Examples of acceptable deviations are provided below.

- Servicers may agree to a modification where the interest rate does not step up after five years or where the interest rate is reduced to less than 2.0 percent.
- Servicers may agree to a modification where additional principal forbearance is substituted for extending the term as needed to achieve the target monthly mortgage payment ratio of 31 percent.
- Servicers may agree to a modification that reduces the borrower's monthly mortgage payment ratio below 31 percent.

6.4 [Intentionally Left Blank]

6.5 Prohibitions on Modification Waterfall Steps

If a servicing agreement, investor guidelines or applicable law restricts or prohibits a modification step in the modification waterfall and the servicer partially performs it or skips it, the modification still qualifies for HAMP. Servicers must maintain evidence in the loan file documenting the nature of any deviation from taking any sequential modification step in the modification waterfall.

The evidence must demonstrate that the applicable servicing agreement or applicable law restricted or prohibited the servicer from fully performing or taking the modification step.

If a servicer was restricted or prohibited from fully performing or taking the modification step, the documentation must show that the servicer made reasonable efforts to seek a waiver from the applicable investor and whether the requested waiver was approved or denied.

The servicer must adhere as closely as possible to the modification waterfall for each loan. The servicer may not, for example, solely for the purpose of reducing operational complexity, apply a modified waterfall to all loans if only a portion of the servicer's book is affected by a restriction.

6.6 Principal Forbearance

6.6.1 Principal Forbearance Limits

With respect to both "positive" and "negative" NPV results, servicers are not required to forbear more than the greater of (i) 30 percent of the UPB of the mortgage loan (after any capitalization under Step 1 of the standard modification waterfall) or (ii) an amount resulting in a modified interest-bearing balance that would create a current mark-to-market loan-to-value ratio equal to 100 percent.

If the borrower's monthly mortgage payment cannot be reduced to the target monthly mortgage payment ratio of 31 percent unless the servicer forbears more than the amount described above, the servicer may consider the borrower ineligible for a HAMP modification. However, servicers are permitted, in accordance with existing servicing agreements and investor guidelines, to forbear the principal in excess of the amounts described above in order to achieve the target monthly mortgage payment of 31 percent for both NPV-positive and NPV-negative loans.

In the event a servicer elects to forbear principal in an amount resulting in a modified interest-bearing balance that would create a current mark-to-market loan-to-value ratio less than 100 percent in negative NPV situations, the servicer should ignore the error code and the flag for excessive forbearance that is returned by version 3.0 of the Base NPV Model. Updates will be made to the NPV model in the future to eliminate this error code.

6.6.2 Accounting Treatment of Principal Forbearance

Except under the circumstances described in the next paragraph, when a mortgage loan within a securitization vehicle is modified under HAMP, the following parties will take the respective actions:

- (i) The servicer must report to the trustee or securities administrator any forbore principal as a realized loss;
- (ii) The trustee or securities administrator must allocate any such reported forbore principal as a realized loss to the trust¹; and
- (iii) The servicer must act consistent with the presumption that such allocation has occurred, and may conclusively rely that it has.

The direction to the servicer and the trustee or securities administrator to take the actions described in clauses (i) through (iii) above shall apply to any mortgage loan within a securitization vehicle unless the applicable securitization pooling or trust agreement: (A) explicitly provides for or allows repayment of principal to be postponed or forbore for a long period of time; (B) explicitly provides for or allows interest on such principal amount to be permanently forgiven; and (C) explicitly and affirmatively directs that such forbore principal not be treated as a realized loss. Although securitization pooling or trust agreements often use the term “principal forbearance” in addressing the postponement for short periods of the dates on which certain payments of principal are due, the exception set forth in this paragraph will only apply if the relevant agreement specifically addresses principal forbearance in the manner set forth in (A) through (C) in the immediately preceding sentence.

HFSTHA also states that qualified loss mitigation plan guidelines issued by Treasury under the Emergency Economic Stabilization Act of 2008 (EESA) shall constitute standard industry practice for purposes of all Federal and State laws. The qualified loss mitigation plan guidelines issued by Treasury under EESA include this Handbook. Accordingly, actions described in clauses (i) through (iii) above, when taken by a servicer pursuant to this Handbook, shall constitute “standard industry practice” within the meaning of the Servicer Safe Harbor, and, when taken by any other person pursuant to this Handbook, including a trustee or securities administrator under a securitization pooling or trust agreement, shall constitute “cooperation of such person with a servicer when such cooperation is necessary for the servicer to implement a qualified loss mitigation plan” within the meaning of the Servicer Safe Harbor.

6.6.3 Reporting of Principal Forbearance to IRS

Servicers can use either IRS Form 1098 or an IRS-compliant Annual Borrower Statement to report principal forbearance to the IRS. The IRS Form 1098 does not contain the UPB for the applicable loan; therefore, for a loan with a principal forbearance, a notation is not necessary on the Form 1098 to remind the borrower of the principal forbearance. However, if servicers substitute an IRS-compliant Annual Borrower Statement that includes the UPB of the modified loan, then the servicer must include the principal forbearance amount on the statement.

6.7 Counseling Requirement

Borrowers with back-end ratios of 55 percent or more must agree in writing to obtain HUD-approved counseling as a condition of receiving a HAMP modification, even if they recently completed counseling. Servicers use income and expense information from borrowers provided on the RMA and other sources to calculate the back-end ratio. The borrower’s total monthly debt

¹ The reported forbore principal should be allocated as a realized loss such that, for purposes of calculating distributions to security holders, such forbore amount is no longer outstanding under the amortization schedule applicable to the related mortgage loan.

ratio (back-end ratio) is the ratio of the borrower's monthly gross expenses divided by the borrower's monthly gross income.

Servicers must send a HAMP Counseling Letter to borrowers with a post-HAMP modification back-end ratio equal to or greater than 55 percent. The HAMP Counseling Letter states that the borrower must work with a HUD-approved housing counselor on a plan to reduce their total indebtedness below 55 percent. The letter also describes the availability and advantages of counseling and provides a list of local HUD-approved housing counseling agencies and directs the borrower to the appropriate HUD Website where such information is located. The borrower must represent in writing in HAMP documents that he or she will obtain such counseling.

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

6.7.1 Approved Counselors

A list of approved housing counseling agencies is available at www.hud.gov/offices/hsg/sfh/hcc/fc/ or by calling the toll-free housing counseling telephone referral service at 1-800-569-4287. Servicers must retain in the mortgage files evidence of the borrower notification.

6.7.2 Paying for Counseling

There is no charge to either borrowers or servicers for HUD-approved counseling. Servicers may, at their discretion, use a portion of the servicer incentive compensation to compensate counselors for counseling services provided in conjunction with HAMP.

6.8 Property Valuation

Servicers must obtain an assessment of the current value of the property securing the mortgage loan being evaluated for HAMP. Servicers may use either an automated valuation model (AVM), provided that the AVM renders a reliable confidence score, a broker's price opinion (BPO) or an appraisal. Confidence scores deemed reasonable by bank examiners are also considered reasonable for purposes of this program. A servicer may use an AVM provided by one of the GSEs. As an alternative, servicers may rely on their internal AVM provided that:

- The servicer is subject to supervision by a Federal regulatory agency;
- The servicer's primary Federal regulatory agency has reviewed the model; and
- The AVM renders a reliable confidence score.

If a GSE AVM or the servicer AVM is unable to render a value with a reliable confidence score, the servicer must obtain an assessment of the property value utilizing a BPO, an appraisal or a property valuation method acceptable to the servicer's Federal regulatory supervisor. Such assessment must be rendered in accordance with the Interagency Appraisal and Evaluation Guidelines (as if such guidelines apply to loan modifications). In all cases, the property valuation used cannot be more than 90 days old as of the date the servicer first evaluates the borrower for a TPP using the NPV model. The information will remain valid for the duration of the TPP and does not need to be updated for any subsequent NPV evaluation.

Treasury does not provide any reimbursement for property valuations. Servicers should review investor guidelines to determine the applicable property valuation reimbursement policy.

7 Net Present Value (NPV) Testing

All loans that meet HAMP eligibility criteria and are either deemed to be in imminent default or delinquent as to two or more payments must be evaluated using a standardized NPV test that compares the NPV result for a modification to the NPV result for no modification.

If the NPV result for the modification scenario is greater than the NPV result for no modification, the result is deemed “positive” and the servicer must offer the modification. If the NPV result for no modification is greater than NPV result for the modification scenario, the modification result is deemed “negative” and the servicer has the option of performing the modification in its discretion. For mortgages serviced on behalf of a third-party investor for which the modification result is deemed “negative,” however, the servicer may not perform the modification without express permission of the investor. If a modification is not pursued when the NPV result is “negative,” the servicer must send a Non-Approval Notice (see Section 2.3.2) and consider the borrower for other foreclosure prevention options, including alternative modification programs, deeds-in-lieu, and pre-foreclosure sale programs (see Section 8.7).

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

7.1 Base NPV Model

Participating servicers can access the MHA Base NPV Model (Base NPV Model) software tool on www.HMPAdmin.com. The Base NPV Model Documentation and an NPV Model Overview document are also available on www.HMPAdmin.com for further information and user guidance.

The Base NPV Model may not be used by a servicer to evaluate a loan for non-HAMP modification cases. The Terms and Conditions for use of the NPV Model stipulate that (i) the NPV model documents may be used only by a servicer in connection with servicing responsibilities undertaken pursuant to: (a) the SPA, or (b) an agreement between the servicer and Fannie Mae or Freddie Mac in accordance with HAMP; (ii) any use of the NPV model documents for other purposes is a violation of the Terms and Conditions, and (iii) the NPV model documents are not for public circulation or reproduction, whether in whole or in part, and the servicer may not disclose the NPV model documents to any third party.

7.2 NPV Model Updates

From time to time Treasury releases updates to the Base NPV Model. All servicers are required to use the most recent version and loans being evaluated for HAMP for the first time will be tested using the latest available Base NPV Model version. Loans subject to a re-evaluation must be tested using the same NPV version and inputs used for the initial NPV test in accordance with Section 7.6.1.

When a new version of the Base NPV Model is released, both new and participating servicers will have a grace period to implement the new model. The grace period for each new version will be set forth in the applicable NPV release documentation. In addition, the release documentation will provide guidance as to which Base NPV Model version servicers should use during the grace period.

At the completion of the grace period, servicers must use either the most recent version of the Base NPV Model or a customized version that meets the requirements for customization outlined in the model documentation.

7.3 Customization of Base NPV Model

Servicers having at least a \$40 billion servicing book have the option to create a version of the Base NPV Model that uses a set of cure rates and redefault rates estimated based on the experience of their own portfolios. The default model must take into consideration, if feasible, current LTV, current monthly mortgage payment, current credit score, delinquency status, and other loan or borrower attributes. Customized versions of the NPV model must utilize the Base NPV Model values for variables such as home price projections and foreclosure and REO timelines and costs. These values are posted on www.HMPAdmin.com, and will be periodically updated.

7.3.1 Compliance for Customized NPV Models

MHA-C will monitor implementation of customization of the NPV model. Servicers electing either to implement the NPV model on their own systems or create a customized version must successfully pass an NPV output test prior to using the model. This test ensures that the servicer's NPV model outputs are consistent with those of the Base NPV Model.

MHA-C administers and evaluates the results of all servicer NPV output tests and provides the necessary clearance for servicers to begin using their own NPV models. The test will involve running a dataset of sample modifications against the servicer's NPV model. To pass the test, the servicer NPV model results for the entire dataset of sample modifications must be consistent with the corresponding Base NPV Model results, within a defined threshold of acceptable variance.

Subsequent to the test, those servicers electing to use a customized version of the NPV model will be asked to provide documentation on methodology and key assumptions, as well as evidence that the servicer has instituted adequate controls and governance procedures with respect to the model.

NPV compliance testing will be conducted on an ongoing basis for the life of HAMP, and will be triggered both by changes to the Base NPV Model and by servicer-driven changes, such as migration to new systems, subsequent decisions to use servicer-specific default rates (where permitted) or to change those rates, and other related factors.

7.4 NPV Inputs for the Discount Rate

Servicers have the option of using the same discount rate for all loans or choosing one discount rate for loans they service for themselves and a different discount rate for loans serviced for all third-party investors.

The discount rate applied to loans serviced on behalf of third-party investors must be at least as high as the discount rate applied to a servicer's held portfolio, but in no event higher than the maximum rate permitted under the HAMP. HAMP guidelines establish a base discount rate equal to the PMMS Rate (as defined in Section 9.3.6). Servicers may add a premium of up to 250 basis points to this rate.

7.5 NPV Inputs for Mortgage Insurance

Mortgage Insurance (MI) payments reduce investor losses in the event of a default. MI is considered in calculating the NPV of both the modified and unmodified loan. In addition, partial MI claims can be entered into the Base NPV Model to increase the resulting value of the modification to the investor.

7.6 NPV Requirements for Stated Income Trials

The following guidance applies only to TPPs based on stated income with an effective date prior to June 1, 2010. Servicers must reevaluate a loan using the NPV model if the borrower's

documented income differs from the stated income used in the borrower's initial qualifying NPV test. Servicers may elect, in accordance with existing servicing agreements and investor guidelines, to offer the borrower a permanent HAMP modification without performing an additional NPV evaluation based on the borrower's verified income documentation. If the servicer elects not to perform an additional NPV evaluation in this situation, the servicer should enter the trial period values for NPV Date and NPV Value when reporting the official loan set up file to the Treasury system of record.

7.6.1 Borrower Retests Use the Same NPV Model Version as First NPV Assessment

In situations where servicers reevaluate a loan using the NPV model based on the borrower's verified income documentation, servicers should test a borrower using the same major version of the NPV model that was used to test the loan for trial modification eligibility. Detailed versioning requirements are included in the Base NPV Model Documentation, which is available on www.HMPAdmin.com, and in other NPV Versioning Requirements documentation.

All NPV inputs should remain constant when the borrower is retested, except those that were found to be incorrect at the time of the initial NPV evaluation; and inputs that have been updated based on the borrower's documentation. Inputs that may be updated based on the borrower's documentation are limited to the following:


- Association Dues/Fees before Modification
- Monthly Hazard and Flood Insurance
- Monthly Real Estate Taxes
- Monthly Gross Income
- Unpaid Principal Balance after Modification (interest-bearing UPB)
- Principal Forbearance Amount
- Interest Rate after Modification
- Amortization Term after Modification
- Principal and Interest Payment after Modification

Inputs that may not change regardless of their evolution since the trial's initiation include:

- Unpaid Principal Balance before Modification
- Borrower Credit Score and Co-Borrower Credit Score
- Property Value
- Interest Rate before Modification
- Term before Modification
- Monthly Principal and Interest Payments before Modification
- Months Past Due
- ARM Reset Rate and ARM Reset Date
- Data Collection Date
- Imminent Default Status
- NPV Run Date
- Advances/Escrow
- Discount Rate Risk (spread of discount rate over PMMS rate)

7.6.2 Corrected Inputs

Corrected material documentation provided by the borrower can be used to change the data inputs for the NPV retest. Material elements that can change are documents that are limited to borrower-reported information, such as income, homeowner association fees and monthly tax payments. Inputs that have changed in the interim, but were correct on the date of the initial NPV evaluation, are held constant. The terms of the modification, which include the interest rate



reduction, term extension, and forbearance amount, may change as the borrower reported inputs are adjusted.

In the portal version of the Base NPV Model located on www.HMPAdmin.com, servicers do not change the “Data Collection Date” or the associated UPB and the remaining term information. This identical information is reported for the retest exactly as it was in the original NPV evaluation.

8 Trial Period Plans

Following underwriting and a determination, based on verified income, that a borrower qualifies for HAMP, servicers will place the borrower in a trial period plan (TPP).

The trial period is three months in duration (or longer if necessary to comply with applicable contractual obligations) and governed by terms set forth in the TPP Notice. Borrowers who make all trial period payments timely and who satisfy all other trial period requirements will be offered a permanent modification.

Servicers should service mortgage loans during the TPP in the same manner as they would service a loan in forbearance.

8.1 Trial Period Plan Notice

The TPP Notice describes the terms and conditions of the trial period and sets forth the required payment due dates. Borrowers are not required to sign or return the TPP Notice. Servicers should retain a copy of the TPP Notice in the borrower file and note the date that it was sent to the borrower.

8.2 Effective Date


A borrower’s trial period starts on the TPP Effective Date, as indicated in the TPP Notice. If the servicer transmits the TPP Notice to the borrower on or before the 15th day of a calendar month, then the servicer should establish the first day of the next month as the TPP Effective Date. If the servicer transmits the TPP Notice to the borrower after the 15th day of a calendar month, the servicer may use either (i) the first day of the month after the next month as the TPP Effective Date; or (ii) the first day of the next month so long as the borrower consents to commencing the TPP earlier. The date that the first trial period payment is due under the terms of the TPP Notice must be the same date as the TPP Effective Date.

For example, if the servicer completes the TPP Notice and transmits it to the borrower on June 2nd, the servicer should use July 1st as the TPP Notice Effective Date. If the servicer completes the TPP Notice and transmits it to the borrower on June 27th, the servicer has the option of using July 1st or August 1st as the TPP Effective Date.

8.3 Trial Period Plan Payments

The borrower’s monthly trial period payment must be set at the target monthly mortgage payment ratio by applying the standard waterfall as set forth in Section 6.3.

The servicer’s receipt of the first payment due under the TPP Notice on or before the last day of the month in which the first payment is due (TPP Offer Deadline) is evidence of the borrower’s acceptance of the TPP Notice and its terms and conditions. If the first trial period payment is not received on or near the first payment due date, servicers should contact the borrower and encourage submission of the first payment prior to the TPP Offer Deadline. Servicers may not impose any stricter standard for payments due under HAMP than are applied in the servicer’s other loss mitigation programs.



Borrowers who do not make current trial period payments are considered to have failed the trial period and are not eligible for a permanent modification. For TPPs with effective dates on or after June 1, 2010, “current” is defined as the borrower having made each trial period payment by the last day of the month in which it is due. For TPPs with effective dates before June 1, 2010, “current” is defined as the borrower having made all trial period payments by the last day of the final month of the trial period.

8.4 Application of Trial Period Payments

Trial period payments must be applied in accordance with the terms of the existing loan documents. A servicer should not change a borrower’s scheduled loan terms in its servicing system and/or mortgage file during the trial period.

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

Any unapplied funds remaining at the end of the trial payment period that do not constitute a full PITI payment should be applied to reduce any amounts that would otherwise be capitalized onto the principal balance.

The borrower may make scheduled payments earlier than expected; however, the payments will not result in acceleration of the modification effective date.

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

If the borrower makes a payment that is greater than his or her trial period payment (e.g., the existing contractual monthly payment rather than the trial period payment), the servicer must review investor guidelines to determine if the borrower remains eligible for HAMP and, if making the contractual payment could jeopardize eligibility, notify the borrower in writing that making payments in excess of the trial period payment may jeopardize the borrower’s eligibility for a HAMP modification.

If the borrower fails to make current payments during the trial period or is otherwise determined to be ineligible for a permanent modification, the servicer should apply any unapplied trial period payments in accordance with the terms of the existing loan documents. The payments applied to date during the trial period remain unchanged. In no event should the servicer return the funds to the borrower.

8.5 Borrower Files for Bankruptcy During Trial Period Plan

Borrowers who are currently in a TPP and subsequently file for bankruptcy may not be denied a permanent modification on the basis of the bankruptcy filing.

The servicer and its counsel must work with the borrower or borrower’s counsel to obtain any court and/or trustee approvals required in accordance with local court rules and procedures. Servicers should extend the TPP as necessary to accommodate delays in obtaining court approvals or receiving a full remittance of the borrower’s trial period payments when they are made to a trustee, but they are not required to extend the trial period beyond two months, resulting in a total five-month trial period. In the event of a trial period extension, the borrower shall make a trial period payment for each month of the trial period including any extension month.

8.6 Borrower in Bankruptcy—Waiver of Trial Period Plan

At the discretion of the servicer, borrowers in an active Chapter 13 bankruptcy who are determined to be eligible for HAMP may be converted to a permanent modification without completing a TPP if:

- The borrower makes all post-petition payments on his or her first lien mortgage loan due prior to the effective date of the Home Affordable Modification Agreement (Modification Agreement), and at least three of those payments are equal to or greater than the proposed modified payment;
- The modification is approved by the bankruptcy court, if required; and
- The TPP waiver is permitted by the applicable investor guidelines.

If payments under a bankruptcy plan are used in lieu of a trial period in accordance with these guidelines, the servicer and borrower are eligible to accrue “pay for success” and “pay for performance” incentives for the length of a standard HAMP trial period.

Servicers will report the bankruptcy in lieu of trial payments (at least three) on the trial set-up record using the Trial Plan Type Code to identify the loan as a Bankruptcy in Lieu of Trial.

8.7 Alternative Loss Mitigation Options

When a borrower is determined to be ineligible for a permanent modification, the servicer must work with the borrower to attempt to cure the delinquency. If a cure is not possible, the servicer is required to consider the borrower for all other available loss mitigation options, including but not limited to refinancing, forbearance, non-HAMP modifications and, to the extent a borrower does not qualify for a home retention alternative, Home Affordable Foreclosure Alternatives (short sales or deeds in lieu of foreclosure) in accordance with Supplemental Directive 09-09 Revised. As stated in Section 2.3.2, available loss mitigation options should be described in the Non-Approval Notice.

9 Permanent Modification

A borrower in a TPP may receive a permanent modification as long as the servicer has received all required trial period payments timely and all other required documentation from the borrower, including a fully executed Modification Agreement. Servicers should not modify a mortgage loan if there is reasonable evidence indicating the borrower submitted income information that is false or misleading or if the borrower otherwise engaged in fraud in connection with the modification. If a property securing a loan in a TPP is temporarily vacant due to damage caused by fire, flood, wind, etc., the borrower may receive a permanent modification so long as it is clear that the borrower intends to repair and occupy the property and there are insurance proceeds or other funds available to complete the work.

9.1 Modification Agreement

A servicer should prepare the Modification Agreement early enough in the trial period to allow sufficient processing time so that the modification becomes effective on the first day of the month following the final trial period month.

All documentation must be signed by an authorized representative of the servicer and reflect the actual date of signature by the servicer’s representative. The borrower is not required to have the Modification Agreement notarized unless otherwise required by the investor.

The borrower’s permanent modification will become effective as of the Modification Effective Date identified in the Modification Agreement when: (i) the borrower has satisfied all of the requirements of the TPP Notice, (ii) the borrower and the servicer have executed the Modification

Agreement, (iii) the servicer has returned a fully executed copy of the Modification Agreement to the borrower, and (iv) the Modification Effective Date provided in the Modification Agreement has occurred.

The loan may be modified and the effective date of the modification does not need to be changed if the executed Modification Agreement is received from the borrower by the last day of the month in which the modification becomes effective. However, a servicer may not submit an official loan set up record to the HAMP system of record to report the permanent modification until the servicer has obtained a fully executed Modification Agreement.

9.2 Effective Date Option—Interim Month

In the event the borrower does not make the final trial period payment on or before the due date set forth in the TPP Notice (but does make the final trial period payment before the end of the month in which it is due), then the servicer may, at its option, complete the Modification Agreement such that the modification becomes effective on the first day of the second month following the final trial period month. If the servicer elects this option, the borrower will not be required to make an additional trial period payment during the month (interim month) in between the final trial period month and the month in which the modification becomes effective. For example, if the last trial period month is March the borrower would not be required to make any payment during April, and the modification would become effective, and the first payment would be due, on May 1st. Neither the borrower nor the servicer will be entitled to accrue incentive compensation for the interim month if the borrower does not make a trial period payment during the interim month.

The servicer must modify the Modification Agreement Cover Letter, which is available on www.HMPAdmin.com, to inform the borrower about the impact of delaying the modification effective date by one month, including (i) the impact of the delay on implementation of the modified interest rate; (ii) the increase in the delinquent interest capitalized, and (iii) the loss of one month's accrual of the incentive payment if the borrower does not make an additional trial period payment.

A servicer must treat all borrowers the same in applying this option by developing and implementing a written policy indicating 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 the TPP Notice.

9.3 Conditions of Modification

9.3.1 First Lien Position

For all mortgage loans that are modified under HAMP, the servicer will follow investor guidance to ensure that the modified mortgage loan retains its first lien position and is fully enforceable.

9.3.2 Late Fees

All late charges, penalties, stop-payment fees, or similar fees must be waived upon the borrower receiving a permanent modification.

9.3.3 Administrative Costs

Servicers may not charge the borrower to cover the administrative processing costs incurred in connection with HAMP. The servicer pays and will not be reimbursed for any actual out-of-pocket expenses, including, but not limited to, any required notary fees, recordation fees, title costs, property valuation fees, credit report fees, or other allowable and documented expenses.

9.3.4 Interest Paid in Arrears

If interest on the loan is paid in arrears, servicers must ensure that the modified interest rate and modified principal balance are considered effective as of the first day of the month prior to the month in which the modification effective date occurs.

9.3.5 Monthly Statements

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

9.3.6 Interest Rate Cap and Interest Rate Lock Date

The Interest Rate Cap used for determining the final interest rate for the permanent modification is the Freddie Mac Primary Mortgage Market Survey (PMMS) Rate for 30-year fixed rate conforming loans, rounded to the nearest 0.125 percent, as of the date that the Modification Agreement is prepared. The PMMS Rate is the conventional mortgage rate published in the Federal Reserve's H.15 bulletin. The weekly PMMS Rate is available on the Freddie Mac home page at www.freddiemac.com.

Servicers should implement the new PMMS Rate to be effective at 12:01 AM ET on the day following publication of the rate. The rate is normally published mid-day Thursdays and should therefore be updated at 12:01 AM ET on Friday morning. If the rate is published on another day such as Wednesday, as has occurred when Thursday was a holiday, the rate should be updated at 12:01 AM on the day following publication.

The Interest Rate Lock Date for the modification is the date that the Interest Rate Cap for a modified mortgage loan is determined. For trial set up reporting, the servicer should report the date that it selected the PMMS Rate to determine eligibility for HAMP when establishing the interest rate terms in the standard waterfall process for the trial period payment under the TPP.

9.3.7 Escrow Accounts

All of the borrower's monthly payments must include a monthly escrow amount unless prohibited by applicable law. The servicer must assume full responsibility for administering the borrower's escrow deposit account in accordance with the mortgage documents and all applicable laws and regulations.

Servicers are not required to escrow for the payment of condominium association fees, subject to investor guidelines. A servicer must determine the monthly payment associated with the condominium association fees to calculate the borrower's monthly mortgage payment and evaluate the borrower for HAMP eligibility.

Once an escrow account is established, the borrower must continue to make monthly escrow payments. However, if the borrower fails the trial period, a servicer may waive the requirement to make monthly escrow payments, subject to any limitations imposed by applicable law and any investor or other contractual requirements. These requirements include those servicer obligations to advance tax, insurance and other third-party payments to protect the investor's first lien position.

9.3.7.1 Escrow Analysis

Servicers must perform an escrow analysis to determine the exact escrow payments prior to establishment of the trial period payment. When performing an escrow analysis, servicers must take into consideration tax and insurance premiums that may come due during the trial period.

9.3.7.2 Escrow Advances

Servicers should capitalize any escrow advance that has been or will be paid to a third party before the modification effective date. If capitalization is prohibited by applicable law, the servicer should direct the borrower to repay the advance in accordance with investor guidelines, the underlying security instrument and all applicable laws, rules and regulations. Servicers may not have the borrower execute a note for any escrow advance.

9.3.7.3 Escrow Shortages

In the event the initial escrow analysis identifies an escrow shortage – a deficiency in the escrow deposits needed to pay all future tax and insurance payments – the servicer must take steps to eliminate the shortage. Any existing escrow shortage currently being paid by the borrower should be included in the borrower’s monthly mortgage payment.

9.3.7.4 Non-Escrowed Loans

If the mortgage loan being considered for HAMP is a non-escrowed mortgage loan, the servicer must establish an escrow deposit account prior to the beginning of the trial period. Servicers who do not have this capacity must implement an escrow process within six months of signing the SPA. However, the servicer must ensure that the trial payments include escrow amounts and must place the escrow funds into a separate account identified for escrow deposits.

9.3.7.5 Standard Escrow Provisions

If the existing loan documents do not include standard escrow provisions, servicers will adjust loan documents by replacing Section 4.D. of the Modification Agreement with the industry standard escrow account provisions that are comparable to the escrow account provisions found in the Fannie Mae and Freddie Mac uniform instruments.

9.3.7.6 Escrow Changes

When there are changes in a borrower’s tax and insurance premium payments during the trial period, but after a verified approval, the servicer does not need to re-evaluate the borrower for HAMP eligibility and obtain a new NPV result. However, the servicer must provide written notice to the borrower, in addition to any escrow notification required by RESPA that explains the impact of the new escrow payment on borrower’s monthly payment set forth in the TPP Notice.

9.3.8 Mortgages with No Due-on-Sale Provision

When a mortgage is not subject to a due-on-sale provision and the borrower receives a HAMP modification, the borrower agrees that HAMP will cancel the assumability feature of that mortgage.

9.3.9 Assignment to MERS

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

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

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

Add as section 4.1:

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

Add MERS to the signature lines at the end of the Modification Agreement, as follows:

Mortgage Electronic Registration
Systems, Inc. – Nominee for Lender

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

9.3.10 Mortgage Insurer Approval

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

9.4 Re-default and Loss of Good Standing

If a borrower defaults on a loan modification executed under HAMP (delinquent by the equivalent of three full monthly payments at the end of the month in which the last of the three delinquent payments was due), the loan is no longer considered to be in "good standing." Once lost, good standing cannot be restored even if the borrower subsequently cures the default. A loan that is not in good standing is not eligible to receive borrower, servicer or investor incentives and reimbursements and these payments will no longer accrue for that loan. Furthermore, the mortgage is not eligible for another HAMP modification.

In the event a borrower defaults on the modified loan, the servicer should work with the borrower to cure the modified loan. If this is not possible the servicer should evaluate the borrower for any other loss mitigation alternative prior to commencing foreclosure proceedings.

9.5 Delayed Conversion

In situations where an eligible borrower successfully completed the trial period (including providing the required documentation and making the required payments) and should have been converted to a permanent modification, but for reasons beyond his or her control was not timely converted to a permanent modification, the servicer must promptly make a determination as to whether the borrower is eligible for a permanent HAMP modification.

If the borrower is eligible, then the servicer must offer the borrower a permanent HAMP modification as soon as possible, but in no event later than sixty days after discovering the error, including, but not limited to, discovery through notification from MHA-C, the servicer's own procedures, or notice provided by the borrower.

The permanent HAMP modification offered must put the borrower in the same position as he or she would have been if the servicer converted the borrower to a permanent modification in accordance with the program requirements. A borrower in this situation remains eligible for a permanent HAMP modification regardless of whether the borrower failed to make trial period payments following the successful completion of the trial period.

In order to achieve this result, the servicer should take the following steps:

- The Modification Effective Date is the date the modification would have become effective if the servicer had converted the borrower in a timely fashion, and the applicable Interest Rate Cap is the first PMMS Rate, rounded to the nearest 0.125 percent, issued in the month prior to the Modification Effective Date.
 - For example, for a loan with a Modification Effective Date of June 1, 2010, the Interest Rate Cap should be 5.00 percent, which is the PMMS Rate issued in May 2010 (the PMMS archives are available at www.freddiemac.com/pmms/docs/30-yr_historics.xls).
- The initial UPB of the modification should be the UPB of the loan as of the Modification Effective Date, plus all accrued but unpaid amounts allowed to be capitalized under HAMP as of the Modification Effective Date.
- Any payments made by the borrower after the Modification Effective Date until the time of conversion should be applied retroactively in accordance with the modified terms; however, any shortfalls between the actual payments made by the borrower after the Modification Effective Date (including any missed payments) and payments that are due under the modified terms until the time of conversion must be advanced by the servicer, capitalized and deferred as a non-interest bearing amount that is due and payable by the borrower at the time of payoff, maturity or transfer. The servicer may collect this amount subject to such restrictions as the investor may establish including, but not limited to, restrictions on collecting this amount in the event of a short payoff or other disposition of the loan.
- If due to a shortfall in payments, amounts are deferred, the servicer must amend the Modification Agreement in accordance with the Document Summary for the Modification Agreement.
- The servicer must take the necessary steps to correct any credit reporting for the borrower since the Modification Effective Date.

9.6 Principal Curtailments Following Modification

If a principal curtailment is received from or on behalf of the borrower on a loan that has a principal forbearance, servicers are instructed to apply the principal curtailment to the interest bearing UPB. If, however, the principal curtailment amount is greater than or equal to the interest bearing UPB, then the curtailment should be first be applied to the principal forbearance portion. If the curtailment satisfies the principal forbearance portion, any remaining funds should then be applied to the interest bearing UPB. This eliminates the possibility of a curtailment paying off (and satisfying) the interest-bearing portion of the UPB, which would cause the entire loan to become due and payable and force the borrower to pay off the principal forbearance portion of the loan balance as a balloon payment.

10 HAMP Documents

Servicers are strongly encouraged to use the HAMP documents available on www.HMPAdmin.com. A single set of model modification documents is provided for all loans regardless of investor. These documents may need to be customized for certain situations that are unique to a particular investor's loan program. Should a servicer decide to revise HAMP documents or draft its own HAMP documents, it must obtain prior written approval from the Program Administrator with the exception of the circumstances for document revisions set forth below. To obtain approval, servicers should contact their Servicer Integration Team lead.

Servicers must amend the Modification Agreement and TPP Notice as necessary to comply with applicable federal, state and local law. Servicers may, and in some instances must, make the applicable changes to the Modification Agreement as set forth in the Document Summary available on www.HMPAdmin.com. In addition, servicers may amend HAMP documents as follows without prior written approval.

Event	Detail
Non-uniform documents	The servicer may revise non-uniform HAMP documents in accordance with investor requirements, regulations or local real estate practice and may customize the forms with servicer specific logos.
Bankruptcy	If the borrower previously received a Chapter 7 bankruptcy discharge but did not reaffirm the mortgage debt under applicable law, the following language must be inserted in Section 1 of the Modification Agreement: "I was discharged in a Chapter 7 bankruptcy proceeding subsequent to the execution of the Loan Documents. Based on this representation, Lender agrees that I will not have personal liability on the debt pursuant to this Agreement."
Automated payment method	The servicer may include language in the TPP Notice providing instructions for borrowers who elect to use an automated payment method to make the trial period payments.
Prepayment or assumption provisions	The servicer may insert conditional language in the Modification Agreement to avoid having to review each set of original loan documents to determine if they contain prepayment or assumption provisions to retain first lien position, require subordination agreements and/or title policy endorsements. No prepayment penalties may be assessed in connection with modifications under HAMP. If any provision in the note or in any addendum or amendment to the note allows for the assessment of a penalty for full or partial prepayment of the note, such provision must be waived.
Conditional Prepayment language for Modification Agreement	<p>If the servicer is subject to a PSA or other servicing contract that requires payment by the servicer of a material sum to investors if any applicable prepayment penalties are waived, and servicers must use reasonable efforts to eliminate the PSA provision requiring payment by the servicer if the prepayment penalty is waived.</p> <p>However, if the servicer is unable to eliminate the PSA provision, the servicer is not required to waive the prepayment penalty as part of the modification, provided that the prepayment penalty must be waived with respect to any borrower "pay for performance" principal balance reduction payments that are applied to the borrower's mortgage loan. In such a case, servicers should replace Section 4.I. of the Modification Agreement with the following language:</p> <p>"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 must be waived with respect to any borrower "pay for performance" principal balance reduction payments that are applied to the Loan."</p>

11 Treasury Reporting Requirements

Servicers are required to provide loan level data reporting to the Program Administrator detailing the process of the evaluation, TPP, modification, and servicing of a loan modified under HAMP. This data must be accurate, complete, and in agreement with the servicer's records. The loan level reporting requirements, timing, loan attributes and detailed guidelines for submitting data files are posted on www.HMPAdmin.com. Servicers are required to submit four separate data files summarized below using the HAMP Reporting Tool.

11.1 Trial Period Reporting Requirements

Services must report a TPP loan setup to the HAMP Reporting Tool no later than the fourth business day of the month immediately following the month in which the TPP Effective Date occurs. Servicers must also report activity monthly during the trial period to the HAMP Reporting Tool no later than the fourth business day of the month immediately following each trial period month in order to substantiate the receipt of borrower trial period payments.

11.2 Loan Setup Reporting Requirements

A one-time loan set up is required to establish the permanent modification in the HAMP Reporting Tool. The file layout is the same as that used to submit loans for processing during the trial period.

Servicers are required to input loan set up attributes no later than the fourth business day of the month in which the modification is effective. For example, if a modification is effective as of September 1st, the servicer must enter loan set up attributes in the HAMP Reporting Tool no later than the fourth business day of September. Modifications reported outside of this specified timeframe will be accepted. However, late reporting may adversely impact monthly cumulative modification totals. The HAMP Reporting Tool validates that permanent modification terms are consistent with program requirements and uses the data to calculate the borrower, servicer and investor incentives. The set up file will reflect the status of the loan after the final trial period payment is applied. The set up file will contain data for the current reporting period, including the prior month balances.

A servicer may not submit an official loan set up record to the Program Administrator to report the permanent modification until the servicer has obtained a fully executed Modification Agreement.

11.3 Official Monthly Reporting

In the month after the loan set up file is provided, servicers must begin reporting activity on all permanent modifications on a monthly basis. The Official Monthly Report (OMR) is due by the fourth business day each month. For example, if the loan set up file is provided in July, the first loan activity report is due by the fourth business day of August for the July activity. The monthly reporting attributes are posted on www.HMPAdmin.com.

The Program Administrator will work with servicers during each reporting cycle to resolve any edits rose in the OMR reporting process. Servicers have until two business days prior to the close of the monthly reporting cycle (the 17th calendar day of the month or the prior business day if the 17th is not a business day) to clear up any edits and to report a final OMR to the Program Administrator. For specific dates, servicers should refer to the Operational Reporting calendar, which is located on www.HMPAdmin.com.

The HAMP Reporting Tool validates that the borrower payment has been made as expected and that the last paid installment date is current before accruing the appropriate monthly compensation due.

11.4 Additional Data Requirements Reporting

Servicers must collect and report the additional data set forth in the HAMP Additional Data Requirements Data Dictionary available on www.HMPAdmin.com for all (i) permanent modifications with effective dates on or after December 1, 2009, (ii) TPPs with effective dates on or after December 1, 2009, and (iii) mortgage loans evaluated for HAMP (as defined in Section 2.3) on or after December 1, 2009. This information is used by Treasury to assess program effectiveness and ensure servicer compliance with program requirements. The additional data must be reported in the HAMP Reporting Tool no later than the fourth business day of each month following the month in which the data were collected.

11.4.1 Reason Codes

Servicers must report a Trial Not Accepted/Not Approved reason code for each loan that is evaluated (as defined in Section 2.3) and not offered a TPP or does not accept a TPP. Similarly, servicers must report a Trial Fallout reason code for each loan that falls out of or withdraws from a trial period or completes the trial period but does not result in a permanent modification. A list of reason codes is available in the HAMP Additional Data Requirements Data Dictionary posted on www.HMPAdmin.com. When more than one reason under the Trial Not Approved/Not Accepted reason codes or Trial Fallout reason codes is applicable, the servicer must report the prevalent reason for the non-approval, non-acceptance or fallout.

11.4.2 Coding Property Condition for the HAMP Reporting Tool

If a servicer does not have the property condition from an appraisal or BPO, the servicer should enter “3” (Fair) in the HAMP Reporting Tool, provided the property meets HAMP eligibility requirements. A servicer must enter “5” if the property is condemned. When a servicer enters “3” because they do not have a property condition from an appraisal or a BPO:

- The “property condition” field in the HAMP Reporting Tool may not be relied on by the servicer as a justification or presumption that the loan qualifies for HAMP and that any subsequent payout based on the information in the HAMP Reporting Tool does not constitute a waiver on the part of the investor and/or Treasury, who reserves all rights to seek reimbursement of an improper payout or repurchase of the loan in the event the property does not meet HAMP eligibility requirements; and
- The “property condition” field in the HAMP Reporting Tool may not be relied on by the investor as grounds for repurchase of the loan due to a breach of a representation and warranty related to the property condition.

12 External Reporting Requirements

12.1 Reporting to Mortgage Insurers

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

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

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

12.2 Credit Bureau Reporting

Servicers should report a “full file” status report to the credit reporting agencies for each loan under HAMP in accordance with the Fair Credit Reporting Act as well as other applicable laws

and credit bureau requirements as provided by the Consumer Data Industry Association (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.

12.2.1 Trial Period Reporting

If the borrower was current with payments prior to the trial period and he or she makes each trial period payment on time, servicers must report the borrower as current (Account Status 11) during the trial period and report Special Comment Code 'AC' (Paying under a partial or modified payment agreement). The servicer must also report the modification when it is completed.

If the borrower was delinquent (at least 30 days past the due date) prior to the trial period and the reduced payments do not bring the account current, servicers must report the Account Status Code that reflects the appropriate level of delinquency following the usual and customary reporting standards. The servicer reports the modification when it is completed as well. The servicer should also report Special Comment Code 'AC' (Paying under a partial or modified payment agreement).

12.2.2 Post Modification Reporting

Following modification of a loan under HAMP, servicers should use Special Comment Code 'CN' (Loan modified under a federal government plan) to identify loans being paid under a modified payment agreement as described in the guidance below provided by CDIA.

- Servicers should continue to report one trade line under the original Account Number.
- Date Opened = the date the account was originally opened
- Original Loan Amount = the original amount of the loan, including the Balloon Payment Amount, if applicable. If the principal balance increases due to capitalization of delinquent amounts due under the loan, the Original Loan Amount should be increased to reflect the modified principal balance
- Terms Duration = the modified terms
- Scheduled Monthly Payment Amount = the new amount as per the modified agreement
- Current Balance = the principal balance (including the Balloon Payment Amount, if applicable), plus the interest and escrow due during the current reporting period
- Account Status Code = the appropriate code based on the new terms of the loan
- Special Comment Code = CN
- K4 Segment = used to report the Balloon Payment information, if applicable
- Specialized Payment Indicator = 01 (Balloon Payment)
- Payment Due Date = the date the balloon payment is due, which is equal to maturity of the amortizing portion of the loan. Note: The payoff date can be used in this field
- Payment Amount = the Balloon Payment Amount in whole dollars only

Servicers should ensure that all borrowers who receive a permanent modification are reported using the 'CN' Special Comment Code and not the 'AC' Special Comment Code. If the Modification Effective Date has passed, the servicer is not required to make corrections to prior months if the AC code was previously reported. Special Comment Code AC is not "sticky", meaning that it does not persist on the credit file.

13 Incentive Compensation

Borrowers, servicers and investors are eligible for incentive compensation under HAMP. The Program Administrator will make incentive payments to the servicer via wire transfer in a consolidated fashion and will provide detailed loan-level accounting for incentives on a monthly basis. Upon receipt of such incentive compensation, each servicer must promptly apply or remit, as applicable, all borrower and investor compensation with respect to any modified loan. Treasury is not providing guidance on how funds are to be passed through to security holders of

securitization trusts. However, MHA-C will monitor to ensure that cost share reduction payments are remitted to security holders and borrower pay for performance incentive payments are applied to borrower accounts in accordance with program guidelines.

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

No incentives of any kind will be paid if:

- The servicer has not executed the SPA;
- The servicer has reached its Program Participation Cap, as discussed in Section 1.5 of Chapter I;
- The borrower does not qualify for, or otherwise enter into, a permanent modification; or
- The loan has not been reported to the Program Administrator through the HAMP Reporting Tool.

13.1 Servicer Incentive Compensation

A servicer will be entitled to the completed modification incentive and, if applicable, the current borrower incentive once the borrower enters into a permanent modification, provided that the servicer has reported to the Program Administrator any required servicer or loan set up data. The completed modification incentive and the current borrower incentive will be paid to the servicer in the month that the permanent modification becomes effective.

13.1.1 Completed Modification Incentive

A servicer will receive compensation of \$1,000 for each completed modification under HAMP.

13.1.2 Current Borrower Incentive

If a borrower was current under the original mortgage loan, a servicer will receive an additional compensation amount of \$500 for completing the permanent modification. Pursuant to Section 8.2, when the TPP Notice is transmitted to the borrower after the 15th day of a calendar month, which calls for a TPP Effective Date as of the first day of the month after the next month, such incentive is paid only if borrowers either (i) make their contractual payment in the intervening month prior to the effective date of the trial period; or (ii) agree to commence their trial period on the first day of next month. Servicers should remind their current borrowers in writing that they must make all contractual payments due under the terms of their original loan documents until the TPP Effective Date.

13.1.3 "Pay for Success" Incentive

If a particular borrower's monthly mortgage payment is reduced through HAMP by six percent or more, a servicer will also receive an annual "pay for success" fee for a period of three years. The fee will be equal to the lesser of:

- \$1,000 (\$83.33/month); or
- One-half of the reduction in the borrower's annualized monthly payment.

The "pay for success" fee will be payable annually for each of the first three years after the anniversary of the month in which the TPP Effective Date occurred as long as the loan is in good standing and has not been paid in full at the time the incentive is paid.

If the loan ceases to be in good standing or is paid in full, the servicer will forfeit any incentive payments that have accrued but are unpaid and will cease to be eligible for any further incentive payments after that time, even if the borrower subsequently cures his or her delinquency.

13.2 Borrower Incentive Compensation

Borrowers whose monthly mortgage payment is reduced through HAMP by six percent or more and who make timely monthly payments will earn an annual “pay for performance” principal balance reduction payment equal to the lesser of:

- \$1,000 (\$83.33/month); or
- One-half of the reduction in the borrower’s annualized monthly payment for each month a timely payment is made.

The “pay for performance” principal balance reduction payment will accrue for each month in which the borrower makes current payments. The payment will be payable annually for each of the first five years after the anniversary of the month in which the TPP Effective Date occurred as long as the loan is in good standing and has not been paid in full at the time the incentive is paid.

For example, if the borrower is current and makes 10 out of 12 payments on time, he or she will be credited for 10/12 of the annual incentive payment as long as the loan is in good standing at the time the annual incentive is paid. A borrower whose loan is delinquent on a rolling 30- or 60-day basis will not accrue annual incentive payments.

This payment will be paid to the mortgage servicer to be applied first towards reducing the interest bearing UPB on the mortgage loan and then to any principal forbearance amount (if applicable). Any applicable prepayment penalties on partial principal prepayments made by the government must be waived. In the event the borrower is delinquent, but still in good standing, the borrower’s incentive should continue to be applied as a curtailment to the interest-bearing UPB.

If the loan ceases to be in good standing or is paid in full, the borrower will forfeit any incentive payments that have accrued but are unpaid and will cease to be eligible for any further incentive payments after that time, even if the borrower subsequently cures his or her delinquency.

“Pay for performance” principal balance reduction payments are excluded from gross income for tax reporting purposes.

13.3 Investor Incentive Compensation

An investor will be entitled to the payment reduction cost share and, if applicable, the current borrower incentive once the borrower enters into a permanent modification.

13.3.1 Payment Reduction Cost Share

Investors are entitled to payment reduction cost share compensation equal to one-half of the dollar difference between the borrower’s monthly payment (principal and interest only) under the modification calculated at 31 percent of the borrower’s monthly gross income and the lesser of:

- What the borrower’s monthly payment (principal and interest only) would be at a 38 percent monthly mortgage payment ratio; or
- The borrower’s pre-modification monthly payment (principal and interest only).

Payment reduction cost share compensation is paid monthly beginning the month following the month of the effective date of the permanent HAMP modification so long as the loan is in good

standing. This compensation will be provided for up to five years or until the loan is paid off, whichever is earlier.

13.3.2 Current Borrower Incentive

If a borrower was current under the original mortgage loan and the borrower's monthly mortgage payment was reduced by at least six percent, an investor will receive an additional compensation amount of \$1,500 for completing the permanent modification. Pursuant to Section 8.2, when the TPP Notice is transmitted to the borrower after the 15th day of a calendar month, which calls for a TPP Effective Date as of the first day of the month after the next month, such incentive is paid only if borrowers either (i) make their contractual payment in the intervening month prior to the effective date of the trial period; or (ii) agree to commence their trial period on the first day of next month. Servicers should remind their current borrowers in writing that they must make all contractual payments due under the terms of their original loan documents until the TPP Effective Date.

13.3.3 Home Price Decline Protection (HPDP) Incentives

The HPDP initiative provides investors with additional incentives for modifications of loans on properties located in areas where home prices have recently declined and where investors are concerned that price declines may persist. HPDP incentive payments are linked to the rate of recent home price decline in a local housing market, as well as the UPB and mark-to-market LTV ratio of the mortgage loan.

HPDP incentive payments will be made only with respect to modifications with TPP Effective Dates and NPV Dates (as defined in Section 13.3.3.1) on or after September 1, 2009. HPDP incentives are conditional upon at least a six percent reduction in the borrower's monthly mortgage payment.


13.3.3.1 HPDP Calculation

The HPDP incentive payments are calculated based upon the following three characteristics (outlined further in Exhibit C) of the mortgage loan receiving a modification:

- An estimate of the cumulative projected home price decline over the next year, as measured by changes in the home price index over the previous two quarters in the applicable local market (MSA or non-MSA region) in which the related mortgaged property is located;
- The UPB of the mortgage loan prior to modification; and
- The mark-to-market LTV of the mortgage loan based on the UPB of the mortgage loan prior to modification.

The Program Administrator will determine the potential HPDP incentive payable for a modification as of the date the NPV Model initially is run by the servicer to evaluate the borrower's eligibility to receive a HAMP offer (NPV Date). The NPV Date for determining the potential HPDP incentive payment is the same date that the servicer must report in the NPV Date data field as part of the trial period set up file for the mortgage loan.

The HPDP incentive payment is an input in the Base NPV Model. The Base NPV Model accesses the proper HPDP incentive payment for each NPV calculation, so servicers that use the Base NPV Model will not need to take any action with respect to the HPDP incentive payment. Servicers that integrate the Base NPV model into their systems or customize the NPV model in accordance with HAMP requirements are responsible for ensuring that they incorporate the required HPDP determination functionality into their version of the NPV model. The HPDP incentive payment amount used for a mortgage loan in the NPV model on the NPV Date used to determine the borrower's HAMP eligibility should be used in any subsequent runs of the NPV model for that mortgage loan.



Specific details regarding the use of the HPDP incentive payment in the NPV model are in the model documentation of the Base NPV Model.

An example of the HPDP calculation is provided in Exhibit D.

13.3.3.2 HPDP Accrual and Payments

The potential HPDP incentive payable for a modification will accrue over a two-year period. An investor will accrue 1/24th of the total HPDP incentive payment for every month in which the borrower remains in good standing. The accrued HPDP incentive payments to the investor will include payments for each trial period month. However, if the trial period is not completed successfully, no HPDP incentives will be paid to an investor. HPDP incentive payments will cease to accrue once a borrower loses good standing under HAMP or is paid in full. However, investors will be entitled to all accrued, but unpaid HPDP incentive payments.

Payments of accrued HPDP incentives will be made on an annual basis on each of the first anniversary and the second anniversary of the date on which the first trial period payment is due under the TPP. Accrued but unpaid HPDP incentive payments are payable on the HAMP incentive payment date in the month in which the loss of good standing or payment in full is reported to the Treasury system of record.



Chapter III

Home Affordable Unemployment Program (UP)

1 Introduction

The Home Affordable Unemployment Program (UP) provides servicers the flexibility to provide assistance to borrowers whose hardship is related to unemployment. Servicers that are participating in HAMP with respect to Non-GSE Mortgages must follow the guidance set forth in this Chapter when borrowers seeking assistance are unemployed.

MHA-C will incorporate an evaluation of UP implementation, processes, and controls into its servicer reviews. Servicers should refer to Section 2 of Chapter I.

2 Eligibility

2.1 UP Eligibility Requirements

A borrower or co-borrower who is unemployed and requests assistance under HAMP must be evaluated for and, if qualified, receives an UP forbearance plan before the borrower may be considered for HAMP. Servicers are required to offer an UP forbearance plan to a borrower who meets the following HAMP minimum eligibility criteria:

First Lien	The mortgage loan is a first lien mortgage loan originated on or before January 1, 2009. This includes mortgages secured by: <ul style="list-style-type: none">• Cooperative shares,• Condominium units, and• Manufactured housing (the first lien mortgage loan must secure the manufactured home and the land, both of which must be classified as real property under applicable state law).
Unpaid principal balance limits	The current UPB of the mortgage loan prior to capitalization is not greater than: <ul style="list-style-type: none">• 1 Unit \$729,750• 2 Units \$934,200• 3 Units \$1,129,250• 4 Units \$1,403,400
Owner-occupied, single family property	The mortgage loan is secured by a one- to four-unit property, one unit of which is the borrower's principal residence. Additionally, a loan may be considered for UP if the property was originally non-owner occupied, but the servicer can verify that it is currently the borrower's principal residence.
Not vacant or condemned	The property securing the mortgage loan is not vacant or condemned.
Delinquent or in imminent default	The mortgage loan is delinquent or default is reasonably foreseeable.
Not previously HAMP modified	The mortgage loan has not been previously modified under HAMP and the borrower has not previously received an UP forbearance.

2.2 Additional Factors Impacting UP Eligibility

<p>Minimum monthly mortgage payment ratio</p>	<p>The borrower's monthly mortgage payment (including principal, interest, taxes, insurance, and when applicable, homeowners assessments) prior to the modification is greater than 31 percent of the borrower's verified monthly gross income.</p> <p>Servicers may waive this criterion for UP forbearance plan eligibility. However, servicers are not required to offer an UP forbearance plan to borrowers whose total monthly mortgage payment is less than or equal to 31 percent of the borrower's monthly gross income, including unemployment benefits. Servicers are not required to offer an UP forbearance plan if a household member that is not a borrower becomes unemployed, even if that income contributed to the mortgage payment.</p>
<p>Request prior to serious delinquency</p>	<p>The borrower makes a request before the first mortgage lien is seriously delinquent (before three monthly payments are due and unpaid on the last day of the third month).</p>
<p>Unemployed at date of UP request</p>	<p>The borrower is unemployed at the date of the request.</p>
<p>Receipt of unemployment benefits</p>	<p>The borrower will receive unemployment benefits in the month of the Forbearance Period Effective Date. The borrower's unemployment benefit eligibility need not extend for the entire duration of the UP forbearance period.</p> <p>The servicer may, pursuant to investor or regulator guidelines, require that a borrower has already received unemployment benefits for up to three months before the UP forbearance period begins.</p> <p>A borrower who has received unemployment benefits for less than the minimum time period required by the servicer may request consideration for an UP forbearance plan; however, the forbearance period will not begin until after the borrower has received unemployment benefits for the minimum time period required by the servicer.</p> <p>Servicers must have written procedures for determining when a borrower must be in receipt of up to three months of unemployment benefits and must consistently apply those procedures.</p>

2.3 Eligibility of HAMP Borrowers

<p>HAMP Ineligible</p>	<p>A borrower who was previously determined to be ineligible for a HAMP modification may request consideration for an UP forbearance plan if the borrower meets the UP eligibility requirements.</p>
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Borrower in an Active Trial Period Plan	<p>A borrower who is currently in a TPP and becomes unemployed may seek consideration under UP if the borrower has made all required TPP payments by the end of the month in which the payment was due and was not seriously delinquent (before three monthly payments are due and unpaid on the last day of the third month) as of the first payment due date of the HAMP TPP. A borrower may not simultaneously be in a HAMP TPP and an UP forbearance plan.</p> <p>A servicer may not require an unemployed borrower in a TPP to convert to an UP forbearance plan.</p>
Borrower in a permanent modification	<p>A borrower in a permanent modification that becomes unemployed is not eligible for an UP forbearance plan. In addition, a borrower is not eligible for an UP forbearance plan if the borrower either (1) received a modification and lost good standing (as defined in Section 9.4 of Chapter II) or (2) received a TPP offer and failed to make one or more payments by the last day of the month in which it was due.</p>

2.4 Borrower Not Eligible for UP

Unemployed borrowers who do not meet the eligibility criteria for an UP forbearance plan should be evaluated for other proprietary forbearance programs similar to UP. Borrowers that are not offered any type of forbearance plan related to unemployment must be evaluated for HAMP, excluding from monthly gross income unemployment benefits and any other temporary sources of income related to unemployment, such as severance payments. If the borrower is not eligible for HAMP, the servicer must send the borrower a Non-Approval Notice in accordance with Section 2.3.2 of Chapter II.

3 Protections Against Unnecessary Foreclosure

Servicers may not refer any loan to foreclosure or conduct a scheduled foreclosure sale in the following circumstances:

- After a borrower makes a request for UP consideration and while the borrower is being evaluated for UP;
- After the servicer mails the Forbearance Plan Notice (FPN) as described in Section 4.3, even if the servicer requires the borrower to be in receipt of up to three months of unemployment benefits before commencement of the forbearance plan;
- During the initial UP forbearance plan or any extension thereof; and
- Following the UP forbearance plan while the borrower is being evaluated for or participating in HAMP or HAFA.

In addition, servicers must follow the solicitation and foreclosure provisions in Section 2.2 and Section 3.4 of Chapter II, respectively.

4 UP Forbearance Plans

4.1 Request for UP Forbearance

A request for UP consideration may be made by phone, mail or email. Servicers must document the date of the UP request in the servicing file. After receiving the borrower's documentation of unemployment benefits the servicer is required to determine the borrower's eligibility for UP and mail an FPN or a Non-Approval Notice within 10 business days following the date of the servicer's determination.

4.2 UP Forbearance Plan Terms

4.2.1 Duration

The minimum UP forbearance period is the lesser of three months or upon notification that the borrower has become re-employed. Servicers should establish procedures for tracking borrowers' employment status and include any applicable borrower instructions in the Forbearance Plan Notice (FPN), as described below.

4.2.2 Extension

Servicers may extend the minimum forbearance period in increments at the servicer's discretion, in accordance with investor and regulatory guidelines. Any borrower eligibility review or recertification documentation requirements that may apply after the initial forbearance period are at the servicer's discretion, in accordance with investor and regulatory guidelines.

4.2.3 Monthly Payments

The borrower's monthly mortgage payment must be reduced to an amount that is no more than 31 percent of the borrower's monthly gross income (as defined in Section 6.1.1 of Chapter II). In determining monthly gross income, the servicer may rely on stated income provided by the borrower or may require documentation of income. At the discretion of the servicer, the borrower's monthly mortgage payments may be suspended in full. The payment amount, if any, will be determined by the servicer in accordance with investor and regulator guidelines and applicable laws and regulations. Servicers must have written procedures for determining when a payment will be required during an UP forbearance plan and how the payment amount will be determined, and must consistently apply those procedures.

4.2.4 Late Fees


Late charges may accrue while the servicer is determining borrower eligibility for an UP forbearance plan and during the forbearance period. However, a servicer must not collect late charges from the borrower during the forbearance period. Additionally, all accrued and unpaid late charges must be waived in the event the borrower receives a permanent HAMP modification.

4.3 Forbearance Plan Notice (FPN)

As described above in Section 4.1, after receiving the borrower's required documentation, the servicer is required to determine the borrower's eligibility for UP and send the borrower either an FPN or a Non-Approval Notice. For existing UP forbearance plans, at least 30 days prior to the expiration date, the servicer is required to determine if an extension will be provided and mail an FPN, as applicable, within 10 business days following the determination. A Non-Approval Notice is not required when an extension is not granted.

If a borrower is eligible for UP and any extension thereof, the servicer must send the borrower an FPN that describes the terms and conditions of the initial UP forbearance plan or extension and, which at a minimum must include the following:

- Duration of the forbearance plan along with the Forbearance Period Effective Date and the expiration date;
- Periodic payment amount, if any;
- Brief explanation regarding what will occur when the borrower is re-employed or when the forbearance plan expires; and
- Borrower's responsibility to provide updates to his or her employment status during the forbearance plan, if applicable.



Borrowers are not required to sign or return the FPN. However, servicers may require the borrower to execute and return a written forbearance plan agreement if required by investor guidelines. Servicers should retain a copy of the FPN in the applicable servicing file and note the date that it was sent to the borrower.

If a borrower is determined to be ineligible for forbearance, servicers must communicate this determination to the borrower by sending a Non-Approval Notice that includes the primary reason for ineligibility. The notice must also describe other foreclosure alternatives for which the borrower may be eligible, if any, including but not limited to HAMP, other home retention programs, HAFA or other short sale or deed-in-lieu programs, and identify the steps the borrower must take in order to be considered for those options. Servicers may use the applicable non-approval model clause provided in Exhibit A. Use of the model clauses is optional; however, they illustrate a level of specificity that is deemed to be in compliance with the language requirements of this Handbook.

4.4 Commencement and Timing of Payments

A borrower's UP forbearance plan starts on the Forbearance Period Effective Date. If the servicer transmits the FPN to the borrower on or before the 15th day of a calendar month, then the servicer should insert the first day of the next month as the Forbearance Period Effective Date. If the servicer transmits the FPN to the borrower after the 15th day of a calendar month, the servicer may, as an alternative, use the first day of the month after the next month as the Forbearance Period Effective Date. Servicers who elect this alternative and require the borrower to have received unemployment benefits for up to three months should factor the additional month towards meeting the established requirement for unemployment benefits so that the forbearance period may begin immediately after meeting the requirement and must do so consistently for all borrowers in accordance with written policies and procedures. This determination should be based on the date that the FPN is sent to the borrower.

If the servicer requires a reduced monthly payment, the servicer must receive the borrower's reduced payment on or before the last day of the month in which it is due. If the borrower fails to make timely payments, the UP forbearance plan may be canceled and the borrower is not eligible for HAMP consideration. Servicers are instructed to use good business judgment in determining whether UP forbearance payments were received timely or if mitigating circumstances caused the payment to be late. Exceptions should be documented by the servicer.

4.5 Transition from HAMP to UP Forbearance

Upon receipt of a request for consideration for an UP forbearance plan by an unemployed borrower in a TPP and evidence that the borrower is or will be eligible for unemployment benefits, the servicer must cancel the TPP and send the borrower an FPN in accordance with Section 4.3.

The servicer may not impose a waiting period before commencement of the forbearance plan by requiring the borrower to be in receipt of unemployment benefit for a longer period than required by UP. If following an UP forbearance plan the borrower is determined to again be eligible for HAMP, the borrower must complete a new TPP. To determine eligibility, the borrower will be required to submit complete and updated HAMP documentation (including the RMA and updated proof of income), but will not be required to re-submit IRS Form 4506T-EZ if the servicer has already obtained a tax transcript for the most recent tax year.

5 Transition from Forbearance to HAMP

At the earlier of 30 days following notification that the borrower has found employment or 30 days prior to expiration of the a forbearance period, the servicer must provide a HAMP-eligible borrower with an Initial Package of HAMP documents and, upon receipt of an Initial Package (as

defined in Section 4 of Chapter II) from the borrower, must evaluate the borrower for HAMP. Both the borrower and the servicer must adhere to the timing and notice requirements in Section 4.5 and Section 4.6 of Chapter II. The servicer may extend the forbearance period by a maximum of 30 days as needed to allow the borrower time to submit the needed documentation. If the borrower is determined to be ineligible for HAMP or other home retention options, the borrower must be considered for other foreclosure alternatives, such as HAFA or other short sale and deed-in-lieu programs.

When evaluating a borrower for HAMP and calculating the borrower's total monthly mortgage payment ratio prior to the modification, the borrower's monthly gross income must include the new employment income as verified by an offer letter, first pay stub or other documentation consistent with the judgment employed by servicers when modifying mortgage loans held in their own portfolio. Any missed payments prior to and during the UP forbearance plan should be capitalized as part of the standard HAMP modification process.

6 Reporting Requirements

6.1 Treasury Reporting

All UP forbearance plan data submitted by the servicer must be accurate, complete, timely, and agree with the servicer's records.

6.1.1 Summary Reporting

During the UP forbearance plan, servicers are required to provide monthly UP forbearance plan summary level data to the Program Administrator. A list of the required summary level data, which may be updated periodically, is available on www.HMPAdmin.com.

6.1.2 System Reporting

Servicers will also be required to provide loan level reporting at the following key transition milestones:

- Exit from HAMP TPP to an UP forbearance plan – Servicers are required to submit applicable data pursuant to Section 11.4.1 of Chapter II including a Trial Fallout reason code indicating that the borrower is entering into an UP forbearance plan.
- Transition from an UP forbearance plan to HAMP TPP – If the borrower transitions from an UP forbearance plan into a HAMP TPP, servicers are required to submit a HAMP trial set up transaction with attributes indicating that the borrower had an UP forbearance plan.

Changes to several data reporting attributes under HAMP are required to enable servicers to report an exit from a HAMP TPP to an UP forbearance plan and a transition from an UP forbearance plan to a HAMP TPP. All UP forbearance plan reporting requirements and any updates will be posted on the servicer web portal at www.HMPAdmin.com.

6.2 Credit Bureau Reporting

The servicer should continue to report a “full-file” status report to the credit repositories for each loan in an UP forbearance plan in accordance with the Fair Credit Reporting Act and credit bureau requirements as provided by the CDIA.



Chapter VI

Government Loans

1 Introduction

Both FHA and RHS have implemented programs to provide eligible borrowers with sustainable mortgage payments through modification of FHA-insured or RHS-guaranteed first lien mortgage loans in a manner complementary to HAMP. Similar to HAMP, each of these programs provides a borrower with an affordable monthly mortgage payment equal to 31 percent of his or her monthly gross income and requires the borrower to complete a trial payment plan before the loan is permanently modified. If the FHA-insured or RHS-guaranteed mortgage loan meets Treasury's eligibility criteria, the borrower is eligible for pay-for-performance compensation and the servicer is eligible for pay-for-success compensation from Treasury.

2 Eligibility and Underwriting

2.1 Treasury FHA-HAMP

In July 2009, FHA launched FHA-HAMP through Mortgagee Letter 2009-23. The effective date of FHA-HAMP was August 15, 2009. The guidance in Mortgagee Letter 2009-23, including any attachments and Questions and Answers, and Mortgagee Letters 2009-35, 2009-39, 2010-04 and 2010-11, are incorporated by reference into this Handbook. Servicers should consult only these Mortgagee Letters and other existing or future guidance issued by FHA for requirements related to eligibility, underwriting and administration of FHA-HAMP (hereafter referred to as FHA-HAMP Mortgagee Letters), with the exception of the specific requirements of Treasury FHA-HAMP set forth in this Handbook. In addition to any guidance provided by FHA, to be eligible for Treasury FHA-HAMP, the first lien mortgage loan must have been originated on or before January 1, 2009 and the servicer must be in receipt of the borrower's first trial payment by December 31, 2012.

2.2 RD-HAMP

In August 2010, RHS published its Final Rule providing guidance for Special Loan Servicing modifications to RHS-guaranteed loans. The guidance in the Final Rule is incorporated by reference into this Handbook. Servicers should consult the Final Rule and other existing or future guidance issued by RHS for requirements related to eligibility, underwriting and administration of Special Loan Servicing, with the exception of the specific requirements of RD-HAMP. In addition to any guidance provided by RHS, to be eligible for RD-HAMP, all borrowers must execute a Hardship Affidavit (as described in Section 4.1.1 of Chapter II), the first lien mortgage loan must have been originated on or before January 1, 2009, and the servicer must be in receipt of the borrower's first trial payment by December 31, 2012.


3 Participation, Incentive Compensation, Treasury Reporting Requirements, Compliance

3.1 Participation

Participation in Treasury FHA-HAMP or RD-HAMP requires execution of a SPA on or before October 3, 2010. Servicers that previously executed a SPA are required to execute an Amended or Restated SPA or an additional Service Schedule that includes Treasury FHA-HAMP or RD-HAMP, as applicable. Servicers may execute a SPA that is applicable only to Treasury FHA-HAMP or RD-HAMP loans without the obligation to apply HAMP to other loans that they service. See Chapter I for the servicer participation requirements.

3.2 Incentive Compensation

Borrowers and servicers are eligible for incentive compensation under Treasury FHA-HAMP and RD-HAMP. The Program Administrator will make incentive payments to the servicer via wire transfer in a consolidated fashion and will provide detailed loan-level accounting for incentives on



a monthly basis. Upon receipt of such incentive compensation, each servicer must promptly apply or remit, as applicable, all borrower and investor compensation with respect to any modified loan. MHA-C will monitor to ensure that borrower pay-for-performance incentive payments are applied to borrower accounts in accordance with program guidelines.

With respect to payment of any incentive that is predicated on a six percent reduction in the borrower's monthly mortgage payment, the reduction will be calculated by comparing the monthly mortgage payment used to determine eligibility (as defined in Section 6.1.2 of Chapter II)² and the borrower's payment under FHA-HAMP and Special Loan Servicing.

No incentives of any kind will be paid if:

- The servicer has not executed the SPA;
- The servicer has reached its Program Participation Cap, as discussed in Section 1.5 of Chapter I;
- The borrower does not meet the basic eligibility qualifications for FHA-HAMP and Treasury FHA-HAMP or Special Loan Servicing and RD-HAMP, as applicable;
- The borrower is no longer in good standing or the loan has been paid in full; or
- The loan has not been reported to the Program Administrator through the HAMP Reporting Tool.

3.2.1 Servicer Incentive Compensation

If a particular borrower's monthly mortgage payment is reduced through FHA-HAMP or Special Loan Servicing by six percent or more, a servicer will receive an annual pay-for-success fee for a period of three years. The fee will be equal to the lesser of:

- \$1,000 (\$83.33/month); or
- One-half of the reduction in the borrower's annualized monthly payment.

The pay-for-success fee will be payable annually for each of the first three years after the anniversary of the first trial payment due date under FHA-HAMP or Special Loan Servicing, as long as the loan is in good standing and has not been paid in full at the time the incentive is paid.

If the loan ceases to be in good standing or is paid in full, the servicer will forfeit any incentive payments that have accrued but are unpaid and will cease to be eligible for any further incentive payments after that time, even if the borrower subsequently cures his or her delinquency.


3.2.2 Borrower Incentive Compensation

Borrowers whose monthly mortgage payment is reduced through FHA-HAMP or Special Loan Servicing by six percent or more and who make timely monthly payments will earn an annual pay-for-performance principal balance reduction payment equal to the lesser of:

- \$1,000 (\$83.33/month); or
- One-half of the reduction in the borrower's annualized monthly payment for each month a timely payment is made.

The pay-for-performance principal balance reduction payment will accrue for each month in which the borrower makes current payments. The payment will be payable annually for each of the first five years after the anniversary of the first trial payment due date under FHA-HAMP or Special Loan Servicing occurred as long as the loan is in good standing and has not been paid in full at the time the incentive is paid.

² For Treasury FHA-HAMP this will also include mortgage insurance.



For example, if the borrower is current and makes 10 out of 12 payments on time, he or she will be credited for 10/12 of the annual incentive payment as long as the loan is in good standing and has not been paid in full at the time the annual incentive is paid. A borrower whose loan is delinquent on a rolling 30- or 60-day basis will not accrue annual incentive payments.

This payment will be paid to the mortgage servicer to be applied first towards reducing the interest-bearing UPB on the mortgage loan and then to any principal forbearance amount (if applicable). In the event the borrower is delinquent, but still in good standing, the borrower's incentive payment should continue to be applied as a curtailment to the interest-bearing UPB.

If the loan ceases to be in good standing or is paid in full, the borrower will forfeit any incentive payments that have accrued but are unpaid and will cease to be eligible for any further incentive payments after that time, even if the borrower subsequently cures his or her delinquency.

Pay for-performance principal balance reduction payments are excluded from gross income for tax reporting purposes.

3.2.3 Re-default and Loss of Good Standing

If a borrower defaults on a loan modification executed under FHA-HAMP or Special Loan Servicing (delinquent by the equivalent of three full monthly payments at the end of the month in which the last of the three delinquent payments was due), the loan is no longer considered to be in "good standing" for purposes of Treasury FHA-HAMP or RD-HAMP, as applicable. Once lost, good standing cannot be restored even if the borrower subsequently cures the default. A loan that is not in good standing is not eligible to receive borrower or servicer incentives and reimbursements and these payments will no longer accrue for that loan.


In the event a borrower defaults on the modified loan, the servicer should work with the borrower to cure the modified loan. If this is not possible, the servicer should evaluate the borrower for any other loss mitigation alternative prior to commencing foreclosure proceedings.

3.3 Treasury Reporting Requirements

Servicers are required to provide Treasury FHA-HAMP or RD-HAMP loan level data reporting to the Program Administrator at the start of the modification trial period, during the modification trial period, at loan set up of the permanent modification and monthly after the modification is set up. This data must be accurate, complete, and in agreement with the servicer's records. The loan level reporting requirements, timing, loan attributes and detailed guidelines for submitting data files are posted on www.HMPAdmin.com. Servicers are required to submit four separate data files using the HAMP Reporting Tool.

The Treasury FHA-HAMP Data Dictionary, accessible on www.HMPAdmin.com, provides details of all the data fields that must be reported for Treasury FHA-HAMP. For RD-HAMP, servicers will be required to report the majority of the data fields in the Treasury FHA-HAMP Data Dictionary. However, certain data fields may be optional or the values modified to accommodate RD-HAMP loans.

A reporting and payment process will be available in September 2010 for Treasury FHA-HAMP and in 2011 for RD-HAMP. In addition, a new Data Dictionary for RD-HAMP will be available on www.HMPAdmin.com prior to the reporting and payment process being deployed. Treasury FHA-HAMP and RD-HAMP servicers should begin using the applicable reporting process as soon as feasible upon notification of its availability, but in no event later than 60 days from notification of system availability.



Incentive compensation will accrue as described in Section 3.2.1 for servicers and 3.2.2 for borrowers for all Treasury FHA-HAMP and RD-HAMP modifications. However, servicer and borrower incentive payments will be made only following implementation of the reporting and payment processes and the servicer commencing reporting.

3.4 Compliance

Treasury has agreed with FHA and RHS that each has specific responsibilities to ensure program compliance as described in Section 2.4 of Chapter I.



Exhibits

EXHIBIT A: MODEL CLAUSES FOR BORROWER NOTICES

The model clauses in this exhibit provide sample language that may be used to communicate the status of a borrower's request for a Home Affordable Modification. Use of the model clauses is optional; however, they illustrate a level of specificity that is deemed to be in compliance with language requirements of the program.

Non Approval Notice

1. **Ineligible Mortgage.** We are unable to offer you a Home Affordable Modification because your loan did not meet one or more of the basic eligibility criteria of the Home Affordable Modification Program.
 - You did not obtain your loan on or before January 1, 2009.
 - Your loan with us is not a first lien mortgage.
 - The current unpaid principal balance on your loan is higher than the program limit. (\$729,750 for a one unit property, \$934,200 for a two unit property, \$1,129,250 for a three unit property and \$1,403,400 for a four unit property).
2. **Ineligible Borrower.** We are unable to offer you a Home Affordable Modification because your current monthly housing expense, which includes the monthly principal and interest payment on your first lien mortgage loan plus property taxes, hazard insurance and homeowner's dues (if any) is less than or equal to 31% of your gross monthly income (your income before taxes and other deductions) which, (select one) [you told us is \$_____] OR [we verified as \$_____]. Your housing expense must be greater than 31% of your gross monthly income to be eligible for a Home Affordable Modification. If you believe this verified income is incorrect, please contact us at the number provided below.
3. **Property Not Owner Occupied.** We are unable to offer you a Home Affordable Modification because you do not live in the property as your primary residence.
4. **Ineligible Property.** We are unable to offer a Home Affordable Modification because your property:
 - Is vacant
 - Has been condemned
 - Have more than four dwelling units
5. **Investor Guarantor Not Participating.** We are unable to offer you a Home Affordable Modification because:
 - We service your loan on behalf of an investor or group of investors that has not given us the contractual authority to modify your loan under the Home Affordable Modification Program.
 - Your loan is insured by a private mortgage insurance company that has not approved a modification under the Home Affordable Modification Program.
 - Your loan is guaranteed and the guarantor has not approved a modification under the Home Affordable Modification Program.
6. **Bankruptcy Court Declined.** We are unable to offer you a Home Affordable Modification because you have filed for bankruptcy protection and the proposed modified loan terms were not approved by the Bankruptcy Court. You may wish to contact your bankruptcy counsel or trustee to discuss this decision.
7. **Negative NPV.** The Home Affordable Modification Program requires a calculation of the net present value (NPV) of a modification using a formula developed by the Department of the Treasury. The NPV calculation requires us to input certain financial information about your income and your loan including the factors listed below. When combined with other data in

the Treasury model, these inputs estimate the cash flow the investor (owner) of your loan is likely to receive if the loan is modified and the investor's cash flow if the loan is not modified. Based on the NPV results the owner of your loan has not approved a modification.

If we receive a request from you within 30 calendar days from the date of this letter, we will provide you with the date the NPV calculation was completed and the input values noted below. If, within 30 calendar days of receiving this information you provide us with evidence that any of these input values are inaccurate, and those inaccuracies are material, for example a significant difference in your gross monthly income or an inaccurate zip code, we will conduct a new NPV evaluation. While there is no guarantee that a new NPV evaluation will result in the owner of your loan approving a modification, we want to ensure that the NPV evaluation is based on accurate information.

Available NPV Inputs

- a. Unpaid balance on the original loan as of [Data Collection Date]
 - b. Interest rate before modification as of [Data Collection Date].
 - c. Months delinquent as of [Data Collection Date]
 - d. Next ARM reset date (if applicable)
 - e. Next ARM reset rate (if applicable)
 - f. Principal and interest payment before modification
 - g. Monthly insurance payment
 - h. Monthly real estate taxes
 - i. Monthly HOA fees (if applicable)
 - j. Monthly gross income
 - k. Borrower's Total Monthly Obligations
 - l. Borrower Credit Score
 - m. Co-borrower Credit Score (if applicable)
 - n. Zip Code
 - o. State
8. **Default Not Imminent.** We are unable to offer you a Home Affordable Modification because you are current on your mortgage loan and after reviewing the financial information you provided us we have determined that you are not at risk of default because:
- You have not documented a financial hardship that has reduced your income or increased your expenses, thereby impacting your ability to pay your mortgage as agreed.
 - You have sufficient net income to pay your current mortgage payment.
 - You have the ability to pay your current mortgage payment using cash reserves or other assets.
9. **Excessive Forbearance.** We are unable to offer you a Home Affordable Modification because we are unable to create an affordable payment equal to 31% of your reported monthly gross income without changing the terms of your loan beyond the requirements of the program.
10. **Previous HAMP Modification.** We are unable to offer you a Home Affordable Modification because your loan was previously modified under the Home Affordable Modification Program. The program does not allow more than one modification.
11. **Request Incomplete.** We are unable to offer you a Home Affordable Modification because you did not provide us with the documents we requested. A notice which listed the specific documents we needed and the time frame required to provide them was sent to you more than 30 days ago.
12. **Trial Plan Default.** We are unable to offer you a Home Affordable Modification because you did not make all of the required Trial Period Plan payments by the end of the trial period.

Loan Paid Off or Reinstated. We are not considering your request for a modification because:

- Your loan was paid in full on _____.
- Your loan was reinstated on _____ and you no longer appear to be in need of modification. If you feel that you are at risk of default please contact us to discuss your eligibility and qualification for a Home Affordable Modification.

Offer Not Accepted by Borrower / Request Withdrawn. We are not considering your request for a modification because:

- After being offered a Trial Period Plan or Home Affordable Modification you notified us on _____ that you did not wish to accept the offer.
- After initially asking to be considered for a Home Affordable Modification you withdrew that request on _____.

Incomplete Information Notice - We cannot continue to review your request for a Home Affordable Modification because:

- You are currently in a Trial Period Plan; however you have not provided all of the documentation we previously requested. If we do not receive the required documents by [insert expiration date of Trial Period Plan but no less than 30 days from the date of the letter] we will terminate your Trial Period Plan and may resume other means to collect any amounts due on your account. The documents we need are: [Insert list of required documents]
- You have requested consideration for a Trial Period Plan, however, you have not provided all of the documentation we previously requested. If we do not receive the required documents by [insert date no less than 30 days from the date of the letter] we will consider that you have withdrawn your request for a modification and may resume other means to collect any amounts due on your account. The documents we need are: [Insert list of required documents.]

Borrower Response Period - You have 30 calendar days from the date of this notice to contact [name of servicer] to discuss the reason for non-approval for a HAMP modification or to discuss alternative loss mitigation options that may be available to you. Your loan may be referred to foreclosure during this time, or any pending foreclosure action may continue. However, **no foreclosure sale will be conducted and you will not lose your home** during this 30-day period [or any longer period required for us to review supplemental material you may provide in response to this Notice].

Unemployment Program - We are unable to offer you forbearance plan under the Home Affordable Unemployment Program because:

- As of the date of your request, you did not provide us with documentation that you are receiving or will receive unemployment benefits [insert only if applicable: for at least months].
- As of the date of your request, your loan was delinquent by three or more monthly mortgage payments.
- Your total monthly mortgage payment is less than or equal to 31 percent of the household monthly gross income, including unemployment benefits.

EXHIBIT B: MODEL LETTER FOR SIMULTANEOUS TRIAL PLAN – FORECLOSURE PROCESS EXPLANATION

[Servicer Logo]
[Date]
[Name]
[Address 1]
[Address 2]

Dear [borrower and co-borrower name(s)]:

We are committed to helping you retain your home. That's why we are currently evaluating your mortgage for eligibility in the Home Affordable Modification Program ("HAMP") which would modify the terms of your loan and make your mortgage payments more affordable. Your loan has been previously referred to foreclosure and we will continue the foreclosure process while we evaluate your loan for HAMP. However, **no foreclosure sale will be conducted and you will not lose your home** during the HAMP evaluation.

HAMP Eligibility

If you are eligible for HAMP, you will enter into a "trial period". You will receive a Trial Period Plan Notice which will contain a new trial payment amount (this will temporarily replace your current mortgage payment during the HAMP trial period). To accept the Trial Period Plan, you must make your first trial payment by the specified due date. Once you accept, we will halt the foreclosure process as long as you continue to make your required trial plan payments.

If you do not qualify for HAMP, or if you fail to comply with the terms of the Trial Period Plan, you will be sent a Non-Approval Notice. In most cases, you will have 30 days to review the reason for non-approval and contact us to discuss any concerns you may have. During this 30-day review period, we may continue with the pending foreclosure action, but **no foreclosure sale will be conducted and you will not lose your home**.

Important—Do not ignore any foreclosure notices.

The HAMP evaluation and the process of foreclosure may proceed at the same time. You may receive foreclosure/eviction notices - delivered by mail or in person - or you may see steps being taken to proceed with a foreclosure sale of your home. While you will not lose your home during the HAMP evaluation, to protect your rights under applicable foreclosure law, you may need to respond to these foreclosure notices or take other actions. If you have any questions about the foreclosure process and the evaluation of your HAMP request, contact us at [XXX.XXX.XXXX]. If you do not understand the legal consequences of the foreclosure, you are also encouraged to contact a lawyer or housing counselor for assistance.

Questions

Call XXX.XXX.XXXX if you cannot afford to make your trial period payments, but want to remain in your home. Or if you have decided to leave your home, contact us—we have other options that may be able to help you avoid foreclosure. Additionally, if you have any questions about the foreclosure (or other legal notices that you receive), please call us for assistance. You can also call the Homeowner's HOPE™ Hotline at 1-888-995-HOPE (4673) if you need further counseling. They offer free HUD-certified counseling services in English and Spanish, and can help answer any questions you have.

Sincerely,
[Servicer Contact Person Name]
[Servicer Contact Person Title]
[Servicer Name]

EXHIBIT C: CHARACTERISTICS OF THE HPDP INCENTIVE CALCULATION

First characteristic—The cumulative projected home price decline over the next year, expressed in percentage points (projected home price decline), is related to recent momentum in local market home prices. The projection is calculated from the percentage changes in the local home price index in the most recent previous two quarters for which data is available.

Note: A table of home price index values for each local market (Home Price Index Table) is provided on www.HMPAdmin.com. The Home Price Index Table is updated quarterly, and the updated values are effective for the following calendar quarter.

Second characteristic—The UPB of the mortgage loan prior to modification under HAMP involves assignment of the loan to one of five UPB quintiles. The quintile assignments determine the dollar payment per percentage point of projected price decline by UPB. Quintile assignments will not change over the course of the program. Refer to Exhibit D for UPB Quintile Base Amounts.

Third characteristic—The mark-to-market LTV of the mortgage loan based on the UPB of the mortgage loan prior to modification under HAMP, further affects HPDP incentive payments by applying a weighting factor to the payment. HPDP incentive payments will be weighted according to a mortgage loan's mark-to-market LTV in accordance with the chart in Exhibit D.

The HPDP incentive payment is calculated by multiplying the mark-to-market LTV weighting factor by the UPB quintile amount, and then multiplying the result by the projected home price decline. The example HPDP calculation in Exhibit D illustrates the calculation of the HPDP incentive payment for a hypothetical mortgage loan modified under HAMP.

EXHIBIT D: EXAMPLE HPDP CALCULATION

This example illustrates the calculation of the HPDP incentive payment for a hypothetical mortgage loan modified under HAMP. The HPDP incentive payment is calculated by multiplying the MTM-LTV weighting factor by the UPB quintile amount, and then multiplying the result by the projected home price decline.

Assume for a hypothetical mortgage loan being modified under HAMP:

- The NPV Date for the HAMP modification is September 1, 2009;
- The projected home price decline value based on the Home Price Index Table is 10;
- The UPB is \$110,000, which results in a quintile assignment of 2, and, as a result, a quintile base amount of \$300; and
- The loan's MTM-LTV is 85%, which results in a weighting factor of 2/3.

The resulting total HPDP incentive payment potentially payable to an investor over a two-year period relating to a HAMP modification of this hypothetical mortgage loan would be:

- $\text{HPD Value} * \text{UPB Quintile Payment} * \text{MTM-LTV Weighting Factor}$
- $10 * \$300 * 2/3 = \$2,000$

If the borrower of this hypothetical mortgage loan above has a first trial period payment due date in October 2009, successfully completes the trial period and then loses good standing in December 2010, the investor would be paid 12/24 of the total HPDP incentive payment, or \$1,000, on October 1, 2010, and 2/24 of the total HPDP incentive payment, or \$166.67, on October 1, 2011.

UPB Quintile Base Amounts

Quintile	UPB Prior to Modification	Quintile Payment per Percentage Point Decline in House Price Index
1	\$0 – \$73,000	\$200
2	greater than \$73,000 – \$116,000	\$300
3	greater than \$116,000 – \$169,000	\$400
4	greater than \$169,000 – \$259,000	\$500
5	greater than \$259,000	\$600

MTM-LTV Weighting Factors

MTM-LTV (based on UPB prior to modification)	Weighting Factor
less than 70%	0
at least 70% but less than 80%	1/3
at least 80% but less than 90%	2/3
90% or greater	1



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