Supplemental Directive 19-01 ***February 5, 2019***

Making Home Affordable Program – Handbook for Servicers Version 5.3 and Administrative Clarifications

In February 2009, the Federal Government introduced the Making Home Affordable (MHA) Program to stabilize the housing market and help struggling homeowners obtain relief and avoid foreclosure. In March 2009, the U.S. Department of the Treasury (Treasury) issued uniform guidance for loan modifications by participants in MHA across the mortgage industry and subsequently updated and expanded that guidance.

In this Supplemental Directive, Treasury is issuing version 5.3 of the Making Home Affordable Program Handbook for Servicers of Non-GSE Mortgages (*Handbook*), a consolidated resource for guidance related to the MHA Program for mortgage loans that are not owned, securitized or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Mortgages). In addition, certain provisions of the *Handbook* may apply with respect to certain mortgage loans owned, securitized or guaranteed by Fannie Mae and Freddie Mac (each, a GSE), as noted therein. Servicers of mortgage loans owned, securitized or guaranteed by a GSE should also refer to any relevant guidance issued by the applicable GSE. In addition to the applicable guidance in the *Handbook*, servicers of mortgage loans insured or guaranteed by a federal agency, such as the Federal Housing Administration or Rural Housing Service, should refer to any relevant guidance issued by the applicable agency.

Issuance of Version 5.3 of the *Handbook*

Generally, Version 5.3 of the *Handbook* includes revisions to existing sections of Version 5.2 of the *Handbook* that have been issued in Supplemental Directives with effective dates after publication of Version 5.2 of the *Handbook*.

Version 5.3 of the *Handbook* incorporates and supersedes in its entirety Supplemental Directive 18-01 and concurrently incorporates the guidance set forth in this Supplemental Directive.

To the extent that any Supplemental Directive, FAQ or waiver has not been incorporated into and superseded by the *Handbook*, it continues to apply, and any references in such documents to guidance that has been incorporated into the *Handbook* are deemed to refer to the applicable Chapter and Section of the *Handbook* containing such guidance.

The *Handbook* is available on www.HMPadmin.com.

Handbook Clean-Up and Administrative Clarifications

Version 5.3 of the *Handbook* incorporates clarifications into several sections of Version 5.2 of the *Handbook*, each of which is shown in the mapping (with the exception of the tenth through thirteenth bullets below) attached hereto as Exhibit A. These items are effective immediately and include the following:

- A statement has been added to the Foreword, indicating that, for purposes of the *Handbook*, use of the term "MHA Program" is meant to refer to the program as a whole, whereas "MHA program(s)" is used when referring to the individual programs under MHA.

- Section 1.6 of Chapter I states that, where a provision under the *Handbook* is removed or modified with effect from a date or in particular circumstances, servicers should refer to applicable law and their own policies and procedures regarding any requirements that may still apply following such removal or modification. Supplemental Directive 19-01 amends this guidance to advise that such removals or modifications of *Handbook* provisions include those that are a result of the Program End Date.

- The first sentence of the second paragraph of Section 6.7.2 (as amended by Supplemental Directive 18-01) requires that a servicer maintain financial counseling reports until data with respect to the last borrower for which the servicer is required to provide financial counseling is reported to Treasury. As the second sentence of the same paragraph both incorporates and expands upon this requirement, the first sentence has been deleted.

- Section 7.1.1 of Chapter II specifies a date upon which access to the Base NPV Model will cease, as well as descries permitted use of the model through such date. As this date has now passed, the cited guidance has been rewritten in the past tense and retained for historical purposes. In addition, Section 7.1.1 states that the Base NPV Model Documentation and NPV Model Overview, both of which provide further information and user guidance regarding use of the Base NPV Model, are accessible on www.hmpadmin.com. Supplemental Directive 19-01 updates this guidance to make clear that the ability to access this guidance ended on May 1, 2019, the same date that access to the Base NPV Model was discontinued. (Cross-references to this guidance have also been added in each instance that the Base NPV Model Documentation is referred to in the Handbook.)

- Section 11.4 of Chapter II requires that servicers collect and report certain additional data for all loans evaluated for HAMP on or after December 1, 2009, as well as all trial and permanent modifications with effective dates on or after such date. Supplemental Directive 19-01 clarifies that, a servicer is not required to report additional data for any of these loan populations after the Program End Date.

- Similarly, Section 11.5.1 of Chapter II provides instruction to servicers regarding the period between June 3, 2010 and the date that PRA reporting and payment processes were implemented (also known as the Interim Period). As the Interim Period ended some time ago, the guidance has been rewritten in the past tense and retained for historical purposes.

- Section 13 of Chapter II is amended to delete interim guidance, instructing servicers to refrain from reporting Streamline HAMP trial period plans and permanent modifications while processes to accommodate both were still under development, now that those processes have been implemented in the HAMP Reporting Tool. (Supplemental Directive 18-01 previously deleted similar language in Section 11.)

- Section 13.1 of Chapter II provides that the completed modification incentive will be paid to the servicer in the month that the permanent modification becomes effective. In order to more accurately describe the basis on which such incentive has been paid throughout the program, Supplemental Directive 19-01 revises the cited guidance to clarify that the incentive will be paid in the month the permanent modification is reported in the HAMP Reporting Tool.

- Section 13.2.1 of Chapter II provides that, under HAMP Tier 1, the "pay for performance" principal balance reduction payment in years one through six will be payable annually after the anniversary of the month in which the HAMP Tier 1 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. Similarly, Section 13.2.2 provides that the "pay for performance" incentive in year six is payable, based on the same criteria, for modifications under HAMP Tier 2 and Streamline HAMP. In order to better reflect the basis upon which the incentive has been paid throughout the program, Supplemental Directive 19-01 revises the current guidance to provide that the "pay for performance" incentive in years one through six will be payable annually for all non-GSE HAMP modifications, as long as the loan is in good standing and has not been paid in full prior to the loan's anniversary month.

  Parallel edits have been made in Section 11.2 of Chapter V and in Section 3.2.2 of Chapter VI with regard to "pay for performance" incentives paid under 2MP, and Treasury FHA-HAMP and RD-HAMP, respectively.

- Section 6.1.2 of Chapter III provides that all UP forbearance plan reporting requirements are accessible via the servicer web portal at www.HMPadmin.com. Supplemental Directive 19-01 qualifies that this reporting guidance was only accessible through December 30, 2016, the program cutoff date for UP.

- Section 3.2 of Chapter IV requires servicers to complete a HAFA Matrix and make it available on the servicer's website (the locations of which will be made publicly available by Treasury on its www.MakingHomeAffordable.gov website), and must keep the information provided in such matrix up to date, including any changes in the servicer's HAFA Policy. Supplemental Directive 19-01 clarifies that servicers are only required to comply with this requirement through December 30, 2016 (the cutoff date for the HAFA program), and that Treasury no longer provides information regarding the location of these matrices.

- Section 11 of Chapter II (as amended by Supplemental Directive 18-01) states that all HAMP reporting activity, including corrections, must be completed in the HAMP Reporting Tool at least 30 days prior to the Program End Date. Supplemental Directive 19-01 expands the applicability of the cited reporting cutoff to include HAFA, 2MP, Treasury FHA-HAMP and RD-HAMP by adding similar language in Section 11.1 of Chapter IV, Section 11 of Chapter V and Section 3.3 of Chapter VI, respectively.

- Section 9.2.2 of Chapter V requires that 2MP servicers not cease reporting for a 2MP modification if the first lien loan loses good standing or is paid in full. Supplemental Directive 19-01 qualifies that the guidance is only applicable before May 1, 2018.

- With regard to RD-HAMP, Section 3.2 of Chapter VII states that no incentives of any kind will be paid on RD-HAMP modifications if the modified monthly mortgage payment does not achieve a target monthly mortgage payment ratio of not less than 31 percent with a maximum ratio of 36 percent. Supplemental Directive 19-01 revises the cited guidance to simply state that no incentives will be paid on such modifications if the modified monthly mortgage payment reflects a target monthly mortgage payment below 31 percent or above 36 percent.

In addition, Version 5.3 of the *Handbook* contains numerous clean-up edits that have been made in an effort to make the presentation of content more consistent throughout the document, as well as to improve overall readability. Examples of such edits include but are not limited to: standardization of defined term references, formatting adjustments, correction of typographical errors, deletion of redundant or extraneous wording, insertion and removal of punctuation, and insertion of missing words, such as conjunctions, prepositions and articles. As these edits did not substantively alter the content or intent of the guidance presented in Version 5.2 of the *Handbook*, such items are not reflected in the mapping in Exhibit A. Nonetheless, users are strongly encouraged to rely solely on Version 5.3 of the *Handbook* going forward.

EXHIBIT A
MHA HANDBOOK MAPPING

CONFORMING HANDBOOK SECTIONS

The following guidance amends and supersedes the notated portions of the *Handbook*. Changed or new text is indicated in italics. Text that has been lined out has been deleted.

A. The third paragraph of the Foreword is amended to insert the following before the last sentence:

In addition, for purposes of this Handbook, use of the term "MHA Program" is meant to refer to the program as a whole, whereas "MHA program(s)" is used when referring to the individual programs under MHA (each of which is described in the Overview below).

B. The last paragraph of Section 1.6 of Chapter I is amended as follows:

Furthermore, where a provision under the Handbook is removed or modified with effect from a date or in particular circumstances *(including as of the Program End Date, as defined in the Foreword)*, servicers should refer to applicable law and their own policies and procedures *regarding* any requirements or guidance that may be applicable upon such removal or modification under the Handbook.

C. The second paragraph of Section 6.7.2 of Chapter II (as amended by Supplemental Directive 18-01) is further amended as follows:

~~A servicer must continue to maintain the reports described above until data with respect to the last borrower for which the servicer is required to provide financial counseling is reported to Treasury.~~ A servicer must continue to maintain the reports required under this Section until the last borrower for whom the servicer must provide financial counseling, and who is still actively receiving such counseling, has either completed a full counseling engagement or discontinues such counseling after attending one or more sessions. Servicers may but are no longer required to maintain information beyond the Program End Date regarding a borrower's performance after receiving counseling.

D. The last paragraph of Section 7.1.1 of Chapter II is amended as follows:

Access to the Base NPV Model*, the Base NPV Model Documentation and related materials* ~~will~~ end*ed on May 1, 2018*. Servicers*, however,* ~~may~~*were permitted to* continue to use the Base NPV Model software tool until this date, provided the NPV inputs ~~are~~*were* on or before September 30, 2017.

E. Section 11.4 is amended to insert the following as the last sentence:

Notwithstanding the foregoing, a servicer is not required to report additional data for any of the three loan populations noted above after the Program End Date.

F. Section 11.5.1 of Chapter II is amended as follows:

The time period between June 3, 2010 and the date the PRA reporting and payment processes *were implemented* is referred to in this Handbook as the Interim Period. Servicers that offer*ed* permanent modifications with PRA during the Interim Period ~~will be~~*were* required to report the transaction to the HAMP Reporting Tool. Any PRA principal reduction on Interim Period loans ~~should be~~*was* reported in the existing principal write-down field. Servicers ~~should~~*were* not, however, *to* reduce the UPB by the amount of any PRA principal reduction in the HAMP Reporting Tool for Interim Period loans (though servicers ~~should~~*were instructed to* reduce the UPB by any principal reduction that ~~is~~*was* not related to PRA). ~~When~~*Once* the PRA reporting and payment processes ~~are~~*were* implemented, servicers ~~must~~*were required to* submit a correction transaction that ~~will~~*would* move the PRA principal reduction to a new PRA-specific principal forgiveness field. During the Interim Period, servicers ~~must~~*were required to* collect and retain PRA-specific information so that the necessary data ~~can~~*could* be reported when the processes ~~become~~*became* available.

G. The last paragraph of Section 13 of Chapter II is deleted:

~~Updated reporting and payment processes implementing Streamline HAMP are currently under development. Incentives will be paid on permanent modifications under Streamline HAMP once the updated reporting and payment processes are implemented. Subsequent guidance on such processes will be provided on www.HMPadmin.com.~~

H. The last sentence of Section 13.1 of Chapter II is amended as follows:

The completed modification incentive will be paid to the servicer in the month that the permanent modification ~~becomes effective~~*is reported to the HAMP Reporting Tool*.

I. The first four paragraphs of Section 13.2.1 of Chapter II are amended as follows:

Borrowers whose monthly mortgage payment is reduced through HAMP Tier 1 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 HAMP Tier 1 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~~*prior to the loan's respective anniversary month*.

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~~*prior to the loan's respective anniversary month*. A borrower whose loan is delinquent on a rolling 30- or 60-day basis will not accrue annual incentive payments.

In addition, borrowers will earn a "pay for performance" principal balance reduction payment of $5,000 in year six, as long as the loan is in good standing and has not been paid in full ~~at the time the incentive is payable~~*prior to the loan's respective anniversary month*, without regard to the number of current payments or whether the monthly mortgage payment was reduced through HAMP by six percent or more. The incentive will be payable after the sixth anniversary of the month in which the HAMP TPP Effective Date occurred.

J. Section 13.2.2 of Chapter II is amended as follows:

Borrowers will earn a "pay for performance" principal balance reduction payment of $5,000 in year six, as long as the loan is in good standing and has not been paid in full ~~as of the date the incentive is payable~~*prior to the loan's respective anniversary month*, without regard to the number of current payments or whether the monthly mortgage payment was reduced through HAMP by six percent or more. The incentive will be payable after the sixth anniversary of the month in which the HAMP TPP Effective Date occurred.

K. The last paragraph of Section 11.2 of Chapter V is amended as follows:

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 first and second lien loans are in good standing and have not been paid in full *prior to the loan's anniversary month*. A borrower whose first and/or second lien loan is delinquent on a rolling 30- or 60-day basis will not accrue annual incentive payments.

L. The last sentence of Section 3.2 of Chapter VI is amended as follows:

No incentives of any kind will be paid on RD-HAMP modifications if the modified monthly mortgage payment ~~does not achieve~~*reflects* a target monthly mortgage payment ratio ~~of not less than~~*below* 31 percent ~~with a maximum ratio of~~*or above 36* percent.

M. The first four paragraphs of Section 3.2.2 of Chapter VI are amended as follows:

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~~*occurs (as applicable)*, as long as the loan is in good standing and has not been paid in full ~~at the time the incentive is *paid*~~*prior to the loan's anniversary month*.

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*~~*prior to the loan's anniversary month*. A borrower whose loan is delinquent on a rolling 30- or 60-day basis will not accrue annual incentive payments.

In addition, borrowers will earn a "pay for performance" principal balance reduction payment of $5,000 in year six, as long as the loan is in good standing and has not been paid in full ~~as of the date the incentive is payable~~*prior to the loan's anniversary month,* without regard to the number of current payments or whether the monthly mortgage payment was reduced by six percent or more. The incentive will be payable after the sixth anniversary of the month in which the effective date of the modification trial period occurred.