

Supplemental Directive 10-12

September 24, 2010

Making Home Affordable Program – Treasury/FHA Second Lien Program (FHA2LP) Effective Date

Background

In Supplemental Directive 10-08, the Treasury Department (Treasury) released guidance on the Treasury/FHA Second Lien Program (FHA2LP) to Support FHA Refinance of Borrowers in Negative Equity Positions (FHA Refinance). Supplemental Directive 10-08 stated that Treasury would issue a subsequent Supplemental Directive when FHA2LP became operational.

Effective Monday, September 27, 2010, FHA2LP is operational. Servicers should follow the guidance outlined in Supplemental Directive 10-08 as well as the guidance provided by the Federal Housing Administration (FHA) in their Mortgagee Letter 10-23, dated August 6, 2010, as well as all subsequent FHA mortgagee letters relating to FHA Refinance. In particular, FHA will be releasing guidance in a future mortgagee letter regarding compliance with the certification requirements of Section 1481(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203) (the “Dodd-Frank Act”).

In addition, Supplemental Directive 10-08 provided guidance to second lien servicers for implementation of FHA2LP with regard to second mortgage lien loans that are not owned or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Second Liens). This guidance clarifies that, for the avoidance of doubt, servicers of Non-GSE Second Liens are eligible for incentives under FHA2LP when a first mortgage lien loan owned or securitized by Fannie Mae or Freddie Mac is refinanced through FHA Refinance and there is principal forgiveness through FHA2LP on the related second lien.