

*Supplemental Directive 15-07**August 11, 2015****Making Home Affordable Program – Handbook Mapping for Streamline HAMP***

In February 2009, the Obama Administration 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. On June 1, 2015, Treasury issued version 4.5 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 or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Mortgages).

On July 1, 2015, Treasury issued Supplemental Directive 15-06 announcing a “streamlined” modification process under the Home Affordable Modification ProgramSM (HAMP[®]) for Non-GSE Mortgages (referred to as Streamline HAMP). Streamline HAMP is designed to assist borrowers who meet basic HAMP eligibility criteria and, among others, those who have not completed an application by the time their loan is 90 days delinquent.

This Supplemental Directive provides mapping of the Handbook for the guidance provided in Supplemental Directive 15-06 and provides further administrative clarifications on such guidance. Servicers that are subject to or adopt the guidance in Supplemental Directive 15-06 must follow the guidance set forth in this Supplemental Directive. This guidance does not apply to mortgage loans that are owned, securitized or guaranteed by Fannie Mae or Freddie Mac (each, a GSE), or insured or guaranteed by the Veterans Administration, the Department of Agriculture’s Rural Housing Service (RHS) or the Federal Housing Administration (FHA).

Handbook Mapping

Supplemental Directive 15-06 amended and superseded the notated portions of the *Handbook*. Attached to this Supplemental Directive as Exhibit A is the mapping of the *Handbook* which delineates the changes thereto attributable to the guidance provided in Supplemental Directive 15-06. The changes to the *Handbook* described in this Supplemental Directive are effective as of January 1st, 2016.

Administrative Clarifications

Non-Approval Notices

Supplemental Directive 15-06 requires that a servicer send a Non-Approval Notice to a borrower in a Streamline HAMP trial period plan who makes timely payments but fails to return the executed Streamline HAMP documents (i.e., the Streamline HAMP Affidavit and/or the Streamline HAMP Modification Agreement) on a timely basis. This Supplemental Directive clarifies this requirement such that any HAMP borrower who is in a trial period plan but fails to return the applicable permanent modification documents must be sent a Non-Approval Notice indicating the failure to return the required documentation.

The model clauses for borrower notices in Exhibit A to the *Handbook* have been updated to reflect this guidance. An updated list of reason codes will also be made available in the HAMP Additional Data Requirements Data Dictionary at www.HMPAdmin.com.

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.

Note that Chapter II of the *Handbook* is shown below in its entirety due to the voluminous number of changes associated with Supplemental Directive 15-06 and new text in that chapter is indicated in blue italics.

A. The fifth paragraph of the Overview is amended as follows:

The Second Lien Modification Program (2MP) is designed to work in tandem with HAMP (*Tier 1 and Tier 2*), to offer borrowers with second mortgage liens even greater affordability. Under 2MP, when a borrower's first lien is modified under HAMP (*Tier 1 or Tier 2*), 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.

B. The first two sentences of Section 1.2 of Chapter I are amended as follows:

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 and engage in other loss mitigation activities under a "qualified loss mitigation plan." Treasury has determined that each residential loan modification under HAMP (*including, but not limited to, HAMP–(Tier 1, and HAMP Tier 2)*) (~~including~~ and Principal Reduction Alternative (PRA) modifications) and 2MP, each modification and refinance under FHA Refinance and FHA2LP, as well as each short sale and deed-in-lieu of foreclosure under HAFA and each forbearance plan under UP, is a "qualified loss mitigation plan" as defined in the Servicer Safe Harbor.

C. The first paragraph of Section 1.3 of Chapter I is amended as follows:

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 nonparticipant, or as unwilling to extend its participation in MHA to include any extension or expansion of an MHA program, or identifying a servicing agreement that limits or prohibits a servicer from offering ~~any~~ assistance available under MHA, *including, but not limited to, HAMP Tier 2 or Streamline HAMP modifications (i.e., prohibition against modification of non-owner occupied mortgages or limits on multiple modification of the same mortgage)*, the servicer must contact the investor in writing at least once, encouraging the investor to permit modifications and

other assistance available under the extended and expanded MHA programs. *Examples of investor limitations include but are not limited to: prohibitions against modifying mortgages secured by non-owner occupied properties; prohibitions against modifying mortgages without verifying the borrower's income; and limits on multiple modifications of the same mortgage.*

D. Section 1.4.1.1 of Chapter I is amended as follows:

With respect to HAMP Tier 1 and HAMP Tier 2, if one of the circumstances set forth in Section 3.1.1 of Chapter II exists with respect to an Eligible Loan, and any applicable response period has elapsed, such loan will no longer be considered an Eligible Loan unless a borrower with continued eligibility requests consideration prior to the effective date of the servicing transfer (or such earlier date on which the population of loans to be transferred is finalized).

With respect to Streamline HAMP, a loan is also considered to be an Eligible Loan if such loan (i) is subject to an offer under Streamline HAMP for which the acceptance period has not expired (ii) is in a Streamline HAMP TPP or (iii), is in a permanent Streamline HAMP modification, as of the effective date of the servicing transfer (or such earlier date on which the population of loans to be transfer is finalized).

E. The third romanette in the first paragraph of Section 1.4.1.2 of Chapter I is amended as follows:

- (iii) the servicer of the second lien also services a first mortgage lien on the same property that is in a trial period or permanent HAMP (Tier 1 or Tier 2) modification; or

F. The first row of the table in Section 1.7 of Chapter I is amended as follows:

Program	Interim Period Requirement	Final Period Requirement
HAMP*	Obtain completed Dodd-Frank Certification prior to permanent HAMP modification	<p><i>For HAMP Tier 1 and HAMP Tier 2, Obtain obtain completed Dodd-Frank Certification as part of Initial Package prior to offering TPP to borrower</i></p> <p><i>For Streamline HAMP, obtain completed Dodd-Frank Certification as part of the Streamline HAMP Affidavit prior to permanent HAMP modification</i></p> <p>For bankrupt borrowers where trial period is waived, obtain completed Dodd-Frank</p>

		Certification prior to permanent modification HAMP
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G. The 15th bullet and 9th sub-bullet of Section 2.2 of Chapter I are amended as follows:

- All documents and information received during the process of determining borrower eligibility, including, *as applicable*:
 - Policies related to a servicer’s establishment of a minimum principal and interest payment reduction requirement for HAMP Tier 2 *and/or Streamline HAMP*;

H. The 21st bullet of Section 2.2 of Chapter I is amended as follows:

- Evidence that each mortgage loan securing an owner-occupied property considered for HAMP Tier 2 is first evaluated for HAMP Tier 1 and that an offer for a HAMP Tier 2 TPP is only made subsequent to a determination that such loan is ineligible for HAMP Tier 1.

I. A new bullet is inserted after the 21st bullet of Section 2.2 of Chapter I as follows:

- *Evidence that each borrower offered a Streamline HAMP TPP was first solicited for HAMP in accordance with Section 2.2 of Chapter II.*

J. The 22nd bullet of Section 2.2 of Chapter I is amended as follows:

As outlined in Section 7 of Chapter II, written policies identifying the circumstances under which the servicer would offer a *HAMP* modification and the conditions under which modifications of each tier would be offered for cases where NPV results are negative for both HAMP Tier 1 and HAMP Tier 2 *or Streamline HAMP* and the servicer elects, based on investor guidance, to offer a TPP under ~~either HAMP Tier 1 or Tier 2~~ (provided other eligibility requirements are met).

K. The following bullets are inserted after the 23rd bullet of Section 2.2 of Chapter I:

- *The servicer’s Streamline HAMP Policy.*
- *All records of Streamline HAMP Offers sent to borrowers.*
- *All executed Streamline HAMP Documents prior to permanent modification of a loan under Streamline HAMP.*
- *All records relating to the servicer’s use of the Streamline HAMP NPV Tool in determining whether Streamline HAMP is offered on a population of loans, including all inputs to the Streamline HAMP NPV Tool and the assumptions and the NPV results on a portfolio basis or segment of a portfolio for which it is used.*

- *All records relating to an active Streamline HAMP TPP in which the borrower subsequently submitted an Initial Package for evaluation.*

L. The last paragraph of Section 2.6.2 of Chapter I is amended as follows:

A Subsequent Certification for HAMP is inclusive of HAMP Tier 2 for all Subsequent Certifications with an effective date on or after September 30, 2012, *and of Streamline HAMP for all Subsequent Certifications with an effective date on or after March 31, 2016.*

M. The last paragraph of Section 2.8.2 of Chapter I is amended as follows:

Borrower identity and owner occupancy review, when applicable, *will be performed* on all new TPPs, 2MP modification with corresponding GSE first lien modifications and HAFA transactions reported to the HAMP Reporting Tool during the current month's reporting cycle ~~will be performed~~. Disqualifying Crime review will be performed on a random sample of those loans. *With regard to Streamline HAMP modifications, borrower identity and Disqualifying Crime review will be performed on a random sample of Streamline HAMP loans reported to the HAMP Reporting Tool as permanent modifications during the current month's reporting cycle.*

N. Section 2.8.3 of Chapter I is amended to add the following as the last sentence:

In addition, servicers are required to maintain executed copies of the Streamline HAMP Affidavit.

O. The first bullet of Section 2.8.4 of Chapter I is amended as follows:

- There is a missing or unexecuted RMA, ~~or~~ Dodd-Frank Certification *or Streamline HAMP Affidavit*; or

P. Section 3.3.2 of Chapter I is amended as follows:

Servicers must ensure that a borrower's information, including personally identifiable Information (PII), is not disclosed to any individual or entity, including the Requestor, unless the borrower and co-borrower have each authorized release of such information in writing. By signing an RMA, ~~or~~ Hardship Affidavit *or Streamline HAMP Affidavit*, a borrower and co-borrower each authorizes the servicer to disclose PII and the terms of any MHA agreements to (i) representatives of Treasury; (ii) personnel of the Program Administrator and MHA-C; (iii) any investor, insurer, guarantor or servicer that owns, insures, guarantees or services the first lien or subordinate lien mortgage loan(s) for the borrower; (iv) companies that perform support services in conjunction with MHA; and (v) any HUD-certified housing counselor. If a servicer is in receipt of an RMA, ~~or~~ Hardship Affidavit *or Streamline HAMP Affidavit* signed by the borrower(s), no additional release is needed to disclose such information to MHA Help or HSC.

Q. The first sentence of the first paragraph of Section 4 of Chapter I is amended as follows:

Servicers that have a Program Participation Cap of \$75,000,000 or more as of May 18, 2011, must establish and implement a process through which borrowers who potentially are eligible for HAMP (~~Tier 1 or Tier 2~~), UP, or HAFA are assigned a relationship manager to serve as the borrower's single point of contact.

R. Section 4 of Chapter I is amended to append the following to the last paragraph:

In addition, any borrower who accepts an offer of a Streamline HAMP TPP (as described in Section 2.4.2 of Chapter II) must be assigned a relationship manager promptly following acceptance of the TPP, if he or she did not have an assigned relationship manager at that time. If the borrower was previously assigned a relationship manager, the servicer should, to the extent possible, ensure that the borrower's original relationship manager is maintained.

S. The last sentence of the final paragraph of Section 5.3.2 of Chapter I is amended as follows:

If this is not possible, the servicer should evaluate the borrower for any other loss mitigation alternative, including for a ~~HAMP loan~~, HAMP Tier 2 (if the loss of good standing was on a permanent modification under HAMP Tier 1) prior to commencing foreclosure proceedings.

T. Chapter II is replaced in its entirety as follows:

1 Eligibility

1.1 HAMP Eligibility Criteria

1.1.1 Basic HAMP Eligibility Criteria

First lien	<p>The mortgage loan is a first lien mortgage loan originated on or before January 1, 2009. This includes mortgages secured by:</p> <ul style="list-style-type: none">• Cooperative shares,• Condominium units, and• Manufactured housing (the first lien mortgage loan must be secured by the manufactured home and the land, both of which must be classified as real property under applicable state law). <p>The reference to “originated on or before” refers to the date on which the loan was first originated (i.e., not the date a loan may have been modified previously).</p>
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Not condemned	The property securing the mortgage loan has not been condemned or is not in such poor physical condition that it is not habitable even if not condemned. Servicers must retain in the mortgage file and/or servicing system all evidence related to the basis for the determination of an uninhabitable condition.
Financial hardship	A borrower has documented a financial hardship ¹ and represented that he or she does not have sufficient liquid assets to make the monthly mortgage payments.
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
Single family property	The mortgage loan is secured by a one- to four-unit property.
Program cut-off date	The borrower has submitted an Initial Package (as defined in Section 4) on or before December 31, 2016 and the Modification Effective Date is on or before September 30, 2017. <i>With respect to Streamline HAMP, the borrower is not required to submit an Initial Package, however, the Modification Effective Date of the loan must be on or before September 30, 2017.</i>

1.1.2 HAMP Tier 1 Eligibility Criteria

A *mortgage* loan is eligible for Home Affordable Modification Program (HAMP) Tier 1 if the servicer verifies that, in addition to satisfaction of the basic eligibility criteria for HAMP described in Section 1.1.1, all of the following criteria are met:

Not previously HAMP modified	The mortgage loan has not been previously modified under HAMP. For more information, refer to the <i>“Change in Circumstance” and “Continued Eligibility due to Following Change in Circumstances”</i> guidance in Section 1.2.
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¹ Under Streamline HAMP, a borrower’s financial hardship is documented by his or her attestation of hardship in the Streamline HAMP Affidavit, which the servicer will collect after extending the Streamline HAMP Offer, but prior to granting a permanent modification.

Delinquent or in imminent default	The mortgage loan is delinquent or default is reasonably foreseeable. Loans currently in foreclosure are eligible.
Owner-occupied	The mortgage loan is secured by a single family property that is occupied by the borrower as his or her principal residence. Additionally, a loan may be considered for HAMP Tier 1 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 displaced (e.g., military deployment, permanent change of station orders, out of area job transfer or foreign service assignment) 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 in the future and the borrower does not own any other single family real estate (evidence may include but is not limited to: a credit report, property title search, military change of station orders or employer letter).
Minimum monthly mortgage payment ratio	The borrower's monthly mortgage payment (including principal, interest, taxes, insurance, and when applicable, association fees, existing escrow shortages) prior to the modification is greater than 31 percent of the borrower's verified monthly gross income.

1.1.3 HAMP Tier 2 Eligibility

A mortgage loan may be eligible for HAMP Tier 2² if (i) the borrower satisfies the basic eligibility criteria for HAMP set forth in Section 1.1.1; (ii) the loan did not satisfy the criteria in Section 1.1.2 for HAMP Tier 1 or, upon evaluation for a HAMP Tier 1 modification, failed to receive a modification under HAMP Tier 1; and (iii) the following criteria are met, if applicable:

Owner occupied or rental property	The mortgage loan is secured by a single family property that is either <ul style="list-style-type: none"> • Owner-occupied as set forth in Section 1.1.2; or • A rental property (defined below). <p>A "rental property" is a property that is used by the borrower for rental purposes only and not occupied by the borrower, whether as a principal residence, second home, vacation home or otherwise.</p> <p>A mortgage loan secured by a rental property may be considered for</p>
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² For clarity, a HAMP modification in existence prior to June 1, 2012, is referred to as "HAMP Tier 1" and references to "HAMP Tier 1" refers both to HAMP modifications completed under guidance in effect prior to June 1, 2012 and HAMP Tier 1 modifications completed after June 1, 2012.

	<p>a HAMP Tier 2 modification if the rental property is</p> <ul style="list-style-type: none"> (i) occupied by a tenant as their principal residence; (ii) occupied by the borrower's legal dependent, parent or grandparent as his or her principal residence without rent being charged or collected; or (iii) vacant and available for rent. <p>A property that is or will be offered for rent on a seasonal basis and is available for use by the borrower when it is not rented is not eligible for a HAMP modification. If the mortgage loan is secured by a rental property, the borrower must make the certifications described in Section 4.1.1.2.</p>
Previous HAMP Tier 2 TPP or permanent modification	A mortgage loan has not received a permanent modification or TPP under HAMP Tier 2.
Previous HAMP Tier 1 permanent modification	A mortgage loan that has received a HAMP Tier 1 permanent modification, and, at the time of evaluation for HAMP Tier 2, the borrower has experienced a change in circumstance or at least 12 months have passed since the HAMP Tier 1 Modification Effective Date.
Previous HAMP Tier 1 or Streamline HAMP TPP	A mortgage loan that received a HAMP Tier 1 <i>or Streamline HAMP</i> TPP but on which the borrower defaulted, <i>and has not received two permanent modifications or defaulted on two TPPs (or a combination of both) under HAMP.</i>
Previous consideration for HAMP	A mortgage loan was evaluated for HAMP prior to June 1, 2012 and was not offered a HAMP Tier 1 TPP as long as the non-approval was not due to borrower fraud or non-compliance with section 1481 of Dodd-Frank Act (as defined in Section 1.7 of Chapter I).
Delinquent or imminent default	A mortgage loan is delinquent (which, in the case of a mortgage loan secured by a rental property, means two or more payments are due and unpaid) or default is reasonably foreseeable; provided, however, that a mortgage loan secured by a rental property that is not in default even if default is reasonably foreseeable is not eligible for HAMP Tier 2. Loans currently in foreclosure are eligible.

1.1.4 Streamline HAMP Eligibility

A mortgage loan may be eligible for Streamline HAMP if (i) the borrower satisfies the basic eligibility criteria for HAMP set forth in Section 1.1.1 and in accordance with a servicer's Streamline HAMP Policy; and (ii) the following criteria are met, if applicable:

<i>Owner occupied or rental property</i>	<i>The mortgage loan is secured by a single family property that is either</i> <ul style="list-style-type: none"> • <i>Owner-occupied as set forth in Section 1.1.2; or</i> • <i>A rental property as set forth in Section 1.1.3</i>
<i>Delinquent</i>	<i>The mortgage loan is at least (i) 90 days delinquent, or (ii) 60 days delinquent if within the 12 month period following an interest rate step-up under HAMP Tier 1, subject to the guidance set forth in Section 2.4.2.</i>
<i>Previous solicitation for HAMP</i>	<i>The borrower should have been proactively solicited by the servicer in accordance with Section 2.2. If such loan was previously evaluated for, but not offered, a HAMP modification, the servicer may, but is not required to, offer Streamline HAMP, as set forth in the servicer's Streamline HAMP Policy.</i>
<i>Previous HAMP Tier 1 or Tier 2 permanent modification</i>	<i>If the borrower previously received a HAMP Tier 1 or HAMP Tier 2 permanent modification, at least 12 months must have passed since the previous Modification Effective Date, or the borrower has experienced a change in circumstance.</i>
<i>Unexpired Loss Mitigation Offer</i>	<i>The mortgage loan is not subject to a loss mitigation offer for which the acceptance period has not expired.</i>
<i>Active Loss Mitigation Solution</i>	<i>The mortgage loan is not currently performing under a loss mitigation solution.</i>

1.2 Additional Factors Impacting HAMP Eligibility

Certain factors impacting HAMP eligibility are described below:

<i>No waiver of legal rights</i>	<i>The servicer may not require a borrower to waive legal rights as a condition of HAMP.</i>
<i>No up-front contribution</i>	<i>The servicer may not require a borrower to make any "good faith" payment or up-front cash contribution to be considered for HAMP.</i>

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.
Borrower is a natural person	The borrower must be a natural person. Mortgage loans made to, or secured by properties owned by, corporations, partnerships, limited liability companies or other business entities are not eligible for assistance under HAMP.
Inter vivos Revocable Trust	<p>A loan secured by a property owned by an inter vivos revocable trust is eligible for HAMP as long as the borrower:</p> <ul style="list-style-type: none"> • Is a trustee of the trust and • Is a primary beneficiary of the trust, <p>In the case of such a property where the borrower, as trustee, occupies the property as his or her principal residence, the loan must first be considered for HAMP Tier 1 and, if the loan is determined to not qualify for HAMP Tier 1, must then be considered for HAMP Tier 2.</p> <p>Where the borrower, as trustee, does not occupy the property as his or her principal residence, the loan may only be considered for HAMP Tier 2.</p> <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.
Charged off loans	Servicers are not required to consider for HAMP a mortgage loan that has been charged off if the servicer has released the borrower from liability for the debt and provided a copy of such release to the borrower. The servicer must retain in the mortgage file and/or servicing system all evidence related to the charge off including the release of liability.

<i>Change in Circumstance</i>	<p><i>Servicers must have an internal written policy which defines what the servicer considers a change in circumstance and outlines when a borrower will be re-evaluated for HAMP. Servicers may limit the number of reconsideration requests in accordance with its written policy and must apply the policy consistently for all similarly situated borrowers. The servicer’s policy must allow a borrower to request re-evaluation based on a change in circumstance at least one time. Notwithstanding the foregoing, a mortgage loan that was determined ineligible for a HAMP Tier 1 modification prior to June 1, 2012, absent a change of circumstances, must, upon receipt of a request from a borrower on or after June 1, 2012, be evaluated for HAMP Tier 2 without need to show a change in circumstances.</i></p> <p><i>A servicer may reconsider a borrower multiple times if the borrower claims multiple changes in circumstance. In addition to the policy regarding consideration of a borrower with a change in circumstance, servicers must continue to allow a borrower to request re-evaluations based on disputed NPV inputs in accordance with the guidance set forth in Section 2.3.2.1. Any determination regarding whether a change of circumstance has or has not occurred must be communicated to the borrower and documented in the mortgage file and/or servicing system.</i></p>
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<p>Continued Eligibility due <i>Following</i> Change in Circumstance</p>	<p>A mortgage loan that (i) has been evaluated for HAMP, but does not meet the minimum eligibility criteria described in Sections 1.1.1 and, either 1.1.2 or 1.1.3, or (ii) meets the applicable minimum eligibility criteria, but is not qualified for HAMP by virtue of a negative NPV-test result <i>using the NPV Model</i>, excessive forbearance or other financial reason may be reconsidered for HAMP at a future time if the borrower experiences a change in circumstance.</p> <p>Notwithstanding the foregoing, a borrower who defaults after making one or more HAMP Tier 1 trial period payment(s) and later requests HAMP consideration must be considered for a HAMP Tier 2 TPP on the same mortgage loan even if the borrower does not demonstrate a change in circumstance.</p> <p>If a borrower receives a HAMP Tier 2 TPP or permanent modification and defaults or loses good standing thereon, respectively, the borrower cannot be considered under this Section for a HAMP Tier 1 modification with respect to the same mortgage loan.</p> <p>A borrower that rejects a modification offer for a mortgage loan under HAMP (Tier 1 and/or Tier 2) is not eligible for future consideration under either Tier for the same mortgage loan unless the borrower experiences a change in circumstance. However, the mortgage loan must be considered for other available loss mitigation options, including HAFA. A borrower may reject a modification offer (i) orally or in writing; (ii) by failing to make the first TPP payment; (iii) by failing to execute and return the permanent modification agreement after having made all required TPP payments.</p> <p>A borrower who fails to make the first trial period payment under a TPP for either HAMP Tier 1 or Tier 2 is deemed to have not accepted the offer. The loan may be considered again for HAMP <i>Tier 1 or Tier 2</i> if, at some future time, the borrower experiences a change in circumstance.</p>
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	<p>Servicers must have an internal written policy which defines what the servicer considers a change in circumstance and outlines when a borrower will be re-evaluated for HAMP. Servicers may limit the number of reconsideration requests in accordance with its written policy and must apply the policy consistently for all similarly situated borrowers. The servicer's policy must allow a borrower to request re-evaluation based on a change in circumstance at least one time. Notwithstanding the foregoing, a mortgage loan that was determined ineligible for a HAMP Tier 1 modification prior to June 1, 2012, absent a change of circumstances, must, upon receipt of a request from a borrower on or after June 1, 2012, be evaluated for HAMP Tier 2 without need to show a change in circumstances.</p> <p>A servicer may reconsider a borrower multiple times if the borrower claims multiple changes in circumstance. In addition to the policy regarding consideration of a borrower with a change in circumstance, servicers must continue to allow a borrower to request re-evaluations based on disputed NPV inputs in accordance with the guidance set forth in Section 2.3.2.1. Any determination regarding whether a change of circumstance has or has not occurred must be communicated to the borrower and documented in the mortgage file and/or servicing system.</p>
<p>Loss of Eligibility— <i>HAMP Tier 1</i></p>	<p>HAMP Tier 1—A servicer's obligation to offer the borrower a HAMP Tier 1 modification is considered satisfied, and the borrower is not eligible for a subsequent offer under HAMP Tier 1, if (i) the borrower received a HAMP Tier 1 or HAMP Tier 2 modification of the loan and lost good standing (as defined in Section 9.4); or (ii) the borrower received a HAMP Tier 1 or HAMP Tier 2 TPP offer on such loan and, after making the first trial period payment, failed to make one or more of the remaining trial period payments by the last day of the month in which it was due; or (iii) for TPPs with effective dates prior to June 1, 2010, the borrower failed to provide all required documents by the end of the trial period. In cases where a borrower defaults after making one or more HAMP Tier 1 trial period payment(s), the borrower must, upon requesting HAMP consideration, be considered for a HAMP Tier 2 trial period plan<i>TPP</i> on the same mortgage loan even if the borrower does not demonstrate a change in circumstance.</p> <p>HAMP Tier 2—A servicer's obligation to offer the borrower a HAMP Tier 2 modification on a loan is considered satisfied, and the borrower is not eligible for a subsequent offer under HAMP Tier 2 on such loan, if (i) the borrower received a HAMP Tier 2 modification on such loan and lost good standing (as defined in Section 9.4); or (ii) the borrower received a HAMP Tier 2 TPP offer on such loan and, after making the first TPP payment, failed to make one or more of the remaining trial period payments by the last day of the month in which it was due. If a borrower fails to make the initial TPP payment under HAMP Tier 2, they may be considered for another HAMP Tier 2 TPP on the same loan if they can demonstrate a change of circumstance.</p>

<p><i>Loss of Eligibility—HAMP Tier 2</i></p>	<p><i>A servicer’s obligation to offer the borrower a HAMP Tier 2 modification on a loan is considered satisfied, and the borrower is not eligible for a subsequent offer under HAMP Tier 2 on such loan, if (i) the borrower received a HAMP Tier 2 modification on such loan, whether on a principal residence or a rental property, and lost good standing (as defined in Section 9.4); or (ii) the borrower received a HAMP Tier 2 TPP offer on such loan and, after making the first TPP payment, failed to make one or more of the remaining trial period payments by the last day of the month in which it was due. If a borrower fails to make the initial TPP payment under HAMP Tier 2, they may be considered for another HAMP Tier 2 TPP on the same loan if they can demonstrate a change of circumstance.</i></p>
<p><i>Loss of Eligibility-Streamline HAMP</i></p>	<p><i>A servicer’s obligation to offer a borrower a Streamline HAMP modification on a loan is considered satisfied, and the borrower is not eligible for a subsequent offer under Streamline HAMP on such loan if (i) the borrower fails a Streamline HAMP TPP after accepting the trial by making the first payment; or (ii) the borrower successfully completes the Streamline HAMP TPP but failed to timely return the Streamline HAMP Modification Agreement and/or the Streamline HAMP Affidavit (Streamline HAMP Documents); or (iii) the borrower loses good standing under a Streamline HAMP permanent modification (whether on a principal residence or a rental property).</i></p>
<p>Borrower Incorrectly Denied HAMP</p>	<p>If a servicer determines, as the result of an escalation, through the servicer’s internal quality control process or through an MHA-C review, that a borrower was incorrectly denied a TPP, the servicer must offer the borrower a TPP based on the status of the borrower and the loan at the time of the servicer’s initial evaluation and must, to the greatest extent possible, put the borrower in the same position as he or she would have been in if the servicer had offered the borrower the TPP in accordance with MHA guidelines. A servicer may not back date the TPP to satisfy this requirement. If a servicer is unable to put a borrower who occupies the property as a principal residence in the same position as he or she would have been if the servicer had offered the borrower a HAMP Tier 1 TPP in accordance with MHA guidelines, the servicer must first consider the borrower for a HAMP Tier 2. In all cases, the servicer must document the reasons for any inability to put such borrower into a HAMP TPP in the mortgage file and/or servicing system.</p>
<p>Co-Borrower</p>	<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>

<p>Limit on Multiple Modifications</p>	<p>An individual, as a borrower or co-borrower, may receive permanent HAMP modifications on mortgages secured by up to six properties. Specifically, a borrower may receive one permanent modification under either HAMP Tier 1 or, HAMP Tier 2 <i>or Streamline HAMP</i> on the loan secured by his or her owner-occupied property. If the borrower loses good standing on <i>receives</i> a HAMP Tier 1 modification, the borrower may also receive a HAMP Tier 2 <i>or Streamline HAMP</i> permanent modification of the same loan. <i>If the borrower receives a HAMP Tier 2 modification, the borrower may also receive a Streamline HAMP modification of the same loan. If the borrower receives a Streamline HAMP modification, the borrower may also receive either a HAMP Tier 1 or a HAMP Tier 2 modification of the same loan.</i> Furthermore, a borrower may receive one HAMP Tier 2 a permanent modification <i>under HAMP Tier 2 or Streamline HAMP</i> with respect to each of five other properties that meet the HAMP Tier 2 <i>or Streamline HAMP</i> eligibility requirements. <i>—Notwithstanding the foregoing, a borrower may not receive more than two permanent modifications or default on more than two TPPs (or a combination of both) with respect to the same loan under HAMP.</i></p> <p><i>A loan that is not eligible for Streamline HAMP may be considered for HAMP Tier 1 or HAMP Tier 2, to the extent such loan meets eligibility criteria (including the borrower’s submission of an Initial Package), and the borrower has not previously received two permanent modifications or defaulted on two TPPs (or a combination of both) under HAMP with respect to the subject loan.</i></p> <p>A borrower is considered to have received a permanent modification with respect to a property if he or she is obligated as a borrower or co-borrower on the note or mortgage secured by that property. A borrower may not be reconsidered for HAMP Tier 1 after failing a HAMP Tier 1 TPP or losing good standing on a HAMP Tier 1 or HAMP Tier 2 permanent modification on the subject property. Therefore, if a husband and wife modify under HAMP Tier 1 the loan secured by their principal residence and the husband and son are co-borrowers on a loan secured by the son’s principal residence, the servicer may only offer a modification under HAMP Tier 2 <i>or Streamline HAMP</i> for the loan secured by the son’s principal residence (assuming such loan meets all other requirements for HAMP Tier 2 <i>or Streamline HAMP</i>).</p> <p>A borrower who fails a HAMP Tier 2 TPP or loses good standing under a HAMP Tier 2 permanent modification (whether on a principal residence or a rental property) is not eligible for another Tier 2 modification on the same mortgage loan.</p>
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<p>Non-Occupant Co-Borrower</p>	<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. Non-occupant borrowers are subject to the limit on the number of modifications each borrower may receive even if the co-borrower owns other properties that secure other mortgage loans that would be eligible for HAMP consideration.</p> <p>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 or loan(s) on rental properties, the servicer should inform the co-borrower of the modification limit. In the event of a failure of a TPP on a loan where a non-occupant co-borrower's income was used, the co-borrower remains eligible for HAMP consideration in accordance with the modification limit.</p>
<p>Unemployed Borrower</p>	<p>A borrower who is currently receiving unemployment benefits, or who received unemployment benefits within the six month period prior to requesting assistance and remains unemployed, should be evaluated for UP as set forth in Chapter III.</p> <p>If a borrower who is eligible for UP declines an offer for an UP forbearance plan, the servicer is not required to offer the borrower a modification under HAMP; however, the servicer may (but is not required to), in accordance with investor guidelines, offer to evaluate the borrower for HAMP.</p>
<p>Borrowers in Bankruptcy</p>	<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. However, if the borrower is also unemployed, the servicer must evaluate the borrower for UP, subject to any required bankruptcy court approvals, before evaluating the borrower for HAMP.</p>
<p>Borrowers Discharged from Chapter 7 Bankruptcy</p>	<p>Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the first lien mortgage who did not reaffirm the mortgage debt under applicable law are eligible for HAMP.</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>
<p>Loan-to-value (LTV) Ratio</p>	<p>Servicers may not refuse to evaluate an otherwise eligible borrower based on the LTV ratio of the mortgage loan except to the extent it impacts the NPV evaluation or the principal forbearance limit described in Section 6.6.</p>
<p>Failure to file Tax Return</p>	<p>A borrower is eligible for HAMP even if the borrower did not file a tax return, as long as the borrower documents the reason for not filing. The servicer must review and approve the borrower's rationale. A borrower is not eligible for HAMP if the borrower was required to file a tax return but failed to do so.</p>

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 state HFAs with respect to HHF, or 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.

A model written authorization form is available on www.HMPadmin.com. When provided by or on behalf of a borrower, this model authorization, subject to applicable law, must be accepted by servicers in lieu of any servicer-specific form(s). Servicers are encouraged to continue to accept other counseling agency, non-profit organization, legal services or other proprietary authorization forms that are substantially similar in content to the model authorization (provided such form complies with any applicable federal, state, or local privacy law, rule or regulation). The authorization must be completed and executed by the borrower and, if applicable, the co-borrower. Servicers may refuse to accept an authorization because it is not signed by all borrowers on the related note.

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 e-mail address provided by the borrower when the borrower has agreed to receive communications electronically. Such e-mail 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,
- Not condemned or not in such poor physical condition that the property is not habitable even if not condemned.
- Loan originated on or before January 1, 2009,
- UPB does not exceed HAMP limits, and
- Not previously modified under HAMP Tier 2.

Subject to the foregoing, 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, except that servicers are not required to solicit borrowers who, prior to June 1, 2012

- Were two or more payments delinquent and did not occupy the mortgage property as a principal residence;
- Were two or more payments delinquent and were already solicited in accordance with the "Reasonable Effort" requirement;
- Were evaluated and determined to be ineligible for HAMP; or
- Had a payment default on a TPP or lost good standing on a HAMP Tier 1 permanent modification.

Though proactive solicitation is not required, on and after June 1, 2012 and subject to the guidelines set forth in Section 1.2 under "*Change in Circumstance*" and "Continued Eligibility due to *Following Change in Circumstances*," all of these classes of borrowers may request consideration for HAMP and, upon submission of an Initial Package, must be evaluated for the appropriate HAMP Tier based on their eligibility. Furthermore, if any of such class of borrower cures the original delinquency that occasioned an initial solicitation or evaluation for HAMP and such borrower subsequently re-defaults, servicer must re-screen the borrower for HAMP as appropriate and in accordance with the guidance below in Section 2.2.1.

Solicitation is for general assistance under the MHA Program and need not be specific as to HAMP Tier 1 or Tier 2. 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.

Servicers may, but are not required to, proactively solicit for HAMP Tier 2 a borrower who defaulted on a HAMP Tier 1 TPP prior to June 1, 2012. However, upon receipt of an Initial Package, a servicer must consider for HAMP Tier 2 any borrower who previously defaulted on a HAMP Tier 1 TPP.

With respect to borrowers who default on a HAMP Tier 1 TPP after June 1, 2012 servicers may, but are not required to, automatically evaluate such borrowers for HAMP Tier 2 prior to sending a Non-Approval Notice. In conducting an evaluation within 30 calendar days of a HAMP Tier 1 payment default, the servicer should use the same income and debt documentation and property value assessments used in the HAMP Tier 1 evaluation, unless the servicer has reason to believe that the income and debt documentation or property value assessments are no longer accurate (e.g., the borrower is now unemployed). If the HAMP Tier 2 evaluation takes place more than 30 days after the date of the HAMP Tier 1 TPP default, the servicer must obtain updated income and debt information and property value assessments.

If the HAMP Tier 1 TPP was based on an analysis done on or after June 1, 2012, the servicer will use the results of the original NPV analysis in making the decision to offer HAMP Tier 2. If the HAMP Tier 1 TPP was based on an analysis prior to June 1, 2012–, the servicer must complete a new NPV analysis– using the borrower income documentation used in the HAMP Tier 1 evaluation. In either case, in addition to satisfying the guidelines for a HAMP Tier 2 set forth herein, the NPV analysis must indicate that the borrower is eligible for HAMP Tier 2 and the servicer must ensure that the borrower’s HAMP Tier 2 post-modification monthly principal and interest (*P&I*) payment must be at least ten percent less than the monthly payment that was payable under the HAMP Tier 1 TPP.

Even if a servicer elects to automatically evaluate a borrower as described herein, whenever there is a payment default on a HAMP Tier 1 TPP, the servicer must first complete a recalculation of the trial period payment in accordance with Section 5.

Servicers must proactively solicit a borrower for HAMP Tier 2 if that borrower loses good standing on their HAMP Tier 1 modification, or at such earlier time as required by applicable law.

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.

When a borrower who has never had a TPP or permanent modification cures a delinquency but later re-defaults by missing two or more payments, this is considered a new delinquency and the servicer must re-screen the borrower for HAMP eligibility and satisfy the Reasonable Effort requirement again. In addition, when a borrower has lost good standing under a HAMP Tier 1 permanent modification, the servicer must proactively solicit the borrower for HAMP Tier 2 and satisfy the Reasonable Effort requirement. The Reasonable Effort requirement may be waived for borrowers who exhibit a pattern of repetitive delinquency and reinstatement if the servicer has established a written policy to identify such borrowers and applies that policy consistently

for all similarly situated borrowers. Evidence of such pattern must be documented in the mortgage file and/or servicing system.

For borrowers who received a Chapter 7 bankruptcy discharge in a case involving the first lien mortgage who did not reaffirm their first lien mortgage debt, a servicer is deemed to have made a Reasonable Effort to solicit the borrower after sending two written notices to the last address of record in addition to the two required written notices described above. The servicer is not required to make the four telephone calls described above.

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 calendar 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);
- Depending on the servicer’s Verification Policy, either, (i) include an Internal Revenue Service (IRS) Form 4506T-EZ (or IRS Form 4506-T, if necessary) or (ii) if such form is not required by the servicer’s Verification Policy, describe the requirement that the borrower deliver a copy of the borrower’s tax return for the most recent tax year, including all applicable schedules and forms; servicers may request, but not require, the submission of both an IRS Form and a complete tax return for the most recent tax year; and

- Include the form of the Dodd-Frank Certification.

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 should 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 at least one component of a Loss Mitigation Application (as defined in Section 4) is submitted by the borrower.

If Right Party Contact is established but the borrower does not submit any documents in response to the Initial Package communication, the servicer must resend the Initial Package communication. In lieu of resending such communication, a servicer may instead send a written notice to the borrower which references the Initial Package communication and provides instructions for obtaining a replacement set of Initial Package documentation, if necessary. In all cases, the servicer must include a specific date by which the Initial Package should be returned, which must be no less than 15 calendar days from the date of such notice or second Initial Package communication. If the borrower does not respond by providing any component of an Initial Package within the required time period set forth in the second communication, the servicer may determine the borrower to be currently ineligible for HAMP.

If Right Party Contact is established and the borrower submits any component of the Loss Mitigation Application, the servicer must send an “Acknowledgment” and, to the extent applicable, comply with the “Incomplete Information Notice” requirement set forth below in Section 4.5.

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 applicable eligibility criteria for HAMP as described in Section 1 or the servicer determines that the borrower’s estimated monthly mortgage payment as described in Section 6.1.2 is below (a) 20 percent of the borrower’s gross monthly income or (b) the low end of the Servicer’s DTI Range for HAMP eligibility, whichever is lower. If Right Party Contact is established and the borrower does not disclose financial information over the phone, but 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, per the requirements outlined in Section 2.2.2. A servicer may not base its determination that a borrower does not meet basic HAMP eligibility on the fact that the borrower chose not to provide financials orally. Such decision must be documented in the applicable mortgage file and/or servicing system.

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.

When a servicer has had contact with a borrower in connection with HAMP but is not in receipt of the Initial Package by December 31, 2016 or has determined it will be unable to complete a permanent modification such that the Modification Effective Date is on or before September 30, 2017, the servicer must send a Borrower Notice informing the borrower that he or she cannot be considered for HAMP and provide information about other loss mitigation options.

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.

If a borrower or an authorized representative submits a written request related to principal reduction, the servicer must, within 30 calendar days of receipt of the request, respond in writing. The response, when applicable, must include the reason(s) that principal reduction was not offered to the borrower.

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 of foreclosure.
- 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.
- All Non-Approval Notices must include an e-mail address and mailing address for communicating with the servicer if the borrower wishes to dispute the reasons for a non-approval determination and to submit written evidence.

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) loan originated after January 1, 2009, not a first lien loan, or current unpaid principal balance above the program limit, (2) loan paid off, or charged off and borrower released from liability for repayment, (3) property condemned or has more than four dwelling units, (4) loan subject to involuntary transfer to a non-participant, (5) offer not accepted by borrower / request withdrawn, (6) the loan was previously modified under HAMP Tier 2, or (7) the borrower was not a natural person or permitted trust.

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.

In addition, effective February 1, 2011, if the servicer has performed an NPV evaluation *using the NPV model*, regardless of whether a negative NPV result was the actual reason for the non-approval of the borrower, the Non-Approval Notice must list the NPV Data Input Fields and Values used in the NPV evaluation as listed in Exhibit A. The purpose of providing this information is to allow a borrower who is ineligible because the transaction is NPV negative the opportunity to correct values that may impact the analysis of the borrower's eligibility. Because the NPV Data Input Fields and Values must be disclosed to a borrower declined for HAMP whenever an NPV evaluation is performed, regardless of whether a negative NPV result was the reason for non-approval, servicers are encouraged to assess all other borrower eligibility criteria before performing an NPV evaluation in order to reduce instances in which NPV Data Input Fields and Values must be disclosed when a negative NPV result is not the reason for non-approval. In fact, if NPV Data Input Fields and Values are included in a Non-Approval Notice but the reason for the non-approval was not a negative NPV result, the Non-Approval Notice must include a statement that the borrower is not entitled to dispute the NPV Data Input Fields and Values.

The offer of ~~either a TPP under HAMP Tier 1 or, HAMP Tier 2 TPP, or Streamline HAMP~~ is considered a HAMP offer. Therefore, if a borrower is evaluated, but determined to be ineligible for HAMP Tier 1, and is offered a HAMP Tier 2 TPP, the servicer should not send a Non-Approval Notice and is not required to send NPV Data Input Fields and Values to a borrower. However, if a borrower files an Escalated Case and requests the NPV Input Fields and Values, the servicer must provide them. *In addition, if a borrower submits a complete Initial Package while in a Streamline HAMP TPP, and is evaluated and determined to be eligible for HAMP Tier 1 or HAMP Tier 2, the servicer should not send a Non-Approval Notice with regard to Streamline HAMP. If the borrower is evaluated and does not receive an offer under HAMP Tier 1 or HAMP Tier 2, but remains eligible for Streamline HAMP, the servicer is not required to send a Non-Approval Notice with regard to HAMP Tier 1 or HAMP Tier 2. Finally, if a servicer determines that a borrower is not eligible for a Streamline HAMP Offer, the servicer should not send a Non-Approval Notice with regard to Streamline HAMP.*

~~If~~ *Except as noted above, if* a loan is evaluated for both HAMP Tier 1 and HAMP Tier 2 but not approved for either Tier, the servicer must send a Non-Approval Notice that refers to the HAMP Tier 2 denial reason and, if an NPV evaluation was completed, must include all NPV Data Input Fields, even if a negative NPV result was not the reason for denial.

A Non-Approval Notice must be mailed no later than 10 business days following the date of the servicer's determination that a TPP or a permanent HAMP modification will not be offered. To the extent a servicer is required by applicable law to consider a borrower for HAMP contemporaneously with all other loss mitigation options available to the borrower and such consideration occurs after the servicer's determination for HAMP, the Non-Approval Notice must be sent no later than 10 business days following the servicer's determination that any other loss mitigation option will be offered, or that no loss mitigation option will be offered. Such determination must be made in accordance with the guidance provided under Section 4.6. This need not be a separate notice, and may be included with or incorporated into another notice sent to the borrower and any such delay in sending a Non-Approval Notice for HAMP due to a contemporaneous evaluation must be documented in the mortgage file and/or servicing system.

2.3.2.1 Non-Approval Notice-Negative NPV Result

When the borrower is not approved for a TPP because the transaction is NPV negative, the borrower will have 30 calendar days from the date of the Non-Approval Notice to submit written evidence to the servicer that one or more of the NPV input values is inaccurate. If the borrower wishes to dispute more than one NPV input, the written evidence for each input being disputed must be provided to the servicer at the same time. If the borrower identifies material inaccuracies in the NPV input values, the servicer may not conduct a foreclosure sale until the inaccuracies are reconciled.

If the evidence submitted by the borrower is valid and material to the NPV outcome, the servicer must perform the NPV calculation with the corrected input values as set forth in Section 7.7. Following the re-evaluation, the servicer must provide the updated NPV outcome and input values to the borrower.

2.3.2.1.1 Dispute of Multiple NPV Data Inputs including the Property Value Input

In the event a borrower disputes the property value input as well as other NPV Data Input Fields and Values, the servicer may elect to validate the other disputed NPV Data Input Fields and Values and perform the NPV re-evaluation changing any other validated inputs while holding the original property value constant. If this re-evaluation renders a positive NPV result, the servicer may approve the borrower for a TPP without performing an NPV re-evaluation with a new property value or obtaining a new appraisal. If this re-evaluation renders a negative NPV result, the servicer must perform the preliminary NPV re-evaluation with the borrower's estimate of property value.

2.3.2.1.2 Insufficient Evidence

If a borrower submits written evidence for some but not all of the NPV inputs that the borrower is disputing, the servicer must notify the borrower promptly that all the necessary written evidence has not been received and that it must be received within the 30 calendar day period provided for borrower disputes of the Non-Approval Notice. This notification need not be in writing but must be documented in the servicing system and/or mortgage file and be provided promptly and in sufficient time for the borrower to comply with the 30 calendar day requirement. If in the servicer's business judgment the borrower is actively attempting to locate the missing evidence, the servicer may extend the 30 calendar day dispute period to allow the borrower time to send the missing evidence to the servicer. If the borrower fails to provide the remaining items within the original 30 calendar day period (as extended pursuant to the foregoing sentence, as applicable), the servicer may perform the NPV evaluation with the corrected input values that are supported by the borrower's submitted evidence.

2.3.2.1.3 NPV Evaluation Assistance from MHA Help

Prior to disputing a non-approval with the servicer, the borrower may, as directed in the Non-Approval Notice, request assistance from MHA Help to evaluate whether the borrower's disputed NPV inputs would change the NPV outcome from negative to positive. Using the disputed inputs provided by the borrower, MHA Help will conduct a preliminary NPV re-evaluation and will provide the borrower with the printed NPV result, which should be given by the borrower to the servicer when requesting a formal re-evaluation by the servicer. If the

borrower is represented by a trusted advisor, that advisor may also request the preliminary NPV re-evaluation from HSC.

A borrower or trusted advisor acting on behalf of a borrower may only request one NPV re-evaluation from MHA Help or HSC prior to contacting the servicer. If the re-evaluation performed by the servicer, MHA Help or HSC using the disputed borrower inputs returns a negative NPV result, the borrower is not eligible for additional appeals of other inputs.

Although the borrower may seek assistance from MHA Help or HSC, the borrower must still make its written request to the servicer within 30 calendar days from the date of the Non-Approval Notice.

2.3.2.1.4 Servicer Not Required to Perform NPV Re-Evaluation

The servicer is not required to perform an NPV re-evaluation when a negative NPV result was not the reason for the non-approval, even if the NPV Data Input Fields and Values were included in the Non-Approval Notice. Furthermore, a servicer is not required to perform an NPV re-evaluation if the servicer, in conjunction with its review of the corrected NPV Data Input Fields and Values, determines that the borrower does not qualify for a TPP on a basis other than a negative NPV result (e.g., for HAMP Tier 1) if corrected income documentation submitted by the borrower shows that the borrower's current monthly mortgage payment is less than 31 percent of the borrower's monthly gross income). In such a case, the servicer must send a written communication to the borrower explaining that, after a review of the corrected NPV inputs submitted by the borrower, the borrower continues to be ineligible for HAMP and the reason for the non-approval. Following receipt of the communication, the borrower is not entitled to an additional 30 calendar day dispute period. Finally, if a borrower is evaluated for HAMP Tier 1 and HAMP Tier 2, receives a HAMP Tier 2 modification and executes a HAMP Modification Agreement, the servicer is not required to perform an NPV re-evaluation to determine whether the borrower should have received a HAMP Tier 1 modification.

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

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

If, as a result of an evaluation conducted within 30 calendar days of a HAMP Tier 1 trial period payment default, a borrower is determined to be eligible for a HAMP Tier 2 TPP, rather than sending a Non-Approval Notice for default under the HAMP Tier 1 TPP, the servicer should send written notice to the borrower that, due to the payment default on the HAMP Tier 1 TPP, the servicer is offering the borrower a new HAMP Tier 2 TPP. If a servicer elects not to automatically evaluate borrowers for HAMP Tier 2 following a HAMP Tier 1 TPP default, the required Non-Approval Notice must describe all available loss mitigation options, including HAMP Tier 2, if applicable.

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 *HAMP Tier 1 or HAMP Tier 2* 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. *However, if a borrower fails to accept a Streamline HAMP Offer by not making the first trial payment, the servicer should not send a Non-Approval Notice with regard to Streamline HAMP.*

2.3.2.5 Non-Approval Notice—Not Cleared Alerts

If the borrower is in an active TPP and the servicer has independently determined based on its own evaluation of an Alert received pursuant to Section 2.8 of Chapter I that a borrower has misrepresented his or her identity, or that the property is not owner occupied, if required by program rules, or the borrower or non-borrower occupant was convicted of a Disqualifying Crime, the servicer must, within ten (10) business days of the due date specified on the Alert notice provided to the borrower pursuant to Section 2.8.6 of Chapter I, or any extension thereof, send a Non-Approval Notice consistent with the following:

- If the Alert was based on owner-occupancy and owner-occupancy is required by program rules, the servicer will use language affiliated with reason code - Property Not Owner Occupied, which must be similar to the following – “We are unable to offer you a Home Affordable Modification because you do not live in the property as your primary residence.”
- If the Alert was based on borrower identity, the servicer will use language affiliated with reason code - Ineligible Borrower, which must be similar to the following – “We are unable to offer you a Home Affordable Modification because we have been unable to verify your identity.”
- If the Alert was based on potential Dodd-Frank Certification noncompliance by the borrower the servicer will use language affiliated with reason code - Dodd-Frank Certification such as that provided in the model clauses provided in Exhibit A.

In addition, the notice must explain that the borrower is not eligible to participate in any other EESA funded housing program.

2.3.2.6 Non-Approval Notice—Failure to Return Permanent Modification Documents

This Non-Approval Notice informs the borrower that, after making timely trial period payments, he or she failed to return the required permanent modification documents, as applicable, on a timely basis, and, as a result, has defaulted on the TPP.

2.3.2.7 Non-Approval Notice—Failure of Streamline HAMP Terms or Conditions

If a borrower in a Streamline HAMP TPP makes all trial period payments and returns the Streamline HAMP Documents in a timely manner, but is not approved for a Streamline HAMP permanent modification due to failure of any other term or condition set forth in the Streamline HAMP TPP or Streamline HAMP Documents (including, but not limited to, the servicer's determination that one or more of the borrower's representations are not true or correct), the servicer must send a Non-Approval Notice.

2.3.3 Reserved

2.3.4 Disputed Property Value Input

When a borrower is not approved for a TPP or permanent modification because the transaction is NPV negative and the borrower believes that the property value input used by the servicer in the NPV evaluation differs from the fair market value of the property as of the NPV Date, the borrower may request an NPV re-evaluation. The borrower must, within 30 calendar days from the date of the Non-Approval Notice, provide the servicer with a recent estimate of the property value and a reasonable basis for that estimate at the same time that the borrower provides evidence of all other disputed NPV value inputs. Upon receipt of the written request, the servicer must perform a preliminary NPV re-evaluation using the borrower's estimate of property value (along with any other material disputed inputs). As long as the borrower provides any publicly available evidence supporting the borrower's estimate of property value (e.g., sales prices from newspaper for sales of comparable homes, estimates from internet valuation sources, etc.), the servicer must utilize the borrower's evidence and perform the preliminary NPV re-evaluation required, notwithstanding the servicer's disagreement with the borrower's estimate.

If the preliminary re-evaluation performed by the servicer (or MHA Help or HSC as noted above) produces a positive NPV result, the servicer must offer the borrower the opportunity to request an appraisal of the property; provided, however, if the servicer is willing to accept as accurate the borrower's estimate of the property value based on the borrower's submitted evidence, the servicer, subject to investor guidelines, is not required to offer the borrower the opportunity to obtain an appraisal. If an appraisal is obtained, the appraisal will establish the fair market value of the property as of the NPV Date and will be utilized to complete the final NPV re-evaluation. The borrower must, no later than 15 calendar days from the date of notification that the preliminary NPV result is positive, remit a \$200 deposit against the full cost of the appraisal in a manner acceptable to the servicer. The balance of the actual appraisal cost will be added to the borrower's total arrearage under the loan. If capitalization of the appraisal cost is prohibited by investor guidelines or applicable law, the servicer is permitted to collect the costs from the borrower in equal installments over a period of no less than 24 months and no greater than 60 months in addition to the borrower's modified monthly mortgage payment. Servicers must maintain evidence of the prohibition in the servicing system and/or mortgage file and provide it to HSC or MHA Help as necessary to resolve any Escalated Case. The appraisal must be completed in accordance with the Uniform Standards of Professional Appraisal Practice by an appraiser that is not affiliated with the servicer and is licensed in the state where the property is located.

Servicers are not required to obtain a new appraisal if the original NPV property value input was established by an appraisal performed in accordance with the standards listed above. The servicer must provide a copy of such appraisal to the borrower.

Upon receipt of the appraisal, the servicer must perform a final NPV re-evaluation using the appraised value and any other NPV input values materially disputed by the borrower. The servicer must provide the final NPV outcome and input values to the borrower and, based on the NPV outcome, proceed in accordance with program guidelines. If the re-evaluation with the new appraised value results in a ~~trial period plan~~ *TPP*, the balance of the actual appraisal cost will be capitalized in conjunction with the permanent modification.

2.3.5 Borrower NPV Calculator

The Borrower NPV Calculator, which can be accessed at Check My NPV.com, allows borrowers to learn about, interact with and better understand the purpose and role of the NPV model in HAMP. Borrowers can use the NPV Calculator to evaluate their potential eligibility for HAMP. In addition, the Borrower NPV Calculator allows borrowers to enter the NPV input values used by the servicer and provided in the Non-Approval Notice to review the servicer's NPV evaluation. These inputs are set forth in the NPV Input Data Fields and Values chart set forth in Exhibit A. However, because a borrower using the Borrower NPV Calculator may not use exactly the same data used by the servicer, the Borrower NPV Calculator will only provide an estimated outcome.

2.4 Streamline HAMP

Servicers that (i) are subject to the terms of a SPA and (ii) either (a) have a Program Participation Cap of \$75,000,000 or more as of July 1, 2015 or (b) elect to adopt the guidance set forth in this Section must perform the following on or before January 1, 2016: (1) develop and implement a written policy, consistent with investor guidelines and applicable law, which describes the basis on which the servicer will offer Streamline HAMP (Streamline HAMP Policy), and (2) evaluate the portion(s) of its servicing portfolio that satisfy the Streamline HAMP eligibility criteria set forth in Section 1.1.4 for participation in Streamline HAMP. Servicers may begin evaluating their portfolio for Streamline HAMP once the Streamline HAMP NPV Tool is made available on www.HMPadmin.com.

2.4.1 Streamline HAMP Policy

Each servicer must have a clear and comprehensive internal written policy for identification of borrowers who are potentially eligible for Streamline HAMP based on information in the servicer's possession. The servicer's Streamline HAMP Policy must treat all similarly situated loans in a consistent manner, subject to investor restrictions, and in compliance with applicable laws as set forth in the SPA and Section 1.6 of Chapter I. In addition, a servicer's Streamline HAMP Policy must include (as applicable) (i) the date by which the servicer will begin to offer Streamline HAMP, (ii) the frequency with which the servicer's portfolio will be evaluated for Streamline HAMP using the Streamline HAMP NPV Tool, (iii) the segmentation of the servicer's portfolio for evaluation with the Streamline HAMP NPV Tool, (iv) the eligibility criteria for the servicer's offer of Streamline HAMP to the extent such criteria are in addition to or more

restrictive than the eligibility criteria described below, (v) the manner in which the servicer will offer a Streamline HAMP modification using the alternative modification waterfall under HAMP, and (vi) a description of the servicer's continued outreach efforts related to a Streamline HAMP offer. Servicers must provide a copy of their Streamline HAMP Policy to Treasury, the Program Administrator and/or MHA-C upon request. Each servicer must notify the Program Administrator of any material changes to the servicer's Streamline HAMP Policy no later than 15 calendar days prior to the effective date of the change.

A servicer may begin offering Streamline HAMP prior to January 1, 2016 once the Streamline HAMP NPV Tool is made available on www.HMPadmin.com and the servicer's Streamline HAMP Policy is in place.

2.4.2 Streamline HAMP Offer

If a servicer determines that a loan is eligible for Streamline HAMP based on the eligibility criteria described in Section 1.1.4, the servicer must send the borrower a Streamline HAMP TPP offer (Streamline HAMP Offer) within 15 calendar days of such determination. Servicers, however, are not required to offer a Streamline HAMP modification within 60 calendar days prior to a scheduled foreclosure sale date.

The Streamline HAMP Offer must include sufficient information to enable the borrower to submit an Initial Package if the borrower is potentially eligible for HAMP (Tier 1 or Tier 2), and must include a date by which the borrower must return an Initial Package in order to be evaluated for such options. This date must be no less than 30 days from the date of the Streamline HAMP Offer, and prior to the date the servicer will send the borrower the Streamline HAMP Documents for the borrower's signature.

After a Streamline HAMP Offer is sent, a loan will continue to be eligible for Streamline HAMP even if the borrower subsequently makes payments that reduce the delinquency of the loan to less than 90 days or 60 days, as applicable, provided the loan is at least 30 days or more delinquent upon commencement of the TPP.

Borrowers are not required to sign or return the Streamline HAMP Offer. As set forth in Section 1.1.1, an Initial Package is not required for consideration under Streamline HAMP. In addition, servicers are not required to verify the borrower's income, nor is there a debt-to-income ratio required for Streamline HAMP. The servicer's receipt of the first payment due under the Streamline HAMP TPP on or before the last day of the month in which such payment is due is evidence of the borrower's acceptance of the Streamline HAMP Offer and the terms and conditions stated therein. In addition, a servicer may include the Streamline HAMP Affidavit with the Streamline HAMP Offer that is sent to a borrower; however, a servicer may not require the borrower to sign or return the Streamline HAMP Affidavit as a condition of the acceptance of the Streamline HAMP TPP. In the event the servicer receives the executed Streamline HAMP Affidavit before sending the Streamline HAMP Documents to the borrower for signature, the servicer does not have to resend the Streamline HAMP Affidavit with the Streamline HAMP Modification Agreement.

A servicer may continue outreach for Streamline HAMP to borrowers who do not accept the Streamline HAMP Offer, in accordance with a servicer's Streamline HAMP Policy.

A form of the Streamline HAMP Offer is available on www.HMPadmin.com.

3 Protections Against Unnecessary Foreclosure

3.1 Suspension of a Referral to Foreclosure

3.1.1 Certain Circumstances

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; provided, however, if a servicer is evaluating a borrower for HAMP Tier 2 (either automatically or upon a borrower's request) after the failure of a HAMP Tier 1 TPP, the servicer cannot refer the loan to foreclosure or conduct a scheduled foreclosure sale until such evaluation is completed and the borrower is determined to be ineligible for HAMP Tier 2; 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; or
- The servicer has resolved the Escalated Case in accordance with Section 3.3 of Chapter I; or
- The remaining non-borrower was unable to assume the note and re-apply for HAMP during the period provided for by the servicer pursuant to Section 8.9.2.

In addition, if the borrower submits an incomplete Loss Mitigation Application, the servicer may not refer the loan to foreclosure unless and until the later of (i) after the 120th day of delinquency or (ii) at least 30 calendar days have passed since the date the servicer sent the borrower an Incomplete Information Notice as required under Section 4.5 (or any subsequent request for

additional information required to complete a Loss Mitigation Application), and provided the borrower's Loss Mitigation Application remains incomplete on the date of referral.

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.

Notwithstanding the foregoing, if a borrower has defaulted on a HAMP Tier 1 TPP or lost good standing on a HAMP Tier 1 permanent modification, a servicer must suspend a foreclosure sale as necessary to evaluate a borrower's loan for HAMP (either if done automatically by the servicer or if the borrower submits a request prior to the Deadline) if any of the following conditions exist:

- the borrower received a HAMP Tier 1 permanent modification of such loan and lost good standing and either (i) 12 months have passed since the effective date of the permanent modification or (ii) the borrower has experienced a change of circumstance;
- the borrower defaulted on a HAMP Tier 1 TPP on such loan after making one or more payments; or
- the borrower was previously evaluated for HAMP Tier 1 on such loan but was determined to be ineligible.

Upon request from a borrower that received a HAMP Tier 1 TPP but failed to make the first trial period payment by the last day of the month in which it was due, a servicer must suspend a foreclosure sale as necessary to re-evaluate the borrower for HAMP if the borrower has experienced a change in circumstance. A servicer is not required to suspend a foreclosure sale when a request for HAMP Tier 1 or Tier 2 consideration is received after the Deadline.

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 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. In addition, if the servicer is subject to Section 4 of Chapter I, the servicer must consult the relationship manager and obtain affirmation via email or other writing that, to the best of the relationship manager's knowledge, all available loss mitigation alternatives have been exhausted and a non-foreclosure outcome could not be reached.

4 Request for Mortgage Assistance

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:

- RMA Form, including, for rental properties, the rental property certification (Rental Property Certification),
- Either (i) IRS Form 4506-T or 4506T-EZ or (ii) a signed copy of the borrower's tax return for the most recent tax year, including all applicable schedules and forms (provided that servicers may not reject an Initial Package that includes either the borrower's complete tax return for the most recent tax year or the IRS Form 4506-T or 4506T-EZ),
- Evidence of income, and
- Dodd-Frank Certification (either as part of the RMA form or as a stand-alone document).

A "Loss Mitigation Application" consists of (i) the "Initial Package" described above and (ii) to the extent a servicer is required under CFPB Regulations to consider a borrower for HAMP contemporaneously with all other loss mitigation options available to the borrower, those other documents and information the servicer requires in order to evaluate the borrower for such options. However, servicers are reminded that the first loss mitigation option considered by servicers for each borrower shall continue to be HAMP, in accordance with existing guidance.

For all documents required by Treasury (other than for IRS Form 4506-T/4506T-EZ), electronic submission and signatures are acceptable. Evidence of borrower submission must be provided by postmark or other independent indicator such as a date and time stamp (electronic or otherwise). *An Initial Package is not required for consideration under Streamline HAMP, as described in Section 1.1.1.*

4.1 Request for Mortgage Assistance (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 standalone Hardship Affidavit including a Dodd-Frank Certification and (if applicable) a Rental Property Certification, which is available on www.HMPAdmin.com. Servicers may also incorporate all of the information on this standalone affidavit into their proprietary forms. 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 and Rental Property Certification

4.1.1.1 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.

4.1.1.2 Rental Property Certification

Included in the RMA and the stand alone Hardship Affidavit form is a Rental Property Certification. Every borrower seeking a modification, on a loan secured by a rental property must sign and complete the Rental Property Certification. In the Rental Property Certification, the borrower certifies that (i) he or she intends to rent the property to a tenant or tenants for at least five years following the Modification Effective Date and that he or she will make reasonable efforts to rent the property on a year-round basis if the property is or becomes vacant during such period; (ii) that the property is not his or her secondary residence and he or she has no intent to use the property as a secondary residence for at least five years following the Modification Effective Date; and (iii) he or she does not own more than five single family properties in addition to his or her principal residence; provided, however, that the borrower may at any time occupy the property as his or her principal residence, permit a legal dependent, parent or grandparent to occupy the property as such party's principal residence with no rent charged or collected, or sell the property.

Servicers are not required to obtain third party verification of the borrower's Rental Property Certification when evaluating a borrower for HAMP, unless it is necessary to resolve inconsistencies with other information provided by the borrower or is required by the investor or the servicer's internal underwriting policies. The servicer must use good business judgment in reconciling any such inconsistencies and, in accordance with Section 5.5, should not modify a mortgage loan if there is reasonable evidence that the borrower has made false or misleading statements in connection with a modification request.

If, following the HAMP Tier 2 Modification Effective Date of a mortgage loan secured by a rental property, it is determined that the borrower misrepresented or is non-compliant with representations made in the Rental Property Certification, Treasury or its agents may enforce all available rights and remedies against such borrower. The servicer will be held responsible for compliance with its obligations under MHA program guidelines, but will not be held responsible for the borrower's misrepresentation or non-compliance with his or her Rental Property Certification.

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- *or Streamline HAMP Affidavit*. Servicers shall request, but not require, that each borrower who completes the RMA-~~or~~, Hardship *Affidavit or Streamline HAMP 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 or Streamline HAMP 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 or Streamline HAMP 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-~~09~~, Hardship *Affidavit or Streamline HAMP Affidavit* and the borrower specifically checks the box that states he or she does not wish to furnish GMD, the RMA-~~09~~, Hardship *Affidavit or Streamline HAMP 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.

4.1.2.2 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-~~09~~, Hardship *Affidavit or Streamline HAMP 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-~~09~~, Hardship *Affidavit or Streamline HAMP 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-~~09~~, Hardship *Affidavit or Streamline HAMP 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-~~09~~, Hardship *Affidavit or Streamline HAMP Affidavit* was received by mail, telephone, or Internet and note the fact that the borrower chose not to furnish the GMD.

4.1.2.3 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 or Tax Return

Borrowers must provide with the Initial Package either (i) a signed and completed IRS Form 4506-T or 4506T-EZ (Request for Transcript of Tax Return) or (ii) a signed copy of the borrower's most recent tax return, including all applicable schedules and forms. As between the IRS Forms, 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. Servicers must accept and submit the IRS Forms 4506-T and 4506T-EZ completed by the borrower in accordance with IRS requirements as set forth in the instructions to the form, including all signature and filing requirements. Servicers must submit the signed form expeditiously to the IRS for processing and may not require borrowers to re-execute the form prior to its expiration.

The servicer's Verification Policy may set forth a preference for either the borrower's complete tax return for the most recent tax year or the IRS Form 4506-T or 4506T-EZ; however, servicers may not refuse to accept an Initial Package if the borrower submits the borrower's complete tax return for the most recent tax year or the IRS Form 4506-T or 4506T-EZ. Furthermore, a servicer may request, but not require, a borrower to submit both a complete tax return for the most recent tax year and the applicable IRS Form.

If the servicer does not receive a signed copy of the borrower's most recent tax return and the borrower has self-employment income or rental income or there are any inconsistencies in borrower-provided information (e.g., information in the RMA) and income documentation, the servicer must submit the borrower's Form to the IRS for processing and receive the borrower's tax transcript. Notwithstanding anything in this Section to the contrary, if there are inconsistencies between borrower-provided information and the income documentation, the servicer may require a borrower to execute an IRS Form 4506-T or 4506T-EZ and utilize the borrower's tax transcript to reconcile such inconsistencies.

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 for Owner-Occupied Property

A borrower who is an owner-occupant (as set forth in Section 1.1.2) of a property that is security for a loan that is current or has only one payment due and unpaid by the end of the month in which it is due (i.e., a borrower that is less than 60 days delinquent) 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. Such standards may, if consistent with investor guidelines, include a determination that a borrower is at risk of imminent default and will be evaluated for a HAMP modification if the borrower is at least 15 days delinquent, has documented a financial hardship, and has represented that he or she does not have sufficient liquid assets to make the monthly mortgage payment. The mortgage file and/or servicing system must contain evidence of this determination.

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 and Incomplete Information Notice

Within 5 business days following receipt of any component of Loss Mitigation Application, the servicer must acknowledge in writing the borrower's request for HAMP participation by sending the borrower confirmation that the Loss Mitigation Application was received and inform the borrower whether their application is complete or incomplete (Acknowledgement). The Acknowledgement should also include a description of the servicer's evaluation process and timeline. If the Loss Mitigation Application is received from the borrower via e-mail, the servicer may e-mail the Acknowledgment. Servicers must maintain evidence of the date of receipt of the borrower's Loss Mitigation Application in their records.

If the Loss Mitigation Application is incomplete, the servicer must also send the borrower an incomplete information notice (Incomplete Information Notice) that lists the additional documents and information that the borrower must submit to complete the Loss Mitigation Application. 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, except that the servicer may require a shorter period consistent with applicable law and the best interests of the borrower. The servicer must document in the mortgage file the reason(s) for any shorter time frame and the facts and circumstances supporting such determination. If a borrower is unresponsive to this request for documentation, the servicer should follow the guidance set forth in Section 4.6.23.

4.6 Review of Loss Mitigation Application

4.6.1 Complete Loss Mitigation Application

The servicer must review and evaluate the borrower within 30 calendar days from the date a complete Loss Mitigation Application is received. If the borrower qualifies for HAMP, the servicer must send the borrower a TPP Notice. If the borrower does not qualify for HAMP, the servicer must send the borrower a Non-Approval Notice satisfying the requirements of Section 2.3.2 and applicable law and regulations. This need not be a separate notice, and may be included with or incorporated into another notice sent to the borrower.

A servicer may be required under the CFPB Regulations to determine a borrower's eligibility in the absence of documents and information required from third parties (such as a taxing authority or homeowners' association) and not in the borrower's control. In such cases, servicers are directed to exercise reasonable diligence in obtaining the missing documents and information within the 30-day evaluation period. To the extent possible, servicers should not allow the

absence of such information to adversely affect a borrower who has delivered a complete Loss Mitigation Application.

If a servicer determines that the foregoing CFPB requirement does not apply, servicers may delay a borrower's evaluation until the servicer has received the necessary third party documents or information. In such cases, the borrower's relationship manager, where applicable, or other servicer representative must contact the borrower by mail, email or phone within 30 calendar days of receipt of the Initial Package to describe the cause of the delay and provide a date, which shall be no more than 30 calendar days thereafter, by which the servicer expects to complete the evaluation and issue the HAMP decision. If by that later date, the servicer still has not received necessary third-party documentation, the servicer must contact the borrower every 30 days with an updated status and the expected date of resolution until a decision is reached. All such communications must be documented in the mortgage file and/or servicing system.

4.6.2 Evaluation of Streamline HAMP-Eligible Borrowers upon Submission of an Initial Package

A borrower who has been determined to be eligible for Streamline HAMP who submits an Initial Package must be evaluated by the servicer based on the timing of the submission of the Initial Package relative to the Streamline HAMP Offer in accordance with the guidance below.

4.6.2.1 Submission before Streamline HAMP Offer

A borrower determined to be eligible for Streamline HAMP who submits an Initial Package before a Streamline HAMP Offer is sent must be evaluated in accordance with Section 4.6.1 before the servicer may send the Streamline HAMP Offer. If the borrower is not eligible for HAMP Tier 1, HAMP Tier 2 or other modification alternatives, servicers may send the borrower a Streamline HAMP Offer as provided in the servicer's Streamline HAMP Policy.

4.6.2.2 Submission after Streamline HAMP Offer

A borrower who submits a complete Initial Package after a Streamline HAMP Offer is sent, but has not yet accepted the offer and the period for acceptance has not yet expired, must be evaluated in accordance with Section 4.6.1. If the borrower is not eligible for HAMP Tier 1, HAMP Tier 2 or other modification alternatives, he or she remains eligible for that offer of Streamline HAMP, so long as the Streamline HAMP TPP is accepted before the period for acceptance of that offer has expired.

4.6.2.3 Submission Following Acceptance of Streamline HAMP Offer

A borrower who submits a complete Initial Package after accepting a Streamline HAMP TPP, but prior to the servicer's mailing of the Streamline HAMP Documents to such borrower for signature, must be evaluated for HAMP Tier 1 and/or HAMP Tier 2, as applicable. If the borrower is not eligible for HAMP Tier 1 or HAMP Tier 2, he or she remains eligible for Streamline HAMP in accordance with the terms of the Streamline HAMP Offer.

4.6.2.4 Communication of Evaluation and Outcome Following Acceptance of Streamline HAMP Offer

If a borrower submits a complete Initial Package while in a Streamline HAMP TPP, the servicer must remind the borrower that he or she must continue to make timely payments under the Streamline HAMP TPP while the Initial Package is being evaluated. Such borrower communication must be documented in the servicing system and/or mortgage file. In addition, the servicer must extend the Streamline HAMP trial period if a complete Initial Package is received prior to sending the Streamline HAMP Documents to the borrower, in order to evaluate the borrower for HAMP Tier 1 or HAMP Tier 2, as applicable.

Subject to the foregoing, if the borrower is eligible for a modification under HAMP Tier 1 or HAMP Tier 2, as applicable, with revised terms, the servicer must then notify the borrower of this in writing. Such notice must inform the borrower that they are eligible for a HAMP modification and will receive a permanent modification with revised terms at the end of the trial period, provided the borrower makes all trial payments at the current payment level on a timely basis and returns the executed modification agreement. Upon completion of the trial period, the servicer must provide the borrower with a modification agreement reflecting the terms of the HAMP Tier 1 or HAMP Tier 2 modification, as applicable.

If the servicer determines that the borrower is not eligible for a modification under HAMP Tier 1 or HAMP Tier 2 with revised terms, the servicer must notify the borrower in writing. Such notice must inform the borrower that they will receive a permanent modification under HAMP as originally offered under the Streamline HAMP TPP, provided the borrower makes all trial payments on a timely basis and returns the executed Streamline HAMP modification agreement.

The written notices described above need not be separate notices and may be included with or incorporated into the cover letter accompanying the Streamline HAMP Documents sent to the borrower.

4.6.3 Incomplete Loss Mitigation Application

If the servicer has exercised reasonable diligence in obtaining documents and information to complete a Loss Mitigation Application but the Loss Mitigation Application remains incomplete for a significant period of time under the circumstances without further progress by the borrower to make the Loss Mitigation Application complete, the servicer must take one of the following actions:

- If the borrower has provided all documentation or information necessary to evaluate the borrower for HAMP, the servicer must evaluate the borrower's eligibility for HAMP and send a TPP Notice or a Non-Approval Notice, as described above in Section 4.6.1.
- If the borrower has not provided all documentation or information necessary to evaluate the borrower for HAMP, the servicer may determine the borrower to be currently ineligible for HAMP. Such determination shall not preclude the borrower from being considered for HAMP in the future per program guidelines, including, but not limited to, the guidance related to changes in circumstance. If the servicer elects to make such a determination, the servicer must send the borrower a Non-Approval Notice satisfying the

requirements of Section 2.3.2 and applicable law and regulations. This notice may be included with or incorporated into another notice sent to the borrower, and should inform the borrower of the circumstances, if any, under which the borrower may be eligible to be re-evaluated for HAMP in the future.

Each servicer must establish and maintain written policies that describe the servicer's methods of exercising reasonable diligence and how they will assess when a significant period of time under the circumstances without further progress by a borrower has elapsed for a given borrower, and must apply all such policies consistently to similarly situated borrowers. Servicers must provide copies of all such policies to Treasury and its agents upon request.

4.7 Making Home Affordable Outreach and Borrower Intake Project

All SPA servicers that as of March 1, 2013 subscribed to the Hope LoanPort® (HLP) internet-based document delivery portal must comply with the terms of this Section 4.7 in addition to any other applicable requirements in this Handbook.

Participating housing counseling agencies will assist borrowers in assembling and executing the required elements of an Initial Package; this intake initiative is referred to as the "MHA Outreach and Borrower Intake Project". Once the applicable required elements of an Initial Package are assembled, the housing counseling agency will upload the Initial Package to HLP for electronic delivery to the servicer. Any Initial Package submitted by a participating housing counseling agency on a borrower's behalf pursuant to this Section 4.7 shall, for purposes of MHA guidance, be deemed to have been submitted by the borrower.

Initial Packages can be submitted to servicers via HLP until September 30, 2014. After this date, counseling agencies will no longer be able to submit new Initial Packages via HLP under this project. Counseling agencies will be eligible to receive compensation through the project with respect to Initial Packages that are submitted on or before September 30, 2014 and are accepted as complete by servicers by November 14, 2014. Servicers must complete the underwriting determination and enter the appropriate termination code into HLP by December 15, 2014.

4.7.1 Initial Package Acceptance

HLP will notify the servicer each time an Initial Package has been submitted in conjunction with the MHA Outreach and Borrower Intake Project, using a unique code (Borrower Intake Code). Upon receipt of a notification that an Initial Package has been submitted, the servicer must perform all processes associated with document receipt, borrower communication, and evaluation within the required timeframes set forth in this Handbook. In addition, within 30 calendar days from the notification that the servicer has received an Initial Package with a Borrower Intake Code, the servicer must review the submission and accept or reject the package. This time period applies to Initial Packages submitted for the first time and to re-submissions of Initial Packages the servicer has previously rejected as incomplete as part of the MHA Outreach and Borrower Intake Project. During this review period, the servicer must make the following determinations:

- It services the loan;

- Either (i) the borrower has not already submitted an Initial Package that includes the required elements, either directly to the servicer or through another counseling agency or other third party; or (ii) the borrower has already been evaluated for HAMP and, under the servicer’s policy governing reconsiderations, the borrower can be re-evaluated for HAMP;
- The borrower meets the basic eligibility criteria for HAMP as defined in Section 1.1.1;
- If a foreclosure sale date has been scheduled, the Initial Package was received no later than midnight of the seventh business day prior to the date of the foreclosure sale; and
- The Initial Package is complete, as defined by this Handbook.

If all of the conditions listed immediately above are met, the servicer must accept the package through HLP by using the code used to denote a valid MHA Initial Package. Acceptance through HLP communicates to the housing counseling agency that the servicer has received all elements of the Initial Package, although additional documentation may be required before a decision on a TPP is made by the servicer. Issuance of an acceptance through HLP does not constitute servicer approval for any MHA option. In addition to the requirements under this Section 4.7, servicers must still adhere to all other MHA guidance, including, but not limited to, acknowledging and evaluating borrower documentation for a possible MHA loss mitigation option and assigning a single point of contact. Upon completion of the underwriting determination, the servicer must enter the appropriate termination status code into HLP.

4.7.2 Ineligible Package

If, during the 30 day review period described in Section 4.7.1, the servicer determines that (i) it does not service the applicable loan; (ii) the borrower has already submitted an Initial Package that includes the required elements (either directly to the servicer, through another housing counseling agency or other third party); (iii) the borrower has already been evaluated for HAMP and, under the servicer’s policy governing reconsiderations, the borrower is not eligible for re-evaluation for HAMP; or (iv) the Initial Package was received after midnight of the seventh business day prior to a scheduled foreclosure sale, the servicer must enter the appropriate rejection code into HLP. The entry of a rejection code through HLP does not constitute servicer denial for MHA, rather, only that the submission is not eligible for funding under the MHA Outreach and Borrower Intake Project. No further action is required by the servicer on that HLP submission. Borrowers or housing counseling agencies, on behalf of borrowers, who disagree with the decision may escalate through the escalation process described in Section 3 of Chapter I of this Handbook.

4.7.3 Ineligible Borrower

If, during the 30 day review period described in Section 4.7.1, the servicer determines that the borrower does not meet the basic eligibility criteria for any MHA program as defined in Section 1.1.1, the servicer must enter the appropriate rejection code into HLP. The servicer must also follow the guidance regarding the review of a Loss Mitigation Application set forth in Section 4.6.

4.7.4 Incomplete Package

If the Initial Package received by the servicer through HLP is not complete or any document therein has not been executed by the borrower as applicable, the servicer must follow the guidance regarding Incomplete Information Notices set forth in Section 4.5. The servicer must also, within the 30 day review period described in Section 4.7.1, enter the appropriate rejection code into HLP. If the Initial Package is resubmitted through HLP and accepted, the counseling agency that submitted the accepted Initial Package can receive compensation.

5 Verification

Servicers must develop and adhere to a written policy and procedures (Verification Policy) that describe the basis on which the servicer will determine a borrower's monthly gross income (or, in the case of co-borrowers, the combined monthly gross income). The Verification Policy must:

- Be compliant with the requirements set forth in this Handbook;
- Identify what form of verification the servicer will require for various components of borrower's income (which verification cannot be based solely on the borrower's stated income);
- Reflect the business judgment employed by the servicer when modifying loans held in its own portfolio;
- Be consistent with investor guidelines, when applicable; and
- Contain a level of detail similar to the underwriting guidelines published by Freddie Mac and Fannie Mae.

The Verification Policy must include use of an income calculation worksheet that demonstrates the analysis, assumptions and calculations used by the servicer to determine monthly gross income. The completed worksheet, which may be electronic or in hard copy, must be retained in the servicing system and/or mortgage file and made available to MHA-C upon request. A form of an income calculation worksheet is available on www.HMPAdmin.com. Use of this form by servicers is optional; however, any alternative form used by the servicer must include a similar level of detail.

Prior to offering a TPP or sending a Non-Approval Notice to the borrower, servicers must verify a borrower's eligibility for HAMP using the documentation provided in the Initial Package and any other supplemental information provided by the borrower in a timely manner.

In the event a borrower fails a TPP for non-payment of the trial period payment, the servicer must, prior to issuing a Non-Approval Notice in accordance with Section 2.3.2.2, re-calculate the borrower's income to ensure that the trial period payment was accurately determined based on the income information originally provided by the borrower. This re-calculation of income must be conducted by an employee not involved in the original income calculation. No new income information or verification should be included in the re-calculation. Additionally, if the borrower

fails a HAMP Tier 1 TPP for non-payment, this re-calculation must be completed before any consideration of the borrower for HAMP Tier 2.

If, as a result of the re-calculation, the servicer determines that the borrower's trial period payment exceeded by 10 percent or more the correct trial period payment, the servicer must cancel the initial TPP using the cancellation code number 8 "Offer Not Accepted by Borrower / Request Withdrawn" and offer the borrower a new TPP with the correct trial period payment. The new written TPP Notice must include an explanation that the borrower is able to re-start the TPP with a lower trial period payment based on a re-calculation of income. Should the borrower fail to remit the new trial period payment on or before the first trial period payment due date, the servicer must follow the guidelines set forth in Section 8.3. If as a result of the re-calculation the servicer determines that the borrower's trial period payment did not exceed by 10 percent or more the correct trial period payment, the servicer must cancel the TPP in accordance with Section 2.3.2.

Servicers are not required to complete the income re-calculation when the borrower's failure to make timely trial period payments was the result of a significant change in the borrower's circumstances resulting in a reduction of income (e.g., unemployment, divorce). Servicers must retain evidence in the servicing file documenting these changed circumstances. Such evidence may include statements made by the borrower as documented in the servicing notes.

When applicable, servicers must complete the re-calculation within 30 calendar days of the trial period payment default. Until the servicer completes the re-calculation, the servicer shall not report the TPP default in the HAMP Reporting Tool.

5.1 Evidence of Income

Servicers must request that the borrower provide the income verification documentation listed below but may, if consistent with investor guidelines and the servicer's Verification Policy, 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 eligibility for HAMP is complete and accurate.

The servicer's Verification Policy should describe:

- Whether the servicer will follow the verification documentation guidelines described in Section 5.1.11 and, if so, what income documentation will be required for the components of income described in Section 5.1.11;
- Under what circumstances additional documentation will be required;
- How the servicer will reconcile discrepancies between the RMA, tax documents and income documentation;

- How the servicer will calculate non-traditional income scenarios such as underemployment, recent employment, overtime, seasonal or sporadic income; and
- Circumstances under which servicing personnel may exercise business judgment in calculating the borrower income, and how and where the business judgment is to be documented for the borrower's account.

If the income of an individual borrower, co-borrower or non-borrower occupant has previously been used as the basis for a modification under HAMP Tier 1, that individual may not be considered for a subsequent modification under HAMP Tier 1 even if the individual's principal residence has changed.

If the income of an individual borrower, co-borrower or non-borrower occupant has previously been used as the basis for six modifications under HAMP Tier 2 that individual may not be considered for a subsequent modification under HAMP Tier 2.

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.

5.1.1 Wage or Salary Income

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

A servicer 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. A servicer may also accept pay stubs that do not show year-to-date income, if, in its business judgment, and based on all other documentation, the pay stubs indicate the borrower's recurring monthly income.

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.

The Verification Policy should describe how the servicer will:

- Calculate income based on the frequency of payments;
- Make adjustments when it is likely that sources of additional income (bonus, commissions, etc.) are not likely to continue; and
- Utilize alternative forms of income documentation (IRS Forms 1099, 1040, W-2, and IRS tax transcripts or letters from employers) when pay stubs are not available or sufficient or do not show year-to-date income.

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 must include the borrower's net profit plus any salary or draw amounts that were paid to the borrower in addition to making allowable adjustments used in analyzing the tax returns for the business, if applicable, to decrease gross income (e.g. nonrecurring income) or to increase gross income (e.g. expenses, depreciation and depletion).

If consistent with the Verification Policy, servicers may require up to four consecutive months of bank statements as an alternative to obtaining a profit and loss statement or if, following receipt, it is determined that the information in the profit and loss statement is insufficient.

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. The servicer's Verification Policy must describe whether and how the servicer will discount or not consider other earned income when such income is not likely to continue.

5.1.4 Benefit Income

Benefit income includes, but is not limited to, social security, disability, survivor 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 the amount and frequency of benefit income through either (i) letters, exhibits, a disability policy or benefits statement from the provider or (ii) evidence of receipt of payment.

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. Alternatively, servicers may evaluate unemployed borrowers for HAMP and can offer a TPP instead of an UP forbearance plan if, in the servicer's business judgment, HAMP is the better loss mitigation option. The servicer must document in the servicing system and/or mortgage file the reason the option selected was considered to be the best option for the borrower. See Chapter III, Home Affordable Unemployment Program. See also Section 5.1.10 (excluding unemployment benefits from gross income calculations under HAMP). If an unemployed borrower evaluated for HAMP is not offered a TPP, the servicer must consider the borrower for UP. If an unemployed borrower is

offered a TPP, but requests UP forbearance instead, the servicer may, but is not required to, offer UP.

5.1.6 Rental Income

5.1.6.1 Modification of Loan Secured by Principal Residence

A borrower seeking to modify the mortgage loan on his or her principal residence who receives rental income from another property 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 evidence of damage deposits.

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.

5.1.6.2 Modification of Loan Secured by Rental Property

A borrower seeking to modify the mortgage loan on his or her rental property 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 evidence of damage deposits. All income from any other rental property owned by the borrower must be documented and included in the calculation of the borrower's gross income.

The monthly net income or loss on a rental property to be calculated for HAMP Tier 2 purposes should be 75 percent of the monthly gross rental income (to take into account potential costs associated with management and vacancy loss), reduced by the post-modification monthly mortgage payment (i.e., principal, interest, taxes, insurance and association fees, if applicable as (PITIA) as well as escrow shortages subject to a repayment plan).

- Net rental income is added to the borrower's monthly gross income from all other sources.
- Net rental loss from the subject property is applied to the monthly mortgage payment of the borrower's principal residence.

If 75 percent of the monthly gross income of a rental property securing the mortgage loan being evaluated for modification under HAMP Tier 2 is equal to or greater than the pre-modification PITIA of the rental property, the servicer must verify and document the cause of the borrower's hardship as delinquency alone is not considered a hardship.

To be clear, when the Base NPV Model is verifying whether the post-modification DTI is not less than 10 percent and not greater than 55 percent, the Base NPV Model will utilize the post-modification net rental income/loss and post-modification housing expense.

5.1.7 Alimony, Separation Maintenance, and Child Support Income

Servicers may not require borrowers to use alimony, separation maintenance or child support income to qualify for HAMP. However, if the borrower chooses to provide this income, it must 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 gross income; provided, however, the foregoing limitation is not applicable as to rental income from a rental property that is the security for the loan being evaluated for a HAMP Tier 2 modification. Servicers must identify the specific sources and amount of a borrower's passive or non-wage income and may not assume that a portion of the borrower's income is passive. Servicers must obtain income documentation to verify passive or non-wage income when it equals or exceeds 20 percent of the borrower's total gross income.

5.1.9 Non-Borrower Household Income

For purposes of this Section, 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 (Tier 1 or Tier 2) qualification must come from a person who resides in the borrower's principal residence and supports the borrower's ability to pay the mortgage on the subject property. 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 borrower's principal residence 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 household. 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. The servicer must verify the occupancy of a non-borrower in the same manner it verifies the occupancy of a borrower under Section 5.3 after obtaining written authorization from the non-borrower to obtain the non-borrower's credit report.

5.1.10 Excluded Income

The servicer must not consider the following items when verifying the borrower's income:

- Income tax refunds;
- Non-borrower non-household income;
- Grants, including mortgage assistance payments;
- Severance payments;
- Unemployment benefits; and
- Payments from Non-MHA Unemployment Assistance programs.

5.1.11 Verification Policy Documentation

Notwithstanding the requirements of Section 5.1, as an alternative to those requirements relating to verification documentation set forth in Sections 5.1.1 (Wage and Salary), 5.1.2 (Self-Employment), 5.1.6 (Rental Income) and 5.1.7 (Alimony, Separation Maintenance and Child Support) and subject to investor requirements, a servicer may elect to include in its Verification Policy requirements to collect income verification documentation that aligns with verification documentation relied on when modifying loans held in its own portfolio. If a servicer elects to collect alternative documentation, the servicer must provide notice thereof to MHA-C in advance of implementing the alternative documentation requirement(s) and must communicate its MHA income documentation requirements to borrowers in a publically available manner. In no event can a servicer's requirements be more onerous than the documentation requirements set forth in such Sections. Furthermore, as to such components of income, if the borrower submits verification documentation described in such Sections rather than the verification documentation set forth in the servicer's Verification Policy, the servicer must accept the borrower's documentation. In no event may a Verification Policy state that a servicer can rely solely on borrower's stated income. Servicers electing to change their verification documentation pursuant to this Section must still comply with all guidance in such Sections that does not relate solely to verification documentation.

In addition to the foregoing, servicers electing to change their verification documentation pursuant to this Section must comply with the following guidelines:

- As required by Section 4.3, all income documentation may not be more than 90 days old as of the date the documentation is received by the servicer.
- For self-employment income, the servicer cannot require audited financial statements or require any self-employed borrower to provide more than his or her most recent quarterly or year-to-date profit and loss statement or, if a profit and loss statement is not required, more than four consecutive months of bank statements.

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, if applicable, 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 whether 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 must 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. However, if an individual's income, whether that individual is a borrower, co-borrower or non-borrower occupant, has previously been used as the basis for a HAMP Tier 1 permanent modification, that individual may not be considered for a subsequent HAMP Tier 1 permanent modification even if the individual's principal residence has changed.

5.4 Verifying Monthly Gross Expenses

Servicers are not required to verify the borrower's monthly gross expenses as reported by the borrower on the RMA.

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 notify the borrower of the eligibility determination within 10 business days of completion of such assessment.

6.1 Monthly Mortgage Payment Ratio

To qualify for HAMP Tier 1, verified income documentation must confirm that the borrower's monthly mortgage payment ratio prior to the modification is greater than 31 percent. For HAMP Tier 1, 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 Tier 1 and the servicer must consider the borrower for HAMP Tier 2.

In the case of HAMP Tier 2, the borrower's post-modification monthly mortgage payment ratio (also called a debt-to-income ratio or DTI ratio) must be greater than or equal to ten percent and less than or equal to 55 percent (Expanded Acceptable DTI Range). Notwithstanding the foregoing, servicers may select a DTI range suitable for their portfolio (Servicer's DTI Range), provided that the low end of the Servicer's DTI Range must be equal to or greater than ten percent but not more than 25 percent DTI. The high end must be equal to or greater than 42 percent DTI but not more than 55 percent DTI. Servicers must use the same DTI range for all loans that they service, whether held in portfolio or serviced for others.

By February 1, 2013, each servicer that elects a range other than the Expanded Acceptable DTI Range must notify the Program Administrator of the Servicer's DTI Range. In addition, servicers must notify the Program Administrator of any change to the Servicer's DTI Range no later than 15 calendar days prior to the change.

The Expanded Acceptable DTI Range will be used in the calculations of the NPV model beginning February 1, 2013. The model will be available on the HAMP servicer web portal accessible at www.HMPAdmin.com. Servicers that establish a Servicer's DTI Range that is different than the Expanded Acceptable DTI Range and who do not recode the Base NPV Model will have to determine outside of the Base NPV Model whether a proposed modification falls within their established DTI range.

In HAMP Tier 2, the DTI ratio is the ratio of the borrower's modified monthly mortgage payment to the monthly gross income of all borrowers on the mortgage note. If the borrower is seeking to modify a mortgage secured by a rental property, the DTI ratio is the ratio of the borrower's total housing expense to the monthly gross income of all borrowers on the mortgage note including any net rental income from the rental property being modified as described in Section 6.2.

To qualify for HAMP Tier 2, verified income documentation must confirm that the borrower's monthly mortgage payment ratio prior to the modification is greater than the lowest end of the Expanded Acceptable DTI Range, or the Servicer's DTI Range if different. Accordingly, servicers do not need to complete any modification waterfall or conduct an NPV analysis if, based on verified income, a borrower's pre-modification DTI is below the lowest end of the Expanded Acceptable DTI Range, or the Servicer's DTI Range if different, as the loan is ineligible for HAMP.

If a borrower being considered for HAMP Tier 2 has a modified DTI ratio that is outside the Expanded Acceptable DTI Range, or the Servicer's DTI Range, if different, 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. Rental income from a rental property securing a mortgage loan being considered for a HAMP Tier 2 modification will be calculated as described in Section 6.2.

6.1.2 Monthly Mortgage Payment

The monthly mortgage payment used in calculating any monthly mortgage payment ratio in ~~either HAMP Tier 1 or HAMP Tier 2~~ 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. For purposes of calculating the monthly mortgage payment of a subject property (i.e., the property securing the loan being considered for a modification), servicers should also include any escrow payment shortage amounts that are subject to a repayment plan. Escrow shortage amounts that are subject to a repayment plan associated with a non-subject property (i.e., a property that does not secure the loan being considered for a modification) should not be considered. 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, including ARM loans that provide for a monthly payment option (e.g., specified minimum payment, interest only payment, 40, 30 and/or 15 year fully amortizing payment) (Pay Option Loans) and interest only ARM loans, that have an interest 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 borrower's fully amortizing payment. The borrower's fully amortizing payment is to be determined by using the remaining term of the mortgage, the current unpaid principal balance (before capitalization) and the reset rate. The reset rate is to be calculated by applying the index or formula that is in effect as of the date of the evaluation, even if the reset rate would not take effect until a future date and/or be calculated using a future index (Reset Interest Rate).

For ARM loans, including Pay Option Loans that are ARM loans and interest only ARM loans, that have an interest rate reset scheduled more than 120 days after the date of the evaluation, the monthly mortgage payment and interest rate used to determine eligibility will be the borrower's current scheduled monthly mortgage payment (which, in the case of Pay Option Loans that are ARM loans, means the minimum payment required under the loan documents regardless of which payment the borrower elected to pay in the prior period) and the note interest rate in effect at the time of 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 loans where servicemembers are protected by the Servicemembers Civil Relief Act (SCRA) and temporary interest rate caps are imposed, the servicer in evaluating the borrower for HAMP must use the full contractual rate (regardless of the interest rate cap).

6.1.2.2 Evaluation of Borrowers with Interest Rate Step-Ups

When evaluating borrowers that have an interest rate step-up scheduled within 120 days after the date of the evaluation (e.g., a HAMP Tier 1 modification approaching the five year anniversary), the monthly mortgage payment used to determine eligibility for HAMP will be the new monthly mortgage payment after the interest rate step-up, rather than the monthly mortgage payment in effect at the time of the evaluation. In addition, the interest rate used to determine eligibility will be the stepped-up interest rate, rather than the interest rate in effect at the time of evaluation.

When evaluating borrowers that have an interest rate step-up scheduled more than 120 days after the date of the evaluation, the monthly mortgage payment and interest rate used to determine eligibility for HAMP will be the borrower's current scheduled monthly mortgage payment and the interest rate in effect at the time of evaluation.

Servicers should refer to the Base NPV Model Documentation, available on www.HMPAdmin.com, for further information and user guidance on the correct way to evaluate these loans using the NPV model.

6.1.2.3 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.

6.1.2.4 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 Calculation of Monthly Gross Income and Total Housing Expenses for Rental Properties

Prior to evaluating a borrower for HAMP Tier 2, the servicer must determine the borrower's gross monthly income and total housing expense. The NPV model will use such amount to determine whether the proposed HAMP Tier 2 modification falls within the Expanded Acceptable DTI Range. With respect to a loan secured by rental property, the servicer will add net income from the subject rental property to the borrower's gross income from all other sources (including rental income from other rental properties as described in Section 5.1.6) to calculate monthly gross income.

If the subject rental property has a net rental loss, the servicer will add the net loss to the monthly PITIA of the borrower's principal residence to determine the borrower's total housing expense. If there is no rental income from the subject rental property, the servicer will add the monthly post-modification PITIA of the subject rental property to the PITIA on the borrower's principal residence to determine the total housing expense.

Servicers should follow the below guidelines when evaluating a borrower that is paying rent for a property occupied but not owned by the borrower:

- If the borrower is paying rent for a property occupied but not owned by the borrower, and the borrower is requesting modification of a loan secured by a separate rental property, the full amount of the rent paid by the borrower must be included in the borrower's total housing expense.
- If there is a net rental loss from the subject rental property, the loss is added to the rent paid on the property occupied, but not owned, by the borrower.
- If there is no rental income from the subject rental property, the monthly mortgage payment of the subject rental property (i.e., principal, interest, taxes, insurance, association dues, if applicable, and any escrow shortages that are subject to a repayment plan) is added to the rent paid on the property occupied, but not owned, by the borrower.
- If there is net rental loss or no rental income from the subject rental property and the borrower has no rental expense for the property he or she occupies but does not own, the net rental loss or the monthly mortgage payment of the subject rental property, as applicable, is the borrower's total housing expense.
- If there is net rental income from the subject rental property and the borrower has no rental expense for the property he or she occupies but does not own, the borrower will be ineligible for a HAMP modification because the borrower has no housing expense and the monthly mortgage payment ratio will be zero.

In the event there is more than one borrower obligated on a mortgage secured by a rental property, the income from all borrowers must be included in the gross monthly income calculation and the monthly PITIA of the principal residences of all borrowers must be included in the total housing expense calculation.

In the case of a displaced borrower under consideration for a HAMP Tier 1 modification of the loan secured by the property from which the borrower has been displaced, the borrower may rent out the property from which he or she is displaced. An amount equal to the monthly gross rent charged by the borrower multiplied by 75 percent (to take into account potential costs associated with management and vacancy loss) should be added to the borrower's monthly gross income. If a borrower is paying rent to lease a home in his or her new location and is requesting a modification of the mortgage secured by the principal residence from which he or she was displaced, such rent contributes to the borrower's total housing expense. It should be included with the association dues for purposes of both the NPV Model and HAMP Reporting Tool.

6.3 Standard Modification Waterfalls

Servicers initially must evaluate each loan secured by an owner-occupied property that meets the eligibility requirements for HAMP Tier 1 using the HAMP Tier 1 standard modification waterfall criteria. If the servicer can achieve the target mortgage payment ratio without excessive forbearance, the servicer will input the HAMP Tier 1 standard modification waterfall criteria into the NPV model. The NPV model will indicate whether the borrower is NPV positive for HAMP

Tier 1. Additionally, the NPV model will concurrently evaluate the loan for HAMP Tier 2 using the HAMP Tier 2 standard modification waterfall, DTI and payment reduction requirements.

For all HAMP Tier 2 loans on which the servicer will offer a TPP, the servicer must run a stand-alone HAMP Tier 2 modification waterfall outside of the Base NPV Model to determine the monthly trial period payment. When calculating this amount, the servicer should calculate the projected capitalized UPB by projecting the total non-interest arrearages and delinquent interest that will accrue between the Data Collection Date and the anticipated permanent modification effective date. The servicer should use the projected capitalized UPB to determine the HAMP Tier 2 trial period payment. It is expected that the trial period P&I payment will be very close to the permanent modification P&I payment. The amount of the re-calculated trial period payment will not affect eligibility.

For all Streamline HAMP loans on which the servicer will offer a TPP, the servicer must follow the guidance set forth in Section 6.3.3.

If an investor is not participating in HAMP or has restrictions in the applicable servicing or investor agreement that make it unfeasible to complete the modification steps enumerated below (i.e., a combination of restrictions related to rate reduction, term extension or forbearance, or a cap on the percentage of loans in a securitization that may be modified), the servicer should identify this fact prior to completing such modification steps or conducting the NPV analysis described in Section 7. In such an instance, when indicating in the HAMP Reporting Tool the reason the borrower was not offered a TPP, the servicer should use code number 5 – “Investor/Guarantor not Participating”.

6.3.1 HAMP Tier 1 Standard Modification Waterfall

For loans that satisfy the eligibility requirements described in Sections 1.1.1 and 1.1.2 for HAMP Tier 1 (and subject to the applicable limitations in Section 1.2), 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 Tier 1 only if the interest rate on the mortgage loan can be reduced in accordance with Section 6.3.1.2 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 Tier 1 requirements and the servicer must evaluate the borrower for HAMP Tier 2.

6.3.1.1 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.

6.3.1.2 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.

6.3.1.3 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.

6.3.1.4 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.

6.3.2 HAMP Tier 2 Standard Modification Waterfall

For loans that satisfy the eligibility requirements described in Section 1.1.1 and 1.1.3 for HAMP Tier 2 (and subject to the applicable limitations in Section 1.2), using the inputs provided by the servicer, the NPV model will apply the modification steps enumerated below in the stated order of succession to determine the borrower's modified monthly mortgage payment.

Servicers may not adjust the set HAMP Tier 2 parameters, except in those cases where an investor restriction or applicable law requires them to do so. If a servicer wishes to change the HAMP Tier 2 standard modification waterfall steps to offer the borrower more generous terms (e.g., lower interest rate, greater forgiveness or forbearance amount), the servicer must document its proposal and submit it through the formal waiver and exception process for consideration by Treasury. If approved, the altered terms must be offered equally to all similarly situated borrowers identified in the waiver request. If a borrower fails to qualify for a TPP under an approved altered waterfall, the servicer must re-evaluate the borrower using the HAMP Tier 2 standard modification waterfall and, if that analysis is NPV positive, the servicer must offer the borrower a HAMP Tier 2 TPP.

6.3.2.1 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 as well those servicing advances that are made for costs and expenses incurred in performing servicing obligations consistent with the guidance described in Section 6.3.1.1.

6.3.2.2 Step 2—Interest Rate Adjustment

In the second step, the NPV model adjusts the interest rate to the current “Tier 2 Rate” which will be a fixed rate based on the weekly PMMS Rate (defined in Section 9.3.6) for 30 year fixed rate conforming loans, rounded up to the nearest 0.125 percent plus an adjustment expressed in basis points (-50 basis points, as of January 1, 2015). Treasury will notify servicer of any changes to this adjustment.

6.3.2.3 Step 3—Term Extension

In the third step, the NPV model extends the term and re-amortizes the mortgage to 480 months from the “as of” date of the loan information (e.g., UPB, term) provided by the servicer. The "as of" date used by the NPV model is the same as the "Data Collection Date.” Note when servicers are drafting the Modification Agreement under HAMP Tier 2, they should set the maturity date in the Modification Agreement to the date that is 480 months after the Modification Effective Date, similar to the current manner in which the servicers set the maturity date in the Modification Agreement for HAMP Tier 1.

6.3.2.4 Step 4—Principal Forbearance

If the loan’s pre-modification mark-to-market LTV ratio, *after applying Steps 1 through 3 above*, is greater than 115 percent, the NPV model calculates principal forbearance in an amount equal to the lesser of (i) an amount that would create a post-modification mark-to-market LTV ratio of 115 percent using the interest bearing principal balance or (ii) an amount equal to 30 percent of the gross post-modified UPB of the mortgage loan (inclusive of capitalized arrearages). The principal forbearance amount is non-interest bearing and non-amortizing. Unlike HAMP Tier 1, there is no excessive forbearance limit in HAMP Tier 2.

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.

6.3.3 Streamline HAMP Standard Modification Waterfall

For loans that satisfy the eligibility requirements described in Section 1.1.1 and 1.1.4 for Streamline HAMP (and subject to the applicable limitations in Section 1.2), servicers must apply the modification steps enumerated below in the stated order of succession to determine the borrower’s modified monthly mortgage payment under Streamline HAMP.

6.3.3.1 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 as well those servicing advances that are made for costs and expenses incurred in performing servicing obligations consistent with the guidance in Section 6.3.1.1.

6.3.3.2 Step 2—Interest Rate Adjustment

In the second step, the servicer adjusts the interest rate to a fixed rate based on the weekly PMMS Rate (defined in Section 9.3.6) for 30 year fixed rate conforming loans, rounded to up the nearest 0.125 percent plus an adjustment expressed in basis points (currently -50 basis points) (Streamline HAMP Rate). Treasury will notify servicers of any changes to the adjustment.

6.3.3.3 Step 3—Term Extension

In the third step, the servicer extends the term and re-amortizes the mortgage to 480 months from the “as of” date of the loan information (e.g., UPB, term) provided by the servicer. Under Streamline HAMP, the “as of” date is the date the servicer determines the borrower’s Streamline HAMP modification terms. Note, when servicers are drafting the Streamline HAMP Modification Agreement, they should set the maturity date in the Streamline HAMP Modification Agreement to the date that is 480 months after the Modification Effective Date.

6.3.3.4 Step 4—Principal Forbearance

In the fourth step, if the loan’s estimated post-modification mark-to-market LTV ratio, after applying Steps 1 through 3 above, is greater than 115 percent, the servicer calculates principal forbearance in an amount equal to the lesser of (i) an amount that would create a post-modification mark-to-market LTV ratio of 115 percent using the interest bearing principal balance or (ii) an amount equal to 30 percent of the gross post-modified UPB of the mortgage loan (inclusive of capitalized arrearages). The principal forbearance amount is non-interest bearing and non-amortizing. Similar to HAMP Tier 2, there is no excessive forbearance limit in Streamline HAMP. 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.

6.3.4 HAMP Tier 2 and Streamline HAMP Post-Modification Principal and Interest Payment

A HAMP Tier 2 modification with a post-modification ~~principal and interest~~ *P&I* payment that is greater than the pre-modification ~~principal and interest~~ *P&I* payment is prohibited. After calculation of the modified payment terms under the HAMP Tier 2 standard modification waterfall, the NPV model will calculate whether the modified ~~principal and interest~~ *P&I* payment is less than or equal to the pre-modification monthly ~~principal and interest~~ *P&I* payment in effect at the time of HAMP Tier 2 consideration. Additionally, if the servicer is considering a loan for HAMP Tier 2 that defaulted on a HAMP Tier 1 TPP, the servicer must verify that the modified ~~principal and interest~~ *P&I* payment under HAMP Tier 2 is less than or equal to the ~~principal and interest~~ *P&I* payment under the failed HAMP Tier 1 TPP. *Similarly, if the servicer is considering a loan for Streamline HAMP, the servicer must ensure that the borrower’s Streamline HAMP post-modification monthly P&I payment is less than or equal to the borrower’s monthly P&I payment in effect at the time the loan is considered for Streamline HAMP.*

If the modified ~~principal and interest~~ *P&I* payment fails to satisfy such guidelines, the loan is not eligible for a HAMP Tier 2 *or Streamline HAMP* modification, *as applicable*, and the servicer must consider the borrower for alternative loss mitigation options.

In addition, following the acceptance of a Streamline HAMP Offer, servicers may not offer a HAMP Tier 1 or HAMP Tier 2 modification with a P&I payment that is greater than the Streamline HAMP P&I payment. Accordingly, such loan would not be eligible for HAMP Tier 1 or HAMP Tier 2, as applicable.

Notwithstanding the foregoing, servicers may establish a minimum ~~principal and interest~~ *P&I* payment reduction requirement for HAMP Tier 2 (Servicer's HAMP Tier 2 Minimum Payment Reduction), provided a reduction of no more than 10 percent is required. Each servicer that elects to establish a minimum ~~principal and interest~~ *P&I* payment reduction requirement *for HAMP Tier 2* must, by July 1, 2014, have a written policy describing the requirement and must notify the Program Administrator of the Servicer's HAMP Tier 2 Minimum Payment Reduction requirement. In addition, such servicers must notify the Program Administrator of any change to the Servicer's HAMP Tier 2 Minimum Payment Reduction requirement no later than 15 calendar days prior to the change. The policy must be applied consistently for all similarly situated borrowers.

In addition, servicers may establish a minimum P&I payment reduction requirement for Streamline HAMP, provided a reduction of no more than 10 percent is required. Such a requirement must be included in the servicer's Streamline HAMP Policy.

6.3.45 HAMP Tier 2 Post-Modification DTI

Using the payment terms determined by the HAMP Tier 2 standard modification waterfall, the NPV model will calculate whether the post-modification DTI ratio is within the Expanded Acceptable DTI Range. If the DTI is not within the Expanded Acceptable DTI Range, or the Servicer's DTI Range, if different, 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.

6.3.56 Principal Forgiveness

There is no requirement to forgive principal under HAMP. However, servicers may forgive principal either up front, which does not qualify for PRA incentives, or on a deferred basis under PRA. Up front principal forgiveness may be granted on a standalone basis or before any step in the standard modification waterfall process; however subsequent standard waterfall steps may not be skipped.

With respect to HAMP Tier 1, if principal forgiven either up front or on a deferred basis under PRA is sufficient to achieve the target monthly mortgage payment ratio 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.

6.3.67 Variation from Standard Modification Waterfall under HAMP Tier 1

Servicers, in accordance with investor guidelines, are not precluded from providing borrowers with a more favorable modification than that required by HAMP Tier 1. Instances where the servicer deviates from the HAMP Tier 1 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 the applicable standard modification waterfall terms. Examples of acceptable deviations for HAMP Tier 1 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 Principal Reduction Alternative

Servicers must evaluate any mortgage loan that is being considered for HAMP (*Tier 1 or Tier 2*) with a mark-to-market LTV ratio greater than 115 percent using both the applicable standard modification waterfall (as described in Section 6.3.1 or 6.3.2, as applicable) and the applicable alternative modification waterfall (as described in Section 6.4.3.1 or 6.4.3.2, as applicable) that includes principal reduction as the required second step in the waterfall. When determining the loan's UPB for deciding whether to evaluate the loan under the applicable alternative waterfall, (i) for HAMP Tier 1, servicers should include any amount that would be capitalized in accordance with Section 6.3.1.1 of this Chapter and (ii) for HAMP Tier 2, the Base NPV Model will not include the amount capitalized in accordance with Section 6.3.2.1 of this Chapter. Although servicers are only required to evaluate loans that are being considered for HAMP with a mark-to-market LTV ratio greater than 115 percent for PRA, servicers may evaluate loans with a lower mark-to-market LTV ratio using the applicable alternative modification waterfall. *In addition servicers may evaluate loans considered for Streamline HAMP for PRA principal reduction in accordance with Section 6.4.3.3.*

The primary purpose of completing the alternative modification waterfall analysis is to demonstrate whether reducing principal on a mortgage loan with a mark-to-market LTV ratio greater than 115 percent will produce a positive NPV result. However, when making the determination to reduce principal, servicers may, consistent with investor guidelines and contractual obligations, reduce the UPB of a loan to an amount that results in a mark-to-market LTV ratio that is greater or lesser than the 115 percent target ratio in the applicable alternative modification waterfall. Because servicers have this discretion in offering principal reduction, servicers must develop and adhere to a written policy for making principal reduction determinations (PRA Policy) that treats all similarly situated loans in a consistent manner and in compliance with Section 1.6 of Chapter I. If applicable, the PRA Policy must clearly identify if and how the servicer will exercise the option to vary either alternative modification waterfall. Also, if the servicer plans to enter into equity share arrangements, a copy of the arrangement must be included in the PRA Policy.

For modifications that include PRA principal reduction, if the UPB established when determining the terms of the permanent modification differs from the UPB used to determine the terms of the TPP, the servicer must, in the permanent modification, grant as PRA principal reduction the lesser of (i) the amount necessary to achieve the mark-to-market LTV generated by the TPP terms or (ii) the amount necessary to achieve the target monthly mortgage payment ratio

as established in the TPP. At the time of establishing the permanent modification terms, additional PRA principal reduction may be granted in the servicer's discretion in accordance with investor guidelines.

6.4.1 Reserved

6.4.2 Reserved

6.4.3 Alternative Modification Waterfalls

6.4.3.1 HAMP Tier 1 Alternative Modification Waterfall

Under the HAMP Tier 1 alternative modification waterfall, servicers use principal reduction between Step 1—Capitalization and Step 2—Interest Rate Reduction of the HAMP Tier 1 standard modification waterfall. After the servicer has performed Step 1—Capitalization, the servicer will perform the HAMP Tier 1 alternative modification waterfall as follows:

- Reduce the UPB by an amount necessary to achieve either (i) the target monthly mortgage payment ratio or (ii)(a) a mark-to-market LTV ratio equal to 115 percent or (b) if applicable, the mark-to-market LTV ratio described in the servicer's PRA Policy, whichever is reached first.
- If the UPB is reduced to create a mark-to-market LTV ratio of 115 percent (or, if applicable, the mark-to-market LTV ratio as described in the servicer's PRA Policy) and the target monthly mortgage payment ratio has not been achieved (based on a fully amortizing ~~principal and interest~~ *P&I* payment over the remainder of the current loan term and using the current mortgage interest rate), continue with the HAMP Tier 1 standard modification waterfall steps of interest rate reduction, term extension and principal forbearance, each as necessary, until the target monthly mortgage payment ratio is achieved.

6.4.3.2 HAMP Tier 2 Alternative Modification Waterfall

Under the HAMP Tier 2 alternative modification waterfall, the NPV model will use principal reduction in place of forbearance to reduce the UPB by an amount equal to the lesser of (i) an amount that would create a post-modification mark-to-market LTV ratio of 115 percent using the interest bearing principal balance or (ii) an amount equal to 30 percent of the gross post-modified UPB of the mortgage loan (inclusive of capitalized arrearages).

6.4.3.3 Streamline HAMP Alternative Modification Waterfall

When determining Streamline HAMP modification terms with PRA, servicers may apply principal reduction in place of forbearance to reduce the UPB by an amount equal to the lesser of (i) an amount that would create a post-modification mark-to-market LTV ratio of 115 percent using the interest bearing principal balance or (ii) an amount equal to 30 percent of the gross post-modified UPB of the mortgage loan (inclusive of capitalized arrearages).

6.4.4 Variation from the HAMP Tier 1 Alternative Modification Waterfall Steps

- If principal is forgiven in an amount equal to or greater than five percent of the pre-modification UPB (including any capitalized amounts as described in Section 6.3.1.1), servicers will have flexibility in the application of subsequent steps in the HAMP Tier 1 alternative modification waterfall to either:
 - Elect not to reduce the interest rate all the way to the two percent interest rate floor before applying a term extension, provided that the servicer must fix the reduced interest rate and treat it as the modified rate for purposes of the Interest Rate Cap; or
 - Apply term extension before interest rate reduction, provided that, if the interest rate is not reduced, the servicer must fix the existing interest rate and treat it as the modified rate for purposes of the Interest Rate Cap.

6.4.5 Application of Deferred Principal Reduction

If the loan is modified pursuant to PRA, the principal reduction amount should be initially treated as non-interest bearing principal forbearance (PRA Forbearance Amount). The PRA Forbearance Amount is separate and exclusive of any other forbearance that may be offered in conjunction with a permanent modification.

If the borrower is in good standing on the first, second and third anniversaries of the TPP Effective Date, the servicer must reduce the UPB of the loan on each anniversary date in installments equal to one-third of the initial PRA Forbearance Amount.

If a borrower is in good standing and pays the loan in full (i) at any time more than 30 calendar days after the Modification Effective Date; (ii) after the PRA reporting and payment processes are made available; and (iii) prior to application of the entire PRA Forbearance Amount, the borrower shall immediately be fully vested in and entitled to the unapplied PRA Forbearance Amount as a curtailment. When the servicer receives a payoff request on behalf of a borrower that meets these requirements, the unapplied PRA Forbearance Amount must be deducted from the payoff balance.

6.4.6 Equity Share Arrangements

Investors that enter into equity share arrangements with borrowers in conjunction with a PRA modification will be eligible to receive the PRA investor incentive if the equity share arrangement includes the following borrower protections:

- - The borrower is not required to make any equity share payments until the loan is fully satisfied and may not be assessed a pre-payment penalty;
 - The agreement includes a reasonable method to credit the borrower for the cost of capital improvements;
 - The borrower is entitled to at least 50 percent of any increase in property value, after credit for the capital improvements, between the date of the permanent modification and the date the loan is fully satisfied;

- The investor is only entitled to recover the amount of principal reduction actually applied to the loan balance less the PRA investor incentive; and
- A method for independently assessing the value of the property at time of loan satisfaction that is acceptable to both the investor and the borrower. The assessment of the property value at the date of the permanent modification must be the property value obtained by the servicer in accordance with Section 6.8 as part of the evaluation of the borrower for a HAMP modification.

6.5 Prohibitions on Modification Waterfall Steps

If a servicing agreement, investor guidelines or applicable law restricts or prohibits a modification step in the standard or alternative *HAMP* modification waterfalls (~~HAMP Tier 1 or Tier 2~~) and the servicer partially performs it or skips it, the modification may still qualify for HAMP. If the servicer is subject to restrictions that make it unfeasible to complete the modification waterfall steps, the servicer should identify this prior to performing the NPV evaluation and not perform an NPV evaluation. Servicers must maintain evidence in the loan file documenting the nature of any deviation from taking any sequential modification step in the modification waterfall and the fact that the applicable servicing agreement, investor guideline or law restricted or prohibited fully performing the modification waterfall step. The documentation must show that the servicer made a reasonable effort to seek a waiver from the investor and whether that waiver was approved or denied.

If an investor or applicable law has lesser restrictions (i.e., limits on capitalization, interest rate or term extension), the servicer should attempt to complete the waterfall steps subject to such restrictions as described below:

- If capitalization is not permitted, the servicer should, if allowable, forgive the amount that would otherwise be capitalized or establish a non-interest bearing balloon payment (i.e., forbearance) due at maturity equal to the amount that would have been capitalized. Negative amortization after the modification effective date is prohibited.
- If the note rate of the mortgage cannot be modified below a certain value, the servicer should:
 - With respect to HAMP Tier 1, adjust the rate to the greater of the restriction rate or the rate required to achieve the target monthly mortgage payment.
 - With respect to HAMP Tier 2 *or Streamline HAMP*, adjust the rate to the greater of the restricted rate or the HAMP Tier 2 Rate: *or the Streamline HAMP Rate respectively, if different.*
- If the note rate of the mortgage cannot be permanently modified, the servicer should
 - With respect to HAMP Tier 1, adjust the rate to the rate required to achieve the target monthly mortgage payment for the maximum period allowed by the investor or under

- applicable law and then, as allowed by the investor or applicable law, step up the note rate. Notwithstanding the foregoing, if the investor or applicable law prohibits the servicer from permanently reducing the note rate or, in the case of HAMP Tier 1, from reducing the rate for at least five years, such a restriction would make it infeasible to complete the interest rate reduction step. In such cases, the servicer should skip the rate reduction step or, in the case of HAMP Tier 2, utilize the applicable override in the Base NPV Model and continue the evaluation using the note rate of interest.
- Subject to the foregoing, with respect to HAMP Tier 2 *or Streamline HAMP*, convert the note interest rate to a fixed rate if permitted and move to the next waterfall step.
 - If an adjustable rate cannot to be converted to a fixed rate, the loan is not eligible for *a* HAMP modification ~~in either Tier~~.
 - If a term extension is limited or not permitted the servicer should extend the term as far as allowable and/or re-amortize the mortgage loan based upon the remaining term.
 - If the current remaining term of the loan is greater than 480 months, the servicer should skip the term extension step. 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.

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 under HAMP Tier 1

With respect to both “positive” and “negative” NPV results, under HAMP Tier 1, 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 HAMP Tier 1 standard modification waterfall) or (ii) an amount resulting in a modified interest-bearing balance that would create a current mark-to-market LTV ratio equal to 100 percent. For purposes of calculating such principal forbearance limit when applying the HAMP Tier 1 alternative modification waterfall, servicers may use the sum of any PRA Forbearance Amount initially set aside as principal forbearance and any principal forbearance created as a result of the final step of such modification waterfall.

For loans being considered for HAMP Tier 1, 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 Tier 1 modification and shall evaluate the borrower for a HAMP Tier 2 modification. However, servicers are permitted, in accordance with investor guidelines and applicable law, 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.

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 trust³; 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.

³ 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.

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

Servicers that (i) are subject to the terms of a SPA and (ii) either (a) have a Program Participation Cap of \$75,000,000 or more as of September 30, 2013 or (b) elect to adopt the guidance set forth in this Section must establish and implement a process to offer budget and debt management counseling (“financial counseling”) to certain borrowers who have received a TPP or permanent modification under HAMP pursuant to this Section. The objective of the financial counseling is to assist the borrower in staying current on his or her modified mortgage loan. Although this guidance does not require a specific number of financial counseling sessions for each borrower, financial counseling must be offered either as a multi-staged approach or over multiple appointments such that a full financial counseling session for each borrower may span several months. The financial counseling offered must include the following components:

- Addressing the borrower’s current overall financial situation;
- Addressing the hardship or other issue(s) that caused the borrower to default on his or her loan (as modified, if applicable) or necessitated a modification of the borrower’s mortgage loan under HAMP;
- Ensuring that the borrower understands the terms of his or her HAMP modification (including any future rate resets) and, if applicable, any TPP; and
- Advising the borrower on how to adhere to the terms of the HAMP modification and, if applicable, any TPP.

Each such servicer must select and engage a financial counseling agency(s) to provide the financial counseling services required under this Section. The agency must be a HUD-approved housing counseling agency with demonstrated expertise in providing the type of financial counseling described above, and must have sufficient capacity to manage the anticipated volume of referred borrowers. Servicers must engage additional HUD-approved housing counseling agencies as necessary or appropriate to meet the demand. Servicers may leverage their existing relationships with HUD-approved housing counseling agencies, or create new relationships, if and as needed. Servicers are responsible for the cost of financial counseling and all related expenses. Furthermore, each servicer is responsible for monitoring its selected HUD-approved housing counseling agency’s performance under its agreements and ensuring that such performance is consistent with the requirements of, and any policies and procedures established by the servicer in connection with this Section. The financial counseling services required under this Section must be provided at no cost to the borrower.

6.7.1 Solicitation of Borrowers

6.7.1.1 Borrowers Entering HAMP TPPs

Any borrower with a TPP Effective Date on or after March 1, 2014 must be referred to financial counseling under Section 6.7 at the start of the TPP. Servicers shall assign an employee, who understands the requirements of Section 6.7, to serve as a “relationship manager” for purposes of this Section. In the case of servicers subject to Section 4.1 of Chapter I, such employee shall be the “relationship manager” described in such Section.

Servicers must provide written notice to borrowers entering a TPP on or after March 1, 2014 informing them of the financial counseling services available to them and the contact information for the servicer’s chosen HUD-approved housing counseling agency. A model notice is available on www.HMPadmin.com. Servicers are encouraged but not required to use the model notice to inform borrowers of the financial counseling services available to them. Servicers should include this notice in the envelope with the TPP Notice when it is sent to the borrower and are encouraged, but not required, to provide such solicitation as a separate notice, rather than incorporating such information into the TPP Notice. In addition, a reasonable effort must be made to contact the borrower directly. For purposes of this Section, a “reasonable effort” consists of a minimum of four telephone calls to the last known phone numbers of record at different times of the day over at least 30 calendar days; provided, however, that efforts to contact the borrower may be halted before making four telephone calls when the borrower has been successfully contacted and has either accepted or declined the offer of financial counseling. For the purpose of the guidance in Section 6.7 (including all subsections), a borrower is deemed to have “accepted” the offer of financial counseling when the borrower has scheduled an appointment with the servicer’s selected financial counseling vendor. Servicers must use one of the following two methods of contacting borrowers entering new HAMP TPPs:

- A “warm transfer”: The relationship manager commences within 30 days of delivery of the TPP Notice to use reasonable efforts to contact the borrower and, with the borrower’s agreement, connects the borrower to its designated HUD-approved housing counseling agency; or
- An “agency outreach”: Within 30 days of sending the TPP Notice, the servicer must send its designated HUD-approved housing counseling agency a file with basic contact information for the borrower entering the TPP, including borrower name, address and phone number (“inclusion file”), and require its HUD-approved housing counseling agency to commence within 30 days of receipt of an inclusion file to use reasonable efforts to contact the borrower. Servicers may consolidate multiple borrowers who enter into TPPs contemporaneously into a single inclusion file.

With respect to Streamline HAMP, any borrower who accepts a Streamline HAMP Offer must be referred to financial counseling promptly following acceptance of such offer.

6.7.1.2 Borrowers with HAMP Permanent Modifications in Good Standing

Each servicer must establish and maintain written guidelines and policies identifying the characteristics of borrowers in the servicer’s portfolio of HAMP permanent modifications in good standing that the servicer considers to be at a high risk of re-default. Servicers must provide

copies of all such guidelines and policies to Treasury and its agents upon request. At a minimum, such guidelines and policies must require a monthly review and determination, commencing on March 1, 2014 for each borrower in the servicer's portfolio of HAMP permanent modifications in good standing, of whether the borrower is a "Risk of Default Borrower" which is defined as a borrower (i) who is delinquent on the date of determination and (ii) who was delinquent on his or her HAMP permanent modification payment at any other time during the 12 month period preceding the determination. Servicers are encouraged to define additional borrower characteristics in their written guidelines and policies that may indicate a high risk of re-default for inclusion in the monthly determination process.

Commencing on March 1, 2014 and each month thereafter, each servicer must identify the Risk of Default Borrowers in its portfolio and each Risk of Default Borrower must be offered financial counseling as set forth in Section 6.7. Servicers also must offer the financial counseling described above to any borrower whose mortgage loan is in a HAMP permanent modification in good standing who contacts the servicer with concerns about their ability to make the modified mortgage payment.

Each month, or more frequently if the servicer chooses, the servicer will send its designated HUD-approved housing counseling agency an inclusion file of Risk of Default Borrowers identified that month and require the HUD-approved housing counseling agency to commence within 30 days of receipt of the inclusion file to use reasonable efforts (as defined in Section 6.7.1.1) to contact each identified Risk of Default Borrower. In addition, each Risk of Default Borrower identified by the servicer must be sent written notice referring them to the HUD-approved housing counseling agency and including the HUD-approved housing counseling agency's contact information. The letter should also provide contact information at the servicer where the borrower can call if they have any questions. A model notice is available on www.HMPAdmin.com. Servicers are encouraged, but not required, to use the model notice to inform borrowers of the financial counseling services available to them.

6.7.1.3 Satisfaction of Solicitation Requirement

Notwithstanding the foregoing, servicers are not required to offer a borrower the financial counseling described in Section 6.7 if the borrower (i) has received two prior referrals to financial counseling in accordance with Section 6.7 (including any referral made under Section 6.7.1.1) or (ii) has completed a full financial counseling engagement as described above. Servicers, however, should feel free to refer borrowers to financial counseling at any time in appropriate cases (such as changes in circumstance) despite these limitations. For purposes of this Section, a "referral" is deemed to have been made when a servicer or a HUD-approved housing counseling agency, as applicable, has satisfied the reasonable effort standard (as defined in Section 6.7.1.1) for contacting a borrower and offering financial counseling.

Servicers are not required to solicit borrowers in active Chapter 7 or Chapter 13 bankruptcy cases for the financial counseling described in Section 6.7. However, such borrowers must be offered the financial counseling if the borrower, borrower's counsel or bankruptcy trustee requests it.

In addition, servicers are not required to make the four telephone calls described in Section 6.7.1.1 with respect to any borrower who received a Chapter 7 bankruptcy discharge in a case where he or she did not reaffirm the first lien mortgage debt. However, the servicer must provide the written notice referring the borrower to the HUD-approved housing counseling agency and include the contact information.

6.7.2 Post-Modification Financial Counseling Reports

Servicers are required to maintain reports of how many borrowers (i) are offered financial counseling pursuant to Section 6.7, (ii) started such financial counseling, and (iii) complete a full financial counseling engagement as described above, all of which must be provided to Treasury and its agents upon request. Servicers must also maintain such information as is necessary to monitor the borrower's performance under the modified loan after having received the financial counseling described above, *and must do so as a separate category for reporting purposes for borrowers who have accepted a Streamline HAMP Offer.*

6.7.3 Transfer of Servicing of Loans Eligible for Post-Modification Counseling

6.7.3.1 Obligations of Transferor Servicers

A servicer may discontinue the solicitation efforts required under Sections 6.7.1.1 and 6.7.1.2 as of the effective date on which the assignment and assumption of the rights and obligations of a loan is transferred (or such earlier date on which the population of loans to be transferred is finalized). This includes efforts to contact the borrower by phone and by mail, and whether directly by the servicer or through the servicer's vendor.

If a borrower has accepted an offer of financial counseling or is in counseling on or before the effective date of the servicing transfer, the transferor servicer must provide the full financial counseling engagement offered to the borrower, notwithstanding that servicing of the loan will be transferred to another servicer. A transferor servicer may not use a transfer to circumvent its existing obligations. The transferor servicer must, prior to the effective date of the servicing transfer, whether directly by the servicer or through the servicer's vendor, communicate to a borrower who has either accepted the offer of financial counseling or is in counseling, that the borrower may continue the financial counseling with the existing financial counselor even after the loan is transferred.

Effective August 1, 2014, the transferor servicer must send a written notice no later than 15 calendar days prior to the effective date on which the assignment and assumption of the rights and obligations of a loan is transferred (or such earlier date on which the population of loans to be transferred is finalized), to any borrower whose loan will be included in a transfer and who has not yet accepted an offer of financial counseling. The notice must specify the date by which the borrower must schedule an appointment with the financial counseling vendor of the transferor servicer, and explain that the offer of financial counseling provided by the transferor servicer will expire if the appointment is not scheduled by such date. The notice required under this Section need not be a separate notice and may be included with or incorporated into another notice sent to the borrower from the transferor servicer prior to the transfer.

Notwithstanding the foregoing, a transferor servicer and transferee servicer may agree that the transferee servicer will provide the financial counseling described in Section 6.7 (including all subsections) if such agreement is expressly included in the applicable servicing transfer agreement, and provided the borrower is able to complete the full counseling engagement with the same financial counselor without interruption. Transferor and transferee servicers who elect this option must maintain evidence of compliance with this provision.

6.7.3.2 Obligations of Transferee Servicers

A transferee servicer that is subject to the guidance under Section 6.7, and who acquires a loan that is in a ~~trial period plan~~ *TPP* at the time of transfer, must send written notice and use reasonable efforts to contact the borrower to offer financial counseling if the effective date of the servicing transfer is less than 90 days after the ~~trial period plan~~ *TPP* effective date. In this instance, within 30 calendar days of the effective date of the servicing transfer, the transferee servicer must commence reasonable efforts to contact the borrower or must send its designated vendor an inclusion file of such borrowers, and require its vendor to use reasonable efforts to contact the borrower within 30 calendar days of their receipt of the file.

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. Servicers should follow regulatory and investor guidance when selecting the appropriate valuation method to determine the mark-to-market value of the property and use this value for both the NPV model and the PRA mark-to-market LTV ratio calculation.

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 *Evaluation*

All loans that meet the applicable HAMP eligibility criteria in Section 1 must be evaluated using a standardized *for NPV test that using the Base NPV Model for HAMP Tier 1 and Tier 2 or the Streamline HAMP NPV Tool for Streamline HAMP. The Base NPV Model compares the NPV result for a modification to the NPV result for no modification for an individual loan; the Streamline HAMP NPV Tool, for a portfolio of loans.*

7.1 Base NPV Model

The standardized *Base NPV test Model* will automatically be run contemporaneously for both HAMP Tier 1 and Tier 2, to the extent a borrower meets the eligibility requirements for HAMP Tier 1 under Sections 1.1.1 and Sections 1.1.2 (subject to the applicable limitations in Section 1.2). Prior to performing an NPV analysis on all loans, servicers must complete the escrow analysis and use the information derived from that analysis to calculate the UPB as of the “Data Collection Date” (i.e., the date on which the “Unpaid Principal Balance” and other data used in the NPV analysis was collected). When running NPV to evaluate borrowers for HAMP Tier 1 and Tier 2, servicers should not project UPB to a future date, but should use the current UPB amount as of the Data Collection Date.

- Using the applicable standard modification waterfall, if the NPV result for the modification scenario is greater than the NPV result for no modification, the result is deemed “positive”. If the NPV result for no modification is greater than the NPV result for the modification scenario using the applicable standard modification waterfall, the modification result is deemed “negative”.
- If there is a positive NPV result under the HAMP Tier 1 standard modification waterfall, the servicer must offer the HAMP Tier 1 TPP regardless of the HAMP Tier 2 NPV result.
- If there is a negative NPV result under the HAMP Tier 1 standard modification waterfall and the investor has authorized a different threshold, or the modification has excessive forbearance and the investor has authorized the service to exceed the forbearance limit, the servicer may offer the HAMP Tier 1 TPP.
- If the borrower is not offered a HAMP Tier 1 TPP and is NPV positive under the HAMP Tier 2 standard modification waterfall, the servicer must offer the HAMP Tier 2 TPP.
- If there is a negative NPV result under the HAMP Tier 2 standard modification waterfall, the servicer may, based on investor guidance, offer the HAMP Tier 2 TPP.
- Servicers must develop written policies identifying the circumstances under which they would offer a modification and the conditions under which modifications of each HAMP Tier would be offered for cases where NPV results are negative for both HAMP Tier 1 and HAMP Tier 2 and the servicer elects, based on investor guidance, to offer a TPP under either HAMP Tier 1 or Tier 2 (provided other eligibility requirements are met). Servicers must apply these policies consistently to all borrowers.

- With respect to loans with a mark-to-market LTV ratio greater than 115 percent, if the NPV result for the proposed modification generated by applying the applicable alternative modification waterfall is positive, servicers are encouraged, but are not required, to perform a loan modification utilizing PRA, even in instances where the NPV result from the applicable standard modification waterfall is negative or is less positive than the NPV result generated by application of the applicable alternative modification waterfall.

If a modification is not pursued when (i) under both HAMP Tier 1 and Tier 2, the NPV results were “negative” or (ii) the borrower was considered only for HAMP Tier 2 and the NPV result was “negative,” the servicer must send a Non-Approval Notice and consider the borrower for other foreclosure prevention options, including alternative modification programs and HAFA.

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.

As of June 1, 2012, for properties that are considered under both HAMP Tier 1 and HAMP Tier 2, the Base NPV Model will provide results for each Tier with PRA and without PRA. For properties that are considered only under HAMP Tier 2, the Base NPV Model will provide results with and without PRA only for HAMP Tier 2. In addition to the evaluation using the Base NPV Model, servicers may conduct other evaluations to determine the level of principal reduction that is in the best interest of investors. However, servicers must only submit the results of each applicable standard modification waterfall and each applicable alternative modification waterfall evaluations completed with the NPV model to the HAMP Reporting Tool.

7.1.1 Access and Use of the Base NPV Model

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 and 7.7.

7.3 Re-coding of Base NPV Model

Subject to the requirements described in this Handbook, any servicer, regardless of the size of their servicing book, has the option to re-code the Base NPV Model for implementation in their own systems. Re-coded 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. Re-coded versions of the NPV model must also employ functionality that allows for a HAMP Tier 2 interest rate adjustment below the PMMS Rate (as defined in Section 9.3.6) in accordance with the Base NPV Model.

7.3.1 Compliance for Re-coded NPV Models

MHA-C will monitor implementation of the re-coded NPV model. Servicers electing to implement the NPV model on their own systems 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.

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 TPP 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.

The first time the servicer evaluates a loan through the NPV model is the "NPV Date." This date must remain constant for all subsequent NPV runs. The only exception to this rule is loans that were evaluated under an NPV model before June 1, 2012 that are being re-evaluated for HAMP Tier 2. For those loans, the servicer should use the first date that the loan is evaluated after June 1, 2012 as the "NPV Date". Any subsequent re-running of the loan through the NPV model must use such date, as the "NPV Date."

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~~ **P&I** 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~~ *P&I* 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.

7.7 NPV Requirements for Disputed Inputs

When servicers re-evaluate NPV results based on a borrower’s written evidence of disputed variables, servicers must conduct the NPV test using the same major version of the NPV model that was used to test the loan for TPP 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 re-evaluated, except those inputs that are determined to be materially inaccurate based on the borrower's written evidence. The values must be as of the NPV Date.

7.8 NPV Inputs for Unavailable or Low Credit Scores

In performing an NPV evaluation, in the case of two borrowers where a co-borrower has an available credit score and the other co-borrower does not have an available credit score, the servicer must use the credit score that is available. In the case of a single borrower who does not have an available credit score or where both co-borrowers do not have available credit scores, the servicer must use 557 as the proxy credit score. If a borrower has a credit score, but it is below

250, the servicer should input 250 as the proxy credit score when performing the NPV evaluation.

7.9 Streamline HAMP NPV Tool

Servicers must evaluate their portfolio for Streamline HAMP using a portfolio level NPV tool (Streamline HAMP NPV Tool) that will be made available to servicers on www.HMPadmin.com. Servicers must use the Streamline HAMP NPV Tool in accordance with the guidance that will be posted on www.HMPadmin.com at the same time as the Streamline HAMP NPV Tool.

Servicers will be able to input certain characteristics of their portfolio or part thereof into the Streamline HAMP NPV Tool and ascertain the estimated total NPV of the portfolio with corresponding expected NPV ranges and NPV pass rates. The NPV pass rate will reflect, under a number of different scenarios, that portion of the servicer's portfolio that is estimated to be NPV positive. The Streamline HAMP NPV Tool will generate the results across different PMMS rates illustrating the impact of different market rates on the NPV calculation. Servicers are encouraged, but not required, to offer Streamline HAMP to eligible borrowers when the NPV result of doing so is estimated to be positive on a portfolio basis.

The Streamline HAMP NPV Tool may not be used by a servicer to evaluate its portfolio for non-HAMP modifications. The Terms and Conditions for servicer use of the NPV Model referred to in Section 7.1 will also apply to the Streamline HAMP NPV Tool and related documents, with the exception of sub-paragraph (i) (b) which is not applicable.

From time to time, Treasury will release updates to the Streamline HAMP NPV Tool. All servicers are required to use the most recent version of the Streamline HAMP NPV Tool when evaluating all or part of their portfolio for Streamline HAMP.

8 Trial Period Plans

Following underwriting, NPV evaluation and a determination, based on verified income, that a borrower qualifies for HAMP *Tier 1 or HAMP Tier 2, or following a determination that a borrower meets eligibility criteria under Streamline 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~~ Offer

The TPP Notice ~~describes~~ the *Streamline HAMP Offer, as described in Section 2.4.2 (collectively, TPP Offer) sets forth 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~~ Offer.

Servicers should retain a copy of the TPP NoticeOffer in the borrower file and note the date that it was sent to the borrower.

8.1.1 Notice of Financial Counseling

For all borrowers entering a *HAMP Tier 1 or HAMP Tier 2* TPP on or after March 1, 2014, servicers must include in the envelope with the borrower's TPP Notice a notice of available servicer-funded financial counseling pursuant to Section 6.7.1.1.

8.2 Effective Date

A borrower's trial period starts on the TPP Effective Date, as indicated in the TPP NoticeOffer. 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 NoticeOffer 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 NoticeOffer Effective Date. If the servicer completes the TPP NoticeOffer 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 Payments

Under HAMP Tier 1, the borrower's monthly trial period payment must be set at the target monthly mortgage payment ratio by applying the HAMP Tier 1 standard modification waterfall as set forth in Section 6.3.1. Under HAMP Tier 2, the borrower's monthly trial period payment will be set by the NPV model by applying the HAMP Tier 2 standard modification waterfall as set forth in Section 6.3.2.

The servicer's receipt of the first payment due under the TPP NoticeOffer 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 NoticeOffer 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 for that loan. 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.

A borrower that fails to make current trial period payments for a HAMP Tier 2 TPP is not eligible for a HAMP Tier 2 permanent modification of that loan. A borrower that fails to make

current trial period payments for a HAMP Tier 1 TPP is not eligible for a HAMP Tier 1 permanent modification of that loan, but the loan may be eligible for HAMP Tier 2 *or Streamline HAMP* if the HAMP Tier 2 *or Streamline HAMP* eligibility and underwriting criteria are satisfied. *A borrower that fails to make a current trial period payments for a Streamline HAMP TPP is not eligible for a Streamline HAMP permanent modification of that loan.*

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 in Bankruptcy

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 *Tier 1 or HAMP Tier 2* 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.

When a borrower in an active Chapter 13 bankruptcy is in a ~~trial period plan~~ TPP and the borrower has made post-petition payments on the first lien mortgage in the amount required by the TPP, a servicer must not object to confirmation of a borrower's Chapter 13 plan, move for relief from the automatic bankruptcy stay, or move for dismissal of the Chapter 13 case on the basis that the borrower paid only the amounts due under the ~~trial period plan~~ TPP, as opposed to the non-modified mortgage payments.

A TPP is required for a Streamline HAMP permanent modification and cannot be waived.

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 refinance, forbearance, non-HAMP modifications and, to the extent a borrower does not qualify for a home retention alternative, HAFA (short sales or DILs) in accordance with

Chapter IV. As stated in Section 2.3.2, available loss mitigation options should be described in the Non-Approval Notice.

If a borrower in a prolonged TPP (a TPP lasting longer than three months (or four months if the borrower was in imminent default)) who has made each trial period payment by the last day of the month in which it was due is subsequently determined to be ineligible for a permanent modification, the servicer is required to consider the borrower for all other available loss mitigation options, including, but not limited to, non-HAMP modifications and HAFA. Such consideration may not be conditioned on a lump sum borrower contribution for unpaid interest and fees that accrued during the prolonged TPP.

8.8 Consideration of Non-Borrowers Following Death and Divorce

Non-borrowers who inherit or are awarded sole title to a property may be considered for HAMP even if the borrower who previously owned the property was not already in a TPP. Such titleholders may be considered for HAMP if they meet all applicable eligibility criteria. In this case, servicers should collect an Initial Package from the non-borrower who now owns the property and evaluate the request as if he or she was the borrower. The servicer should process the assumption and loan modification contemporaneously if the titleholder is eligible for HAMP and investor guidelines and applicable law permit an assumption of the loan. In connection with this assumption and loan modification, servicers are reminded that they must comply with disclosure obligations under applicable law, including, without limitation, the Truth in Lending Act.

8.9 Remaining Co-Borrowers and Remaining Non-Borrowers Following Death and Divorce during TPP

8.9.1 Remaining Co-Borrowers

If during a TPP, the servicer learns that a co-borrower occupant has inherited sole title to the property upon the death of another co-borrower or was awarded sole title to the property through a divorce decree or other action, the servicer must notify the remaining co-borrower occupant of the availability of the following options, subject to investor guidelines: (1) continuation of the existing TPP and conversion to a permanent modification; (2) termination of the existing TPP and immediate evaluation for a new TPP based solely on the income of the remaining co-borrower occupant; or (3) termination of the TPP immediately followed by consideration of any other loss mitigation options that may be available.

If during a TPP, the servicer learns that a co-borrower non-occupant has inherited sole title to the property upon the death of another co-borrower or was awarded sole title to the property through a divorce decree or other action, the servicer must notify the remaining co-borrower non-occupant of the availability of the same options extended to co-borrower occupants, except that, as to option 1, the co-borrower non-occupant is only permitted to continue a HAMP Tier 2 *or Streamline HAMP* TPP and convert to a permanent modification, because non-occupants are not eligible for HAMP Tier 1.

If the loan is in a Streamline HAMP TPP, the servicer must notify the titleholder that he or she may continue the existing Streamline HAMP TPP and, if he or she complies with the terms of the

plan and signs and returns the Streamline HAMP Documents, the loan will be permanently modified in accordance with the terms of the modification agreement. Servicer should also provide information necessary for the new titleholder to submit an Initial Package if he or she may be eligible for HAMP Tier 1 or HAMP Tier 2.

This notice must be provided in writing within 10 business days after the servicer learns of the death or award of title. If the remaining co-borrower selects either option 2 or 3, the servicer must inform the co-borrower in writing that there is not assurance that he or she will qualify for HAMP or, in the case of option 3, any other loss mitigation options based on any re-evaluation. In the event of the death of a co-borrower, the servicer should, when permitted under prevailing law, allow the personal representative of the estate to sign the HAMP modification documents.

8.9.2 Remaining Non-Borrowers

If, during a TPP, a servicer learns that a non-borrower occupant or non-borrower non-occupant has inherited sole title to the property upon the death of the borrower or was awarded sole title to the property through a divorce decree or other court action, the servicer must send written notice to the new titleholder describing the requirements for assuming the note, subject to applicable law and investor guidelines, and the impact of a potential assumption on the TPP and the borrower's continued eligibility for assistance under MHA. Based on the amount of time required to complete the assumption, the servicer may extend the existing TPP, as appropriate under HAMP guidance, or terminate the existing TPP and place the loan in a forbearance plan for a period the servicer deems sufficient to both complete the assumption and re-evaluate the new titleholder for HAMP. Servicers may not initiate or continue foreclosure proceedings during the period provided for the new titleholder to attempt to assume the note and re-apply for HAMP.

If the loan is in a Streamline HAMP TPP, the servicer must notify the titleholder that he or she may continue the existing Streamline HAMP TPP and, if he or she complies with the terms of the plan and signs and returns the Streamline HAMP Documents, the loan will be permanently modified in accordance with the terms of the modification agreement. Servicer should also provide information necessary for the new titleholder to submit an Initial Package if he or she may be eligible for HAMP Tier 1 or HAMP Tier 2.

If assumption is not permissible under applicable law or investor guidelines, or the titleholder does not meet HAMP eligibility criteria, the servicer must terminate the TPP and send written notice to the remaining non-borrower occupant of the termination and information about other loss mitigation options available. In all cases, subject to applicable law and investor guidelines, the relevant notice must be provided in writing within 10 business days after the servicer learns of the death and inheritance or divorce and award of title. The servicer must document any assumption prohibitions, conditions and time extensions in the mortgage file and/or servicing system.

8.9.3 Reporting and Continued Eligibility

When an existing TPP is terminated based on death or divorce of a borrower or co-borrower, servicers should promptly remove the loan from the HAMP Reporting Tool using Trial Fallout reason code number 8, *Offer Not Accepted by Borrower/Offer Withdrawn*. The remaining co-

borrower or non-borrower occupant who assumes an MHA eligible loan following the death or divorce of a borrower or co-borrower is not prohibited from participating in any MHA program.

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. *In addition, a borrower in a Streamline HAMP TPP cannot convert to a permanent modification without providing an executed Streamline HAMP Affidavit, the form of which is available on www.HMPAdmin.com.*

Servicers should not modify a mortgage loan if there is reasonable evidence indicating the borrower submitted information that is false or misleading or if the borrower otherwise engaged in fraud in connection with the modification. If an owner or tenant occupied property securing a loan in a TPP is temporarily uninhabitable 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 intends to occupy (or have the tenant 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. *Prior to sending the permanent modification documents to the borrower, servicers must run the applicable HAMP waterfall to determine the final terms of the HAMP modification.*

Each borrower that receives a HAMP *Tier 1 or HAMP Tier 2* permanent modification must be informed by the servicer of the borrower's potential eligibility for a 2MP modification. The *forms of* Modification Agreement Cover Letter, which *is* *are* available on www.HMPAdmin.com, *contains* *contain* model clauses. The 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 2MP.

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~~ *Offer*, (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 servicer must execute and return a copy of the fully executed modification agreement to the borrower promptly, but no later than 30 calendar days after receipt of the agreement executed by the borrower, and the borrower's compliance with all conditions set forth in the ~~trial period plan~~ *TPP* notice and Section 1 of the modification agreement.

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~~ *Offer* (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 *appropriate* Modification Agreement Cover Letter, which ~~is~~ *are* 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~~ *Offer*.

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. The servicer must work with the borrower to obtain approvals, including subordination agreements, if required by investor guidance. Servicers should extend the TPP as necessary to accommodate delays in obtaining approvals, but they are not required to extend the TPP beyond two months, resulting in a total five-month TPP. In the event of a TPP extension, the borrower shall make a TPP payment for each month of the TPP including any extension month.

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 for HAMP Tier 1 Modifications

The Interest Rate Cap used for determining the final interest rate for a permanent modification under HAMP Tier 1 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.

For HAMP Tier 1 loans, 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 a modification under HAMP Tier 1 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 HAMP Tier 1 standard waterfall process for the trial period payment under the HAMP Tier 1 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 for all borrowers, including borrowers who do not currently escrow for property taxes and hazard insurance, 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.

9.3.7.7 Prohibitions on Modifications that Increase Principal and Interest under HAMP Tier 1

HAMP Tier 1 seeks to lower a borrower's monthly mortgage payment through waterfall steps that use ~~principal and interest~~ **P&I** payment reductions to achieve the target monthly mortgage payment ratio. However, in some cases, all or most of the payment reduction is comprised of a reduction in required escrow payments, and the ~~principal and interest~~ **P&I** component under the proposed modification could be greater than the borrower's current ~~principal and interest~~ **P&I** component. A HAMP Tier 1 modification with a post-modification ~~principal and interest~~ **P&I** component that is greater than the pre-modification ~~principal and interest~~ **P&I** component is prohibited under HAMP Tier 1.

Any loans being evaluated for HAMP Tier 1 or currently in a HAMP Tier 1 TPP with a post-modification ~~principal and interest~~ **P&I** component greater than the pre-modification ~~principal and interest~~ **P&I** component must be re-run through the HAMP Tier 1 standard modification waterfall and, if applicable, the HAMP Tier 1 alternative modification waterfall while keeping the post-modification ~~principal and interest~~ **P&I** component equal to the pre-modification ~~principal and interest~~ **P&I** component. The servicer must perform a new NPV evaluation using the revised modification terms generated by keeping the proposed ~~principal and interest~~ **P&I** component equal to the borrower's current ~~principal and interest~~ **P&I** component. All other NPV inputs should remain constant when the borrower is retested in this situation.

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 Reserved

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 modification. In addition, if a loan in a permanent modification under HAMP enters a trial period for another modification, it is no longer eligible to receive borrower, servicer or investor incentives under the existing HAMP modification, even if it is not ultimately re-modified and remains subject to the terms of the existing HAMP modification. A loan permanently modified under HAMP Tier 2 that loses good standing ~~is not~~ *may be* eligible for ~~another~~ *a Streamline* HAMP modification ~~of that loan,~~ *subject to the guidance described in Section 1.2 (Limit on Multiple Modifications)*. A loan permanently modified under HAMP may be re-modified, without regard to the loss of good standing, provided that either the borrower has experienced a change in circumstance, or at least 12 months have passed since the HAMP Modification Effective Date. The servicer must notify the borrower of the impact of a re-modification, including the change in terms from the existing modification, subject to applicable law. Servicers must maintain evidence of this notification in the mortgage file and/or servicing system.

Absent a change in circumstance, a servicer is not required to re-evaluate a loan for HAMP Tier 1 if the loan was evaluated for HAMP Tier 1 prior to June 1, 2012 and determined to be ineligible. However, upon receipt of a request from the borrower whose loan was evaluated for HAMP Tier 1 prior to June 1, 2012 and determined to be ineligible, the servicer is required to evaluate that loan for HAMP Tier 2 without requiring the borrower to demonstrate a change in circumstance. Servicers must have an internal written policy which defines what they consider a change in circumstance, which policy must be consistently applied for all similarly situated borrowers.

A servicer may apply a principal curtailment at any time following a HAMP modification. Additionally, servicers may not refer a loan with a HAMP permanent modification to foreclosure until the loan has lost good standing. In the event a borrower defaults on the modified loan, the servicer must work with the borrower to cure the modified loan. In all instances, a loan permanently modified under HAMP Tier 1 must be considered for HAMP Tier 2 prior to consideration for other loss mitigation alternatives. If this is not possible the servicer must evaluate the borrower for any other loss mitigation alternatives, e.g., HAFA, prior to commencing foreclosure proceedings. In any event, a servicer cannot refer a HAMP-modified first lien to foreclosure until the loan loses good standing under HAMP.

9.5 Re-Consideration of Borrowers

9.5.1 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 60 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.
- If it is a HAMP Tier 1 permanent modification 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 HAMP Tier 1 permanent modification 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).
- If it is a HAMP Tier 2 permanent modification, the interest rate would be the Tier 2 Rate used in the original NPV evaluation.
- *If it is a Streamline HAMP modification, the interest rate would be the Streamline HAMP Rate, used to determine the borrower's modified monthly mortgage payment.*
- 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.

9.5.2 Incorrect Denial of TPP

If a servicer determines, as a result of an escalation, through the servicer's internal quality control process, or through an MHA-C review, that a borrower was incorrectly denied a TPP, the servicer must offer the borrower a TPP under the applicable Tier based on the status of the borrower and the loan at the time of the borrower's initial evaluation and must, to the greatest extent possible, put the borrower in the same position as he or she would have been if the servicer had offered the borrower the TPP under the applicable Tier in accordance with MHA guidelines. A servicer may not back date the TPP to satisfy this requirement. If a servicer is unable to put the borrower in the same position as he or she would have been if the servicer had offered the borrower the TPP under the applicable Tier in accordance with MHA guidelines, the servicer must document the reasons for such inability in the mortgage file and/or servicing system.

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.

9.7 Borrower Notice of Interest Rate Step-Ups

Servicers must provide notice to borrowers of any interest rate step-ups that will occur as the HAMP Tier 1 modifications reach the end of their initial five-year terms. Servicers must provide notice to HAMP borrowers at least 120 calendar days, but no more than 240 calendar days, before the first payment is due at the first adjusted level. An additional notice must be sent 60-75 calendar days before the first payment is due at the first adjusted level. Servicers are not required to send this second notice if the first step-up is scheduled to occur within 60 days after July 1, 2014, but may do so at their discretion. For subsequent adjustments, notice must be sent at least 60 calendar days, but no more than 120 calendar days, before the first payment is due at the subsequent adjusted level. All notices must include:

- A statement, similar to what was provided in the ~~trial period plan~~ *TPP*, that (i) pursuant to the terms of the modification agreement, at the end of the fifth year, the interest rate will increase by 1% per year until it reaches a cap, which was the market rate of interest being charged by mortgage lenders on the day the modification agreement was prepared (the Freddie Mac Primary Mortgage Market Survey® rate for 30-year fixed-rate conforming mortgages), (ii) once the interest rate reaches the cap, it will be fixed for the remaining life of the loan, and (iii) the monthly payment includes an escrow for property taxes,

hazard insurance and other escrowed expenses, which, if they increase, will increase the monthly payment as well;

- The amount and effective date of the interest rate increase and the amount and due date of the borrower's first increased monthly payment at the new adjusted level;
- A table with the payment schedule, similar to the table included in Section 3.C of the borrower's modification agreement, which outlines the future interest rates, and monthly payment amounts (identifying ~~principal and interest~~ *P&I*, and escrows) and the dates that these are effective;
- An explanation of how the new payment is determined; and
- A telephone number at the servicer for the borrower to call if they have questions or concerns about their new payments, and the telephone number for the HOPE™ Hotline, in accordance with Section 2.3.1. Servicers that are subject to Section 6.7 of Chapter II may provide the contact information of the servicer's chosen HUD-approved housing counseling agency in the notice, instead of the telephone number for the HOPE™ Hotline.

A model notice is available on www.HMPadmin.com. Servicers are encouraged, but not required, to use the model notice to inform borrowers of interest rate step-ups.

9.8 Borrower Notice of “Pay for Performance” Incentive Enhancement

Effective April 1, 2015, servicers must provide written notice of the enhancement of “pay for performance” incentives to all HAMP borrowers in good standing on or before the fifth anniversary of their permanent modification effective date. HAMP borrowers in good standing who have passed the fifth anniversary of their modification effective date before April 1, 2015 must be provided with this notice no later than April 1, 2015. This notice need not be a separate notice and may be included with or incorporated into another notice sent to the borrower.

Evidence of such written notice must be documented in the mortgage file and/or servicing system.

The Home Affordable Modification Trial Period Plan Notice and Home Affordable Modification Agreement Cover Letter were revised to reflect the enhanced incentive compensation and made available on www.HMPadmin.com in March 2015. Servicers who are not currently using the updated HAMP documents must implement use of these updated documents, or substantially similar written communications updated to reflect the enhanced incentive, no later than September 1, 2015.

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.

10.1 Amending HAMP Documents

Servicers must amend the Modification Agreement~~and~~, TPP Notice *and Streamline HAMP Offer* 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 <i>Offer</i> 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.

Event	Detail
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>

10.2 Principal Reduction Alternative Documents

The documents for PRA are the same as those required under HAMP. However, the TPP Notice, the Modification Agreement Cover Letter, the Modification Agreement and the Modification Agreement document summary were modified to include language regarding the deferred principal reduction terms. This language is set forth in the revised documents that are available on www.HMPAdmin.com. The language in one or more of these documents includes:

- An explanation of how the deferred principal reduction will be applied to the loan;
- A statement that the principal reduction amount will be reported to the IRS in the year in which the curtailment is applied; and
- Advice to the borrower to seek guidance from a tax professional to determine any potential tax consequences.

In addition, the TPP Notice, *Streamline HAMP Offer* and the Modification Agreement Cover Letter must explain that the borrower may decline any offered principal reduction and include a phone number the borrower may use to decline the offer.

Servicers that offered permanent modifications utilizing PRA prior to issuance of the revised documents must have modified the Modification Agreement to include the deferred principal reduction terms.

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.

Updated reporting and payment processes implementing Streamline HAMP are currently under development. Subsequent guidance on such processes will be provided on www.HMPAdmin.com. Until updated functionality capable of processing Streamline HAMP transactions is implemented, servicers should not report Streamline HAMP TPPs or permanent modifications in the HAMP Reporting Tool.

During the interim period, servicers must enter into Streamline HAMP TPPs and permanent modifications in accordance with the guidance set forth herein, and collect and store information regarding such TPPs and permanent modifications so that they can be reported once the updated processes become available.

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.

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

Once a permanent modification has been set up, servicers must begin reporting activity on a monthly basis in the HAMP Reporting Tool until the earliest of the following occurs: (i) the loan loses good-standing, (ii) the loan is paid off, (iii) the loan is cancelled in the HAMP Reporting Tool, in accordance with MHA guidelines, or (iv) the loan is re-modified outside of MHA. The Official Monthly Report (OMR) is due by the fourth business day each month for any permanent modification with a Modification Effective Date at least one month prior. For example, if the Modification Effective Date is July, the first loan activity report is due by the fourth business day of August for 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 that arise in the OMR reporting process. Servicers have until the eighth (8th) business day of the month 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.

Servicers are required to maintain reports of the receipt of the executed Dodd-Frank

Certification for GSE Loans that have received the \$5,000 pay for performance incentive under a GSE Amended SPA, which must be provided to Treasury and its agents upon request. Updated reporting processes related to the \$5,000 pay for performance incentive under the GSE Amended SPA are currently under development by the Program Administrator. Subsequent guidance on such processes will be provided on www.HMPAdmin.com.

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. For borrowers that are evaluated under HAMP Tier 1 and HAMP Tier 2, the following guidelines must be followed:

- If a borrower is evaluated for HAMP Tier 1, does not receive a HAMP Tier 1 offer but receives a HAMP Tier 2 offer, the servicer must report a reason code for the HAMP Tier 1 evaluation.
- If a borrower is evaluated for HAMP Tier 1 and HAMP Tier 2 and does not receive an offer under either Tier, the servicer must report a Trial Not Accepted/Not Approved reason code for each of the HAMP Tier 1 and HAMP Tier 2 evaluations.

Not Accepted/Not Approved Reason Codes are not applicable with regard to Streamline HAMP Offers. However, if a borrower in a Streamline HAMP TPP submits a complete Initial Package, is evaluated for HAMP and does not receive an offer under HAMP Tier 1 or HAMP Tier 2, the servicer must report the reason the borrower was not offered a HAMP Tier 1 or HAMP Tier 2.

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. 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.

11.5 Principal Reduction Alternative Reporting

The HAMP Data Dictionary and the HAMP Additional Data Requirements Data Dictionary have been revised to reflect new and modified edits for PRA and have been posted on www.HMPAdmin.com.

11.5.1 Interim Period Reporting

The time period between June 3, 2010 and the date the PRA reporting and payment processes is referred to in this Handbook as the Interim Period. Servicers that offer permanent modifications with PRA during the Interim Period will be required to report the transaction to the HAMP Reporting Tool. Any PRA principal reduction on Interim Period loans should be reported in the existing principal write-down field. Servicers should not, however, reduce the UPB by the amount of any PRA principal reduction in the HAMP Reporting Tool for Interim Period loans

(though servicers should reduce the UPB by any principal reduction that is not related to PRA). When the PRA reporting and payment processes are implemented, servicers must submit a correction transaction that will move the PRA principal reduction to a new PRA-specific principal forgiveness field. During the Interim Period, servicers must collect and retain PRA-specific information so that the necessary data can be reported when the processes become available.

11.5.2 Reserved

11.6 Escalated Cases Reporting

11.6.1 Summary Reporting

Servicers that are required to provide monthly summary-level data to the Program Administrator via the HAMP Monthly Servicer Survey may be required to include weekly summary-level data for all Escalated Cases. The data must be accurate, complete, and in agreement with the servicer's records, are subject to review by MHA-C, and may be included in public reports made available by Treasury. Treasury will notify servicers if and when such data is required.

11.6.2 Reporting During Borrower Dispute Period

Servicers may not cancel a loan from the HAMP Reporting Tool or report a "Trial Not Approved/Not Accepted" reason code within the 30 calendar days after the date of a Non-Approval Notice or any longer period required to review and resolve an Escalated Case. In addition, servicers should continue to report the status of the loan in accordance with HAMP reporting guidelines outlined in Section 12 and on www.HMPadmin.com.

11.7 Reporting Requirements for HAMP Modified Loans Repurchased from GSEs

A GSE may require a SPA servicer to repurchase or buy back a mortgage loan under certain circumstances. The guidance in this Section and in Section 13.4 applies with respect to loans that a SPA servicer is required to repurchase from a GSE either during a ~~trial period plan~~ *TPP* or after being permanently modified under HAMP (each a HAMP Modified Loan). The HAMP Reporting Tool has been modified to allow SPA servicers to (i) report HAMP Modified Loans that have been repurchased and change the investor codes as needed and (ii) report whether such loans were repurchased during the *TPP* or after conversion to a permanent modification.

With respect to a HAMP Modified Loan that is in a ~~trial period plan~~ *TPP* as of the effective date of the repurchase, the servicer has the ability to report the loan as repurchased and to change the investor code. With respect to a HAMP Modified Loan that has been permanently modified as of the effective date of the repurchase, the servicer should cancel the permanent modification in the HAMP Reporting Tool. This will cause the modification to revert to trial status in the HAMP Reporting Tool so the servicer can report the loan as repurchased and change the investor code. The servicer should then re-board the loan in the HAMP Reporting Tool as a permanent modification subject to the guidance below and in Section 13.4.

Within 60 calendar days from the HAMP Reporting Tool's April 1, 2013 implementation, servicers should begin steps to cancel and change the investor codes in the HAMP Reporting Tool for all HAMP Modified Loans that the servicer repurchased on or before April 1, 2013.

With respect to HAMP Modified Loans repurchased after April 1, 2013, the servicer must begin steps to cancel and change the investor code in the HAMP Reporting Tool no later than the fourth (4th) business day of the month after the date of the repurchase. Steps to cancel and change the investor code will vary depending on the status of the modification at time of repurchase and the current state of the loan in the HAMP Reporting Tool. Once a repurchase is completed in the servicer's system, servicers should follow normal monthly reporting timelines to complete repurchase reporting in the HAMP Reporting Tool.

11.8 Streamline HAMP Survey Reporting

Servicers are required to maintain reports of the number of Streamline HAMP Offers made, including those offers accepted and not accepted. With respect to Streamline HAMP Offers, servicers are also required to maintain reports of the number of borrowers who have submitted an Initial Package but whose eligibility for HAMP has not yet been determined.

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.
- 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.

12.2.3 Principal Reduction Alternative Reporting

For loans modified using PRA, when each installment of the PRA Forbearance Amount is applied to the UPB of the loan, the servicer should update the credit repositories with the current balance owed and amend the K4 segment to reflect the reduced UPB.

The "due date" in the K4 Segment should reflect the scheduled maturity date of the permanent modification. However, if the Principal Forbearance Amount no longer applies after the portion of the loan is forgiven, the servicer should no longer report the K4 Segment.

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 an automated clearing house (ACH) transaction 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, but not later than 30 calendar days after receipt, apply or remit, as applicable, all borrower and investor compensation with respect to any modified loan, including with respect to any PRA-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 pre-modification PITIA payment and the borrower's post-modification PITIA 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.

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.

13.1 Servicer Incentive Compensation

A servicer will be entitled to the completed modification 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 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 in accordance with the following chart for each completed modification under HAMP.

No. of days delinquent at TPP Effective Date	Incentive Amount
Less than or equal to 120 days delinquent (150 days from Last Paid Installment (LPI))	\$2,000
121 days or more delinquent to and including 210 days delinquent (151 to 240 days from LPI)	\$1,600
Greater than 210 days delinquent (greater than 240 days from LPI)	\$1,200

13.1.2 Prohibition on Special Collection Measures

Other than utilizing a servicer's standard collection efforts, servicers may not, during or prior to consideration of a borrower for HAMP or as a condition of HAMP eligibility, take additional collection measures in order to reduce the delinquency period prior to approval of a TPP. These additional efforts include but are not limited to short term repayment plans, requiring borrowers to make past due payments, or bringing a loan less delinquent through capitalization, deferral or forgiveness of payments. MHA-C will perform testing of loan payment histories to ensure that such activities do not occur.

13.1.3 "Pay for Success" Incentive under HAMP Tier 1

If a particular borrower's monthly mortgage payment is reduced through HAMP Tier 1 by six percent or more, a servicer will also receive an annual "pay for success" payment 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" payment will be payable annually for each of the first three 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.

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.

The "pay for success" payment is not payable for a HAMP Tier 2 *or Streamline HAMP* permanent modification.

13.2 Borrower Incentive Compensation

Borrower incentive payments 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 accordance with Section 9.6. 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. Notwithstanding the foregoing, servicers must apply the \$5,000 pay for performance incentive for loans modified under GSE HAMP in accordance with the applicable GSE requirements. In addition, in the event that application of such an incentive payment satisfies the outstanding debt on the mortgage loan, the servicer must remit any remaining funds directly to the borrower.

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. With respect to PRA, if a borrower loses good standing before the entire PRA Forbearance Amount has been applied as principal reduction to the UPB, the unapplied PRA Forbearance Amount shall remain as non-interest bearing principal forbearance for the remaining life of the loan.

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

Updated HAMP payment processes implementing the borrower “pay for performance” principal balance reduction payment in year six are currently under development by the Program Administrator. Upon implementation of the new payment processes, a true-up of incentives will be paid as appropriate for modifications that have passed the sixth anniversary. Subsequent guidance on such processes will be provided on www.HMPadmin.com.

13.2.1 “Pay for Performance” Incentive under Tier 1

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.

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.

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, 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.

13.2.2 “Pay for Performance” Incentive under Tier 2 and Streamline HAMP

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, 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.

13.2.3 Recast of Non-GSE Mortgages Modified Under HAMP

Subject to investor guidelines, servicers must offer to re-amortize or “recast” an eligible HAMP Tier 1 borrower’s unpaid principal balance (excluding deferred principal) over the remaining term of the loan. Such offer must be made in writing to all borrowers in good standing at the time of the offer, and may be conditioned on the loan being current at the time of recast.

Servicers may, but are not required to offer to recast the loan if the loan was recast within the previous 12 months. The recast offer must be provided to the borrower at least 60 calendar days, but no more than 90 calendar days, prior to the sixth anniversary of the HAMP Tier 1 permanent modification effective date. Servicers must provide the recast at no additional charge or expense to the borrower. Servicers must notify borrowers of the recast and any changes to their monthly principal and interest P&I payments subject to applicable law.

In addition, servicers may, but are not required to, offer to recast the unpaid principal balance for HAMP Tier 2 *and Streamline HAMP* borrowers in good standing after the application of borrower incentives in year six in accordance with the guidance in this Section.

Each servicer must develop and implement a policy that specifies the action a borrower must take to be eligible for and to accept the recast offer, and this policy must be consistently applied across all similarly situated borrowers. In addition, servicers must provide sufficient time for the borrower to take such action, which must be no fewer than 30 calendar days from the date of the notice. The recast offer must specify the monthly principal and interest P&I payment, as well as the total interest to be paid over the life of the loan as of the month following the sixth anniversary of the HAMP permanent modification, both with and without the effect of the recast. Upon a borrower’s request, servicers must also provide amortization schedules. Servicers must maintain evidence of the recast offer provided to each borrower in the mortgage file and/or servicing system, as well as evidence of the borrower’s acceptance or other response, if any.

A model notice of the recast offer is available on www.HMPAdmin.com. Servicers are encouraged, but not required, to use the model notice when offering to recast an eligible HAMP borrower's mortgage loan. In addition, this notice need not be a separate notice and may be included with or incorporated into another notice sent to the borrower, such as the notice of interest rate step-ups required under Section 9.7 of Chapter II of the Handbook.

Servicers are required to maintain reports of the recast offer acceptance and the updated payment information with the effect of the recast, which must be provided to Treasury upon request. Servicers must also maintain such information as is necessary to monitor the borrower's performance under the modified loan after having received the recast. Updated processes are currently under development by the Program Administrator. Subsequent guidance on such processes will be provided on www.HMPAdmin.com.

13.2.4 "Pay for Performance" Incentive for GSE Loans under a GSE Amended SPA

Borrowers with GSE Loans that have been permanently modified under GSE HAMP are also eligible to earn the \$5,000 pay for performance incentive with respect to the Sixth Anniversary Date, provided that the following requirements are met:

- (i) as of the Sixth Anniversary Date, the loan is in good standing (as defined in Section 9.4) and has not been paid in full;
- (ii) the servicer has obtained an executed Dodd-Frank Certification, as required by Section 1.7 of Chapter I on or before the later of (a) the Sixth Anniversary Date, or (b) September 1, 2015; and
- (iii) the servicer of record in the HAMP Reporting Tool at the time of payment is subject to a GSE Amended SPA.

The \$5,000 pay for performance incentive will be paid to the servicer of record in the HAMP Reporting Tool at the time of payment, as long as the requirements set forth above are met, and the servicer must apply the incentive in accordance with the applicable GSE requirements.

In the event the related GSE Loan is subsequently cancelled in the HAMP Reporting Tool, or a correction is made which renders the GSE Loan ineligible for the \$5,000 pay for performance incentive, the \$5,000 pay for performance incentive will be recovered from the servicer of record at the time of such cancellation or correction; provided, however, if the servicer of record at the time of cancellation or correction is not subject to a GSE Amended SPA, then such incentive will be recovered from the servicer to whom the \$5,000 pay for performance incentive was originally paid.

13.3 Investor Incentive Compensation

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

13.3.1 Payment Reduction Cost Share

For modifications under HAMP Tier 1, 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~~ *P&I* 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~~ *P&I* only) would be at a 38 percent monthly mortgage payment ratio; or
- The borrower's pre-modification monthly payment (~~principal and interest~~ *P&I* only).

For modifications under HAMP Tier 2 *and Streamline HAMP*, investors are entitled to payment reduction cost share compensation equal to one-half of (i) the dollar difference between the borrower's post-modification ~~principal and interest~~ *P&I* payment under HAMP Tier 2 and the borrower's pre-modification ~~principal and interest~~ *P&I* payment or (ii) 15 percent of the borrower's pre-modification ~~principal and interest~~ *P&I* payment, whichever is lower.

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 secured by a property that is owner-occupied as set forth in Section 1.1.2 and the borrower's monthly PITIA 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.

Investors are not entitled to receive Current Borrower Incentives on HAMP Tier 2 modified loans secured by rental properties.

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 PITIA 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.

Notwithstanding the foregoing, the Base NPV Model is not utilized under Streamline HAMP, and the NPV Date is not applicable under Streamline HAMP. The HAMP Reporting Tool will determine the potential HPDP incentive payable for a modification under Streamline HAMP as of the date the servicer determines the borrower's Streamline HAMP modification terms.

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 TPP Effective Date. 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.

13.3.4 Principal Reduction Alternative Investor Incentive Payments

Investors will qualify for PRA investor incentive payments for reductions creating a mark-to-market LTV ratio as low as 105 percent, even if- the pre-modification mark-to-market LTV ratio is greater than 105 percent but less than or equal to 115 percent, or with respect to HAMP Tier 1 modifications, the reduction results in a monthly mortgage payment ratio below the 31 percent target. Servicers are not precluded from reducing principal below a 105 percent mark-to-market LTV ratio; however, PRA investor incentives will not be paid on the portion of any principal reduction that reduces the mark-to-market LTV ratio below 105 percent. Additionally, pursuant to Section 13.3.1, Investor Payment Reduction Cost Share Incentives will only be paid based on modification terms that reflect the target monthly mortgage payment ratio under HAMP Tier 1 or that fall within the acceptable post-modification mortgage payment ratio range for HAMP Tier 2. PRA investor incentives will only be paid in conjunction with principal reduction that is deferred over three years in accordance with the requirements of Section 6.4.5.

13.3.4.1 Principal Reduction Incentive Schedule

PRA Compensation		
Per Dollar of UPB Forgiven in Mark-to-Market LTV Ratio Range		
(Loans Less than or Equal to Six Months Past Due)		
105% to <115%	115% to 140%	>140%
0.63	0.45	0.30

With respect to loans that were less than or equal to six months past due at all times during the 12-month period prior to the NPV Date, investors will be entitled to receive \$0.63 per dollar of principal reduction equal to or greater than 105 percent and less than 115 percent mark-to-market LTV ratio; \$0.45 per dollar of principal reduction equal to or greater than 115 percent and less than or equal to 140 percent mark-to-market LTV ratio; and \$0.30 per dollar of principal reduction in excess of 140 percent mark-to-market LTV ratio.

- With respect to loans that were more than six months past due at any time during the 12-month period prior to the NPV Date, irrespective of mark-to-market LTV ratio range, investors

will be paid \$0.18 per dollar of principal reduction and will not be eligible for incentives in the above extinguishment schedule. PRA investor incentive payments will be earned by investors in the month in which the applicable principal reduction amount is actually applied to reduce the borrower's UPB as set forth in Section 6.4.5.

13.3.4.2 Interim Period Incentive Compensation

Loans with a pre-modification mark-to-market LTV greater than 105 percent that are permanently modified under HAMP during the Interim Period and include PRA principal reduction may be eligible for PRA investor incentives in compliance with Section 13.3.4.1 so long as:

- The loan remains in good standing as defined in Section 9.4 on the implementation date of the PRA reporting and payment processes by the Program Administrator;
- The modification otherwise complies with HAMP requirements;
- The modification terms are accurately entered into the HAMP Reporting Tool at the time of modification in compliance with the guidance set forth in Section 13.3.4; and
- When the PRA reporting and payment processes become available, a correction transaction is submitted moving the PRA principal reduction to the new PRA specific principal forgiveness field and all additional PRA specific data retained by the servicer is reported to the HAMP Reporting Tool.

Servicers providing principal reduction during the Interim Period will not be required to perform an alternative NPV evaluation for loans modified prior to the PRA Effective Date. Notwithstanding the foregoing, Interim Period loans that are fully satisfied prior to implementation of the PRA reporting and payment processes are not eligible for PRA investor incentives.

13.4 Incentives Impact on HAMP Modified Loans Repurchased from GSEs

Incentives will only be paid with respect to modifications that comply with the eligibility, underwriting or other requirements set forth in this Handbook. This includes, but is not limited to, compliance with the Dodd Frank Act and Treasury's requirement for delivery of the Dodd-Frank Certification requirement pursuant to Section 1.7 of Chapter I. Therefore servicers must obtain a Dodd-Frank Certification for each HAMP Modified Loan repurchased from a GSE unless the trial or permanent modification, or an offer for such trial or permanent modification, was outstanding as of the effective date of the Dodd-Frank Certification requirement. If the servicer cannot confirm whether a repurchased loan was a trial or permanent modification, or subject to an offer for such trial or permanent modification, as of the effective date of the Dodd-Frank Certification requirement, the servicer must obtain the Dodd-Frank Certification before boarding or re-boarding the loan as a modification of a non-GSE loan in the HAMP Reporting Tool.

Servicers must, within 30 days of the repurchase date, send a Dodd-Frank Certification to all requisite parties with a request to sign and return the Dodd- Frank Certification as a condition of

receipt of pay-for-performance incentives. Servicers should allow borrowers no less than 30 calendar days to return a Dodd-Frank Certification from the date of the initial request. If the completed Dodd-Frank Certification is not received by the specified date, a second notice should be sent, allowing the borrower at least 15 additional calendar days from the date of the second notice to return the certification. If the Dodd-Frank Certification is still not received by that date, the servicer may discontinue document collection efforts and cancel the loan in the HAMP Reporting Tool due to Dodd-Frank non-compliance. Completed Dodd-Frank Certification(s) must be obtained from all requisite parties prior to re-boarding loans repurchased from a GSE. If the Dodd-Frank Certification is required and not obtained, no incentives will be paid. Servicers must retain evidence of efforts to obtain Dodd-Frank Certifications.

In the event that a HAMP Modified Loan repurchased from a GSE is cancelled in the HAMP Reporting Tool due to Dodd-Frank Certification non-compliance and the borrower subsequently provides the Dodd-Frank Certification, the servicer may, at its discretion reinstate the trial or permanent modification in the HAMP Reporting Tool. Servicers who wish to exercise this discretion must establish a policy identifying any conditions (e.g., timing of receipt of Dodd-Frank Certification, delinquency status) and ensure that it is applied consistently to all similarly situated borrowers.

Trials or modifications that are cancelled due to Dodd-Frank Certification non-compliance are not eligible for another HAMP modification in the same tier. A borrower who was cancelled from Tier 1 could potentially be eligible for Tier 2 *or Streamline HAMP*; a borrower cancelled from Tier 2 ~~is not~~ *may be* eligible for another *Streamline HAMP* modification, ~~but may later be considered for HAFA.~~

13.4.1 Loans in a Trial Period Plan as of the Effective Date of the Repurchase

HAMP Modified Loans that were in an active TPP as of the effective date of the repurchase are eligible for all applicable investor, servicer and borrower incentives, including incentives accrued from the effective date of the TPP. All incentives will be paid in accordance with Treasury guidance.

13.4.2 Loans Permanently Modified as of the Effective Date of the Repurchase

HAMP Modified Loans that were permanently modified and in good standing as of the effective date of the repurchase are eligible for all applicable servicer and borrower incentives, including incentives that accrued prior to re-boarding the repurchased loan in the HAMP Reporting Tool and incentives earned afterwards. Any loan originally reported in the HAMP Reporting Tool as a GSE permanent modification and subsequently repurchased and re-boarded with a new non-GSE investor is not eligible for investor incentives.

13.4.3 Loans Permanently Modified but are No Longer in Good Standing

HAMP Modified Loans that lose good standing or are paid off prior to the effective date of the repurchase may not be re-boarded and are not eligible for any MHA incentives.

U. The second row of the table in Section 2.3 of Chapter III is amended as follows:

Loan in an Active Trial-Period Plan TPP	A borrower whose loan is currently in a HAMP (Tier 1 or Tier 2)-TPP and who becomes unemployed may seek consideration for the loan under UP regardless of whether the borrower had a payment default. A loan may not simultaneously be in a HAMP TPP and an UP forbearance plan. A servicer may not require an unemployed borrower in a TPP to convert to an UP forbearance plan.
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V. The last sentence in the second paragraph of Section 4.2.2 of Chapter III is amended as follows:

If the servicer determines based on its reassessment that extending the forbearance period is not the best option for the borrower or if the borrower no longer meets the eligibility requirements for UP, the servicer should follow the guidance in Chapter II, Section 4.6.23.

W. The first paragraph of Section 4.5.2 of Chapter III is amended as follows:

Upon receipt of a request for consideration for an UP forbearance plan by an unemployed borrower in a permanent HAMP (~~Tier 1 or Tier 2~~) modification who has lost good standing and the determination that the borrower is eligible for UP, the servicer must (for mortgage loans secured by owner-occupied properties, or may (for rental properties) consider the loan for an FPN in accordance with Section 4.3.

X. The first sentence of Section 5.1 of Chapter III is amended as follows:

Borrowers should be considered for a HAMP ~~Tier 1 or Tier 2~~ modification following reemployment or expiration of the forbearance period as described in Section 5.2 as follows:

Y. The following is inserted as the fifth and sixth bullets of Section 5.1 of Chapter III:

- *A borrower, who, while making timely payments under a prior Streamline HAMP TPP, became unemployed and requested UP forbearance, continues to be eligible for Streamline HAMP on that mortgage loan.*
- *A borrower who experienced a payment default under a prior Streamline HAMP TPP or who lost good standing in a prior Streamline HAMP permanent modification is not eligible for another Streamline HAMP on that mortgage loan.*

Z. The third and fifth bullets in the first paragraph of Section 3.3 of Chapter IV are amended as follows:

- Does not qualify for a TPP *following an evaluation for* (~~HAMP Tier 1 or Tier 2~~);

- Loses good standing on a HAMP modification as long as the borrower is not being evaluated for another modification (i.e., HAMP Tier 2, *Streamline HAMP* or proprietary modification).

AA. The first sentence of the first paragraph of Section 1 of Chapter V is amended as follows:

This Chapter provides guidance on the Second Lien Modification Program (2MP), which is designed to work in tandem with HAMP (*Tier 1 and Tier 2*).

BB. The second row of the table in Section 3.1 of Chapter V is amended as follows:

<p>First lien modified under HAMP <i>Tier 1</i>, <i>HAMP Tier 2</i>, or GSE Standard Modification</p>	<p>The mortgage loan is a second lien mortgage loan with a corresponding first lien mortgage loan that has received a permanent HAMP (<i>Tier 1 or Tier 2</i>) modification, or a GSE Standard Modification that satisfies the HAMP eligibility criteria in Section 1, the third paragraph of Section 6.1 (at the Expanded Acceptable DTI Range) and Section 6.3.34 of Chapter II, and is in good standing.</p> <p>If the 2MP Servicer’s DTI Range under HAMP (as provided in Section 6.1 of Chapter II) is narrower than the Expanded Acceptable DTI Range, the servicer may restrict 2MP eligibility to second lien mortgage loans with a corresponding first lien mortgage loan modified within the Servicer’s DTI Range, or a broader range not to exceed the Expanded Acceptable DTI Range; provided that the restricted range not be narrower than the Servicer’s DTI Range. If a 2MP servicer restricts 2MP eligibility in this manner, the servicer must apply this restriction consistently to all 2MP borrowers and document such restrictions in its written policies.</p> <p>This guidance does not apply to loans modified under <i>Streamline HAMP</i> or the GSE Streamlined Modification process.</p>
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CC. The last row of the table in Section 3.1 of Chapter V is amended as follows:

<p>Program cut-off date</p>	<p>The servicer must receive notification of a match with a permanent first lien modification under HAMP, or a GSE Standard Modification that satisfies the HAMP eligibility criteria in Section 1, the second paragraph of Section 6.1 (at the Expanded Acceptable DTI Range) and Section 6.3.34 of Chapter II and the 2MP Modification Effective Date is on or before September 30, 2017. Servicers may reasonably conclude that when a first lien appears on the Black Knight match file as permanently modified it satisfies such eligibility criteria.</p>
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DD. The first sentence of the first paragraph of Section 4 of Chapter V is amended as follows:

When a borrower's first lien is modified under HAMP (*Tier 1 or Tier 2*) or a qualifying GSE Standard Modification, the 2MP servicer must offer to modify or extinguish the corresponding second lien according to the steps outlined in Section 5.

EE. The fourth paragraph of Section 4.1.1 of Chapter V is amended as follows:

The Black Knight match file will also include qualifying first liens that have been modified under the GSE Standard Modification. The Black Knight match file will indicate whether the matched first lien is a HAMP Modification, HAMP GSE Modification, or a GSE Standard Modification. *First lien loans in TPPs or permanent modifications under Streamline HAMP are not eligible for a matching second lien mortgage modification under 2MP. Accordingly Streamline HAMP modifications will not be included in the Black Knight match file.*

Servicers of GSE loans are not required to provide data on GSE Standard Modifications directly to Black Knight, Treasury, or the Program Administrator. Such data will be provided by the GSEs. 2MP servicers can reasonably conclude that when a first lien modified under the GSE Standard Modification appears on the Black Knight match file, it satisfies the eligibility criteria in Section 1, the second paragraph of Section 6.1 (at the Expanded Acceptable DTI Range) and Section 6.3.34 of Chapter II; except that servicers must obtain a completed Occupancy Certification from all borrowers whose qualifying first lien was modified under the GSE Standard Modification requirement, regardless of whether the borrower occupies the property as their principal residence or it is a rental property. A standalone Occupancy Certification that servicers can use for this purpose is posted on www.HMPAdmin.com. As 2MP servicers are also required to obtain a completed Dodd-Frank Certification when the first lien is modified under GSE HAMP or the GSE Standard Modification requirements, a combined certification form is also provided on www.HMPAdmin.com.

FF. The last sentence of the third paragraph of Section 4.1.2 of Chapter V is amended as follows:

In addition, in the case of GSE Standard Modifications, the 2MP servicer must verify that the first lien modified under the GSE Standard Modification satisfies the eligibility criteria in Section 1, the second paragraph of Section 6.1 (at the Expanded Acceptable DTI Range) and Section 6.3.34 of Chapter II, and the 2MP servicer must obtain a completed Occupancy Certification from the borrower(s) regardless of whether the borrower occupies the property as their principal residence or it is a rental property.

GG. The first paragraph of Section 6 of Chapter VIII is amended as follows:

As detailed in the program guidance in Chapter V, a 2MP servicer is required to modify or extinguish a second lien mortgage loan if the first lien mortgage loan is modified under HAMP (*Tier 1 or Tier 2*).

HH. The following is inserted as the 13th model clause of Exhibit A:

13. Failure to Return Permanent Modification Documents. We are unable to offer you a Home Affordable Modification because, after being in a Trial Period Plan, you did not return the required permanent modification documents.

II. Existing model clauses 13 through 21 of Exhibit A have been renumbered as model clauses 14 through 22.

JJ. Exhibit B is amended as follows:

EXHIBIT B: Model Letter for Simultaneous Trial Plan – Foreclosure Process Explanation *following Receipt of an Initial Package*

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

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

We *have received your request for mortgage assistance and* 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. *Because y*~~Your loan has been~~ *was* previously referred to foreclosure, ~~and~~ we will *also* 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 borrower has not accepted Streamline HAMP Offer use the following]

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.**

[If borrower has already accepted a Streamline HAMP Offer, use the following]

[You have already accepted a Trial Period Plan by making the first trial payment as specified in the notice (the trial payment amount temporarily replaces your current mortgage payment during the HAMP trial period). If you continue to make your new payments in a timely manner during the trial period, we will not conduct a foreclosure sale.

If after evaluation you do not qualify for another HAMP modification with a monthly principal and interest payment that is equal to or less than the payment under your current Trial Period Plan, but you continue to make the trial payments on a timely basis, you will be sent a loan modification agreement and other documents as referred to in the notice. You should execute and return those documents to us in order for your loan to be permanently modified.]

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 *or while you are making payments on a timely basis under your trial period payment plan*, 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 *or your trial period payment plan*, 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]