

***Supplemental Directive 16-01******January 6, 2016******Making Home Affordable® Program – Handbook for Servicers Version 5.0 and Administrative Clarifications***

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 in a series of Supplemental Directives, frequently asked questions (FAQs) and waivers.

In this Supplemental Directive, Treasury is issuing Version 5.0 of the Making Home Affordable Program Handbook for Servicers of Non-GSE Mortgages (*Handbook*), a consolidated resource for guidance related to the MHA Program for mortgage loans that are not owned, securitized or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Mortgages). In addition, certain provisions of the *Handbook* may apply with respect to certain mortgage loans owned, securitized or guaranteed by Fannie Mae and Freddie Mac (each, a GSE), as noted therein. Servicers of mortgage loans owned, securitized or guaranteed by a GSE should also refer to any relevant guidance issued by the applicable GSE. In addition to the applicable guidance in the *Handbook*, servicers of mortgage loans insured or guaranteed by a federal agency, such as the Federal Housing Administration or Rural Housing Service, should refer to any relevant guidance issued by the applicable agency.

**Issuance of Version 5.0 of the *Handbook***

Generally, Version 5.0 of the *Handbook* includes revisions to existing sections of Version 4.5 of the *Handbook* that have been issued in Supplemental Directives with effective dates after the publication of Version 4.5 of the *Handbook* and as of the date of this Supplemental Directive.

Version 5.0 of the *Handbook* incorporates and supersedes in their entirety Supplemental Directives 15-03, 15-06, 15-07, and 15-08.

The *Handbook* will be updated periodically with new policy or procedural changes as they are announced. To the extent that any Supplemental Directive, FAQ or waiver has not been incorporated into and superseded by the *Handbook*, it continues to apply, and any references in such documents to guidance that has been incorporated into the *Handbook* are deemed to refer to the applicable Chapter and Section of the *Handbook* containing such guidance.

The *Handbook* is available on [www.HMPadmin.com](http://www.HMPadmin.com).

## **Administrative Clarifications Incorporated into Version 5.0 of the Handbook**

In addition, Version 5.0 of the *Handbook* incorporates the following clarifications and clean-up items, which are effective immediately:

### **Minimum Payment Reduction under Streamline HAMP**

Supplemental Directive 15-06 granted servicers the ability to establish a minimum principal and interest (P&I) payment reduction requirement for Streamline HAMP, provided that a reduction of no more than 10 percent was required. This Supplemental Directive eliminates the 10 percent limit for those servicers who opt to set a minimum P&I payment reduction requirement with regard to Streamline HAMP.

### **Streamline HAMP Affidavit**

Supplemental Directive 15-06 required servicers to obtain an executed Streamline HAMP Affidavit after extending a Streamline HAMP Offer, but prior to granting a permanent modification. This Supplemental Directive clarifies that, if a borrower has accepted a Streamline HAMP Offer and submits an Initial Package during the Streamline HAMP trial period plan but is not offered either HAMP Tier 1 or HAMP Tier 2, the servicer may use the fully completed Request for Mortgage Assistance (RMA) signed and submitted by the borrower(s) as part of the Initial Package in lieu of a separate Streamline Hardship Affidavit. Such RMA will satisfy the requirement for the servicer to obtain a Streamline HAMP Affidavit executed by the borrower(s).

### **Principal Reduction Alternative Documents**

With respect to principal reduction offered under the HAMP Tier 1 or HAMP Tier 2 alternative modification waterfalls, Section 10.2 of Chapter II of the *Handbook* states that the trial period plan (TPP) Notice, the Modification Agreement Cover Letter, the Modification Agreement and the Modification Agreement Document Summary include language regarding the deferred principal reduction terms. This Supplemental Directive removes the reference to the TPP Notice as the notice currently available on [www.hmpadmin.com](http://www.hmpadmin.com) no longer includes such language.

Section 10.2 also states that one or more of the aforementioned documents includes a statement that principal reduction amount (PRA) will be reported to the IRS in the year in which the curtailment is applied. With this Supplemental Directive, such statement must instead indicate that reporting to the IRS will occur.

### **Recast of Non-GSE Mortgages**

Section 13.2.3 of Chapter II of the *Handbook*, as amended by Supplemental Directive 15-07, provided that servicers must offer to recast an eligible HAMP Tier 1 borrower's unpaid principal balance (UPB) and may, but are not required to offer to recast the UPB for HAMP Tier 2 and Streamline HAMP borrowers. The guidance further specified that a recast offer must be provided to a borrower at least 60 calendar days, but no more than 90 calendar days, prior to the sixth anniversary of the borrower's HAMP Tier 1, HAMP Tier 2 or Streamline HAMP, as may

be applicable, permanent modification effective date. This Supplemental Directive clarifies that the effective date of the recast provided in the recast offer, may be on or after the sixth anniversary of the permanent modification effective date, as determined by the servicer.

### HAMP Tier 2 Alternative Modification Waterfall

Supplemental Directive 15-08 required that a loan's estimated post-modification mark-to-market loan-to-value (LTV) ratio be used to calculate a principal forbearance amount when evaluating a loan under HAMP Tier 2. In addition, Section 6.4 of Chapter II of the *Handbook* states that servicers must evaluate any mortgage loan that is being considered for HAMP with a mark-to-market LTV ratio greater than 115 percent using both the applicable standard modification waterfall and the alternative modification waterfall that includes principal reduction. This Supplemental Directive clarifies that the guidance in SD 15-08 applies to both the HAMP Tier 2 standard and alternative modification waterfalls such that a loan's estimated post-modification mark-to-market LTV ratio is to be used to calculate both a principal forbearance amount and a principal reduction amount when used in place of forbearance, as applicable.

### Handbook Mapping Clean-Up and Clarifications

With the exception of the second bullet, the mapping attached hereto as Exhibit A includes the following clean-up items and clarifications:

- Section 1.1.2 of Chapter II of the *Handbook*, as amended by Supplemental Directive 15-07, contains eligibility criteria for HAMP Tier 1, including a requirement that the loan has not been previously modified under HAMP. For the sake of clarity, this Supplemental Directive adds an explicit reference to indicate that such prohibition applies only to loans that were previously modified under HAMP Tier 1 or HAMP Tier 2. A cross-reference to related guidance provided in Section 1.2 of Chapter II has also been added.
- All instances of the term “change in circumstances” or “change of circumstances” and similar expressions in the *Handbook* have been replaced with “change in circumstance”.
- Supplemental Directive 15-07 clarified 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 that the borrower has defaulted on the trial period plan. Consistent with that guidance, this Supplemental Directive strikes the provision in Section 1.2 of Chapter II of the *Handbook* that allows a borrower who fails to return the permanent modification agreement to be considered under the same tier following a change in circumstance.

- Supplemental Directive 15-06 provided that investors are entitled to the same payment reduction cost share compensation with respect to modifications under Streamline HAMP as that paid under HAMP Tier 2. This Supplemental Directive revises Section 13.3.1 to clarify that, in the case of Streamline HAMP, the borrower's post-modification P&I payment under Streamline HAMP is to be used when determining the amount of compensation to be paid.

**EXHIBIT A  
MHA HANDBOOK MAPPING**

**CONFORMING CHANGES TO EXISTING HANDBOOK SECTIONS**

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

**A. The first row of the table in Section 1.7 of Chapter 1 (as provided in Supplemental Directive 15-07) is amended as follows:**

|       |  |   |
|-------|--|---|
| HAMP* | Obtain completed Dodd-Frank Certification prior to permanent HAMP modification | <p>For HAMP Tier 1 and HAMP Tier 2, obtain completed Dodd-Frank Certification as part of Initial Package prior to offering TPP to borrower</p> <p>For Streamline HAMP, obtain completed Dodd-Frank Certification as part of <i>either (a) the Streamline HAMP Affidavit or (b) an RMA that is submitted by the borrower during the Streamline HAMP TPP as part of an Initial Package, in either case,</i> prior to permanent HAMP modification</p> <p>For bankrupt borrowers where trial period is waived, obtain completed Dodd-Frank Certification prior to permanent HAMP modification</p> |
|-------|--|---|

**B. The footnote to the third row of the table in Section 1.1.1 of Chapter II (as provided in Supplemental Directive 15-07) is amended as follows:**

<sup>2</sup> Under Streamline HAMP, a borrower’s financial hardship is documented by his or her attestation of hardship in *either (a) the Streamline HAMP Affidavit, which the servicer will collect after extending the Streamline HAMP Offer, but prior to granting a permanent*

modification or (b) an RMA that is submitted by the borrower during the Streamline HAMP TPP as part of an Initial Package in order to be evaluated for HAMP.

**C. The first row of the table in of Section 1.1.2 (as provided in Supplemental Directive 15-07) is amended as follows:**

|                              |   |
|------------------------------|---|
| Not previously HAMP modified | The mortgage loan has not been previously modified under HAMP Tier 1 or Tier 2. For more information, refer to the “Change in Circumstance”, <del>and</del> “Continued Eligibility Following Change in Circumstance” and “Limit on Multiple Modifications” guidance in Section 1.2. |
|------------------------------|---|

**D. The fourth paragraph of the 11th row of the table in Section 1.2 of Chapter II (as provided in Supplemental Directive 15-07) is amended as follows:**

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; or (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.~~

**E. The 14th row of the table in Section 1.2 of Chapter II (as provided in Supplemental Directive 15-07) is amended as follows:**

|                                       |   |
|---------------------------------------|---|
| Loss of Eligibility – Streamline HAMP | A servicer’s obligation to offer a borrower a Streamline HAMP modification on such 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 fails to timely return the Streamline HAMP Modification Agreement and/or the Streamline HAMP Affidavit or an RMA in lieu thereof submitted by the borrower during the Streamline HAMP TPP as part of an Initial Package (Streamline HAMP Documents); or (iii) the borrower loses good standing under a Streamline HAMP permanent modification (whether on a principal residence or rental property). |
|---------------------------------------|---|

**F. The last sentence of the fourth paragraph of Section 2.4.2 of Chapter II (as provided in Supplemental Directive 15-07) is amended as follows:**

In the event the servicer receives the executed Streamline HAMP Affidavit or receives an executed RMA from the borrower after acceptance of the Streamline HAMP TPP, in either case,

before sending the Streamline HAMP Documents to the borrower for signature, the servicer does not have to ~~resend~~ send the Streamline HAMP Affidavit with the Streamline HAMP Modification Agreement.

**G. The last paragraph of Section 6.3.4 of Chapter II (as provided in Supplemental Directive 15-07) is revised as follows:**

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.

**H. The second sentence of the first paragraph of Section 6.4 of Chapter II is amended as follows:**

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 ~~not~~ will include the amount capitalized in accordance with Section 6.3.2.1 of this Chapter.

**I. The first paragraph of Section 9 of Chapter II (as provided in Supplemental Directive 15-07) is amended as follows:**

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 the executed Streamline HAMP Affidavit (the form of which is available on [www.HMPAdmin.com](http://www.HMPAdmin.com)) or an executed RMA that is submitted by the borrower during the Streamline HAMP TPP as part of an Initial Package in order to be evaluated for HAMP.

**J. Section 10.2 of Chapter II (as provided in Supplemental Directive 15-07) is amended as follows:**

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](http://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~~, the 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.

**K. The first paragraph of Section 13.2.3 of Chapter II (as provided in Supplemental Directive 15-07) is amended as follows:**

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 *and may have an effective date on or after such date, as the servicer may determine*. 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 P&I payments subject to applicable law.

**L. The second paragraph of Section 13.3.1 of Chapter II (as provided in Supplemental Directive 15-07) is amended as follows:**

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 P&I payment under HAMP Tier 2 *or Streamline HAMP, as applicable*, and the borrower’s pre-modification P&I payment or (ii) 15 percent of the borrower’s pre-modification P&I payment, whichever is lower.