

Loan Workout Hierarchy for Fannie Mae Conventional Loans

The following table identifies the Fannie Mae loss mitigation options that are available to assist borrowers experiencing financial hardship. Generally, each option should be considered in the order in which it appears. However, you should implement the option that best fits the overall situation. **NOTE: The Loan Workout Hierarchy and associated programs are updated frequently. Also, refer to the Fannie Mae Servicing Guide as the Guide governs in the event of a conflict.**

Retention

Forbearance

Forbearance is a temporary reduction or suspension of payments which must be immediately followed by an arrangement to cure the delinquency. [Learn More.](#)

Repayment Plan

A repayment plan is an arrangement in which a borrower agrees to repay past due amounts while still making regularly scheduled payments. [Learn More.](#)

Fannie Mae Home Affordable Modification Program (HAMP)

The Fannie Mae Home Affordable Modification Program (HAMP) is designed to help at-risk homeowners – both those who are in default and those who are at imminent risk of default – by providing the borrower with affordable and sustainable monthly payments. [Learn More.](#)

Fannie Mae Second Lien Modification Program (2MP)

The Second Lien Modification Program (2MP) is designed to work with the Fannie Mae Home Affordable Modification Program (HAMP) to help eligible borrowers by lowering payments on both first lien and second lien mortgage loans. [Learn More.](#)

Fannie Mae Standard Modification

A modification changes the terms of a mortgage loan to make it more affordable for the borrower. The changes may include changes to the interest rate, loan balance or loan term. [Learn More.](#)

Fannie Mae Standard Short Sale / HAFA II

A short sale involves releasing the lien against the property in exchange for proceeds from the sale of the property of less than the amount owed. If the borrower is ineligible for HAMP and has been considered for all other home retention alternatives, the servicer must consider a short sale. [Learn More.](#)

Fannie Mae Mortgage Release™ (Standard Deed-in-Lieu and Deed for Lease)

A mortgage release/deed-in-lieu of foreclosure (DIL) allows the borrower to voluntarily transfer title to Fannie Mae to satisfy the mortgage loan debt and avoid foreclosure. When a short sale is not considered a viable option, Mortgage Release™ may be offered to borrowers who meet eligibility criteria and who have been considered for all other home retention alternatives. [Learn More.](#)

Fannie Mae HAFA Cases in Progress

Fannie Mae's HAFA program expired on 12/31/2012. If a HAFA agreement was executed prior to the program expiration date, the transaction must be closed or settled on or before 9/30/2013 in accordance with Part VII, Section 610 of the Servicing Guide.

Liquidation

Forbearance

| | |
|-------------------------------|---|
| Description | <p>Forbearance provides a temporary reduction or suspension of payments on a borrower's mortgage loan for a specified period. Forbearance may be offered by itself or in combination with other foreclosure prevention alternatives, such as a combination of forbearance and a repayment plan.</p> <p>Forbearance must be considered when the default is the result of a hardship such as:</p> <ul style="list-style-type: none"> • Death of borrower or co-borrower or death of family member who contributed towards the mortgage loan payment • Divorce or separation and borrower will be legally awarded the property • Natural disaster • Inability to pay due to pending settlement of a disability or major medical claim <p>Fannie Mae has specific types of forbearance based on specific unique hardships. Refer to the Servicing Guide and Announcements for additional details and implementation guidelines.</p> |
| Eligibility | The borrower is experiencing a financial hardship as described above. |
| Terms and conditions | <p>Forbearance can be implemented for borrowers who are facing imminent default and/or who have missed one or more payments on their mortgage loan. Before agreeing to grant forbearance to a borrower, you must have made quality right party contact (QRPC) with the borrower and must have a clear understanding of the nature of the hardship. It is inappropriate to put a borrower on a forbearance plan without a clear understanding of the reason for default. The nature of the hardship and the forbearance terms must be clearly documented in the servicer's files in an accessible manner and made available to Fannie Mae upon request.</p> <p>A servicer can grant forbearance for 6 months or less.</p> <p>For a forbearance period longer than 6 months, prior written approval from Fannie Mae is required and a written agreement with the borrower is required.</p> <p>Any forbearance extending over 6 months is subject to the limits of the governing MBS trust document under which an MBS loan was pooled, if applicable.</p> |
| Reporting requirements | <p>Complete the required monthly delinquency reporting in HomeSaver Solutions® Network (HSSN). Refer to the HSSN Job Aids and select Delinquency Reporting for details.</p> <p>You must submit a "full-file" credit report to each major credit repository on a monthly basis.</p> |
| Costs | There is no cost to the borrower for forbearance. |

[Back to top.](#)

Repayment Plan

| | |
|-------------------------------|--|
| Description | A repayment plan is an arrangement in which a borrower agrees to repay past due amounts while still making regularly scheduled payments. |
| Eligibility | The borrower is expected to overcome the temporary financial hardship AND be able to make future scheduled mortgage loan payments in addition to an amount necessary to cure any outstanding arrearage. |
| Terms and conditions | <p>A repayment plan can be implemented once a borrower has missed one or more payments on the mortgage loan.</p> <p>Repayment terms may include:</p> <ul style="list-style-type: none"> • Monthly payments that are multiples of regular installments • Regular payment one month and multiple payments the next • More frequent payments • Any other variation in timing or amount that will cure delinquency in the shortest time possible <p>If the term of the repayment plan is greater than six months, you must have a written repayment agreement with the borrower which includes the amount due, payment dates and the date the delinquency will be cured.</p> |
| Reporting requirements | <p>Complete the required monthly delinquency reporting in the HomeSaver Solutions® Network (HSSN). Refer to the HSSN Job Aids and select Delinquency Reporting for details.</p> <p>You must submit a “full-file” credit report to each major credit repository on a monthly basis.</p> |
| Incentive fees | <p>There is a \$400 servicing incentive fee if the following criteria are met:</p> <ul style="list-style-type: none"> • The mortgage loan must be 60 or more days delinquent when first reported with the appropriate delinquency status code • The mortgage must be brought current upon the successful completion of the repayment plan <p>The incentive fee is paid automatically by Fannie Mae to the servicer as long as you complete the required delinquency reporting.</p> |
| Costs | There is no cost to the borrower for a repayment plan. |

[Back to top.](#)

The Fannie Mae Home Affordable Modification Program (HAMP)

| | |
|--------------------|---|
| Description | <p>The Fannie Mae Home Affordable Modification Program, or Fannie Mae HAMP uses a uniform loan modification process to provide eligible borrowers – both those who are in default and those who are at imminent risk of default – with affordable and sustainable monthly payments.</p> <p>An affordable payment is achieved by taking specified sequential steps, as necessary, to capitalize arrearages; reduce interest rates, extend the payment time frame and defer the payment of principal in order to bring the monthly payments down to 31% of the borrower's gross monthly income. Before the loan is modified, the borrower must successfully complete a trial payment period.</p> <p>If the borrower is eligible for HAMP, but does not wish to be considered for a Fannie Mae HAMP modification, and if all other retention options have been considered and deemed not appropriate, the servicer must consider a Fannie Mae Standard Short Sale / HAFA II.</p> |
| Eligibility | <p>Available to a borrower who meets the following criteria:</p> <ul style="list-style-type: none"> • The borrower's monthly mortgage payment ratio is currently greater than 31%, as calculated per the Servicing Guide • The borrower has verified income documented in accordance with the Uniform Borrower Assistance Form (UBAF), Form 710. Unemployment benefits or other temporary sources of income related to unemployment, such as severance payments, are not an acceptable source. • The borrower must be able to: <ul style="list-style-type: none"> ○ Document a valid long-term or permanent hardship by completing the hardship documentation set forth in the UBAF, and the income documentation must not be more than 90 days old ○ Provide documentation of occupancy status (tax returns, credit report AND one other form of documentation such as a utility bill) ○ Agree to an escrow account for taxes and insurance (unless prohibited by applicable law) <p>Any first lien loan meeting the above criteria, originated on or before January 1, 2009 and secured by a borrower's principal residence is eligible -- even a loan currently in foreclosure or (at the servicer's discretion) involved in bankruptcy proceedings, EXCEPT:</p> <ul style="list-style-type: none"> • Loans previously modified under the Fannie Mae HAMP or began a Fannie Mae HAMP trial period and lost good standing • Loans secured by condemned properties • Loans subject to full lender recourse <p>In addition, borrowers who meet the minimum eligibility criteria and are evaluated for a Fannie Mae HAMP may not qualify due to the following:</p> <ul style="list-style-type: none"> • A negative net present value (NPV) result, described below, where value for the "no modification" scenario exceeds the value for the "modification" scenario by more than \$5,000 • Excessive forbearance • Other financial reason <p style="text-align: right;">Continued on next page...</p> |

The Fannie Mae Home Affordable Modification Program (HAMP)

Eligibility continued

Servicers must consider unemployed borrowers for Fannie Mae's Unemployment Forbearance program before consideration for a permanent modification through Fannie Mae HAMP. A borrower who is currently in a Fannie Mae HAMP Trial Period Plan or a Fannie Mae standard modification Trial Period Plan and becomes unemployed may seek consideration for forbearance. The servicer, however, cannot require an unemployed borrower in a Trial Period Plan to convert to a forbearance plan.

Fannie Mae HAMP will close to new borrowers on December 31, 2013.

Terms and Conditions

All Fannie Mae servicers must submit a HAMP Registration form, available from the Treasury's administrative Web site for servicers at HMPAdmin.com. This form is a one-time submission and asks for information such as contact information and banking instructions for deposits of incentive compensation payments.

For all mortgage loans that are modified pursuant to a Fannie Mae HAMP, you must ensure that the modified loan retains its first lien position and is fully enforceable.

PROPERTY VALUATION

A property valuation must be obtained using one of the following:

- Broker's price opinion (BPO)
- Appraisal
- Fannie Mae's Automated Property Service (APS)
- Freddie Mac's automated valuation model (AVM)
- Third-party automated valuation model that renders a reliable confidence score

A servicer's internal AVM may be used as long as the servicer is subject to supervision by a federal regulatory agency, the agency has reviewed the model, and the AVM has a reliable confidence score. Refer to the Servicing Guide for further details.

The property valuation used, which is also used for the net present value (NPV) test described below, cannot be more than 90 days old as of the date the loan is being evaluated for the modification. Attach valuation to the submitted case in Home Saver Solutions® Network (HSSN).

IRS FORM

- All borrowers must provide a signed and completed IRS Form 4506T-EZ or IRS Form 4506-T, if applicable. Refer to the Servicing Guide for details.

Continued on next page...

The Fannie Mae Home Affordable Modification Program (HAMP)

Terms and Conditions continued

NPV TEST

All mortgage loans that meet the Fannie Mae HAMP eligibility criteria must be evaluated using a standard NPV test for reporting purposes. The servicer must maintain detailed documentation of the NPV model and version used, all NPV inputs and assumptions, and the NPV results. If the value for the no-modification scenario exceeds the value for the modification scenario by more than \$5,000, the servicer must not perform the modification without the express written consent of Fannie Mae. For example, if the no-modification scenario produces a value of \$10,000 and the modification scenario produces a value of \$4,000, the servicer must not perform the modification. The servicer should obtain the results of the NPV model at the time of the Fannie Mae HAMP eligibility determination. In the event that a mortgage loan must be run through the NPV model more than once, a servicer should test the mortgage loan using the same major NPV model version each time the borrower is evaluated. See the Servicing Guide for more information on accessing and using an NPV model.

ESCROW

If the mortgage loan being considered is a non-escrowed mortgage loan, the servicer must revoke any escrow waiver and establish an escrow deposit account in accordance with the Servicing Guide, prior to the beginning of the Trial Period Plan, unless prohibited by law. In addition, an escrow analysis must be completed based on estimates prior to extending a Trial Period Plan.

MORTGAGE INSURANCE

Fannie Mae has obtained blanket delegations of authority on behalf of all servicers from several mortgage insurers based on the parameters in the Servicing Guide. The list of mortgage insurers from which blanket delegation of authority have been obtained are provided on FannieMae.com. If the mortgage loan does not meet the requirements as indicated, the servicer must submit the modification request to the mortgage insurer for approval.

Although the blanket delegations allow servicers to process modifications without obtaining MI approval, the servicer must ensure that the modification does not impair any existing mortgage insurance coverage and that it adheres to all other requirements of the master policy.

MODIFIED PAYMENT TERMS

You must apply the modification steps below in the stated order until the borrower's monthly mortgage payment ratio is reduced as close as possible to 31%, without going below 31% (the "target monthly mortgage payment ratio").

In the event that a modification step (for example, principal forbearance) is prohibited under applicable state law, a servicer may skip the modification step without obtaining Fannie Mae's prior written approval.

Note: If a borrower has an ARM loan or interest-only mortgage loan, the existing interest rate will convert to a fixed interest rate fully amortizing mortgage loan.

1. Capitalize the arrearage.

- Acceptable arrearage: 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 Trial Period Plan and servicing advances paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by state law.

Continued on next page...

The Fannie Mae Home Affordable Modification Program (HAMP)

Terms and Conditions continued

- Late fees may not be capitalized and must be waived if the borrower satisfies all conditions of the Trial Period Plan.
 - If applicable state law prohibits capitalization of past-due interest or any other amount, the servicer must collect such funds from the borrower over a repayment period not to exceed 60 months unless the borrower decides to pay the amount upfront.
2. Reduce the interest rate.
- If the loan is a fixed-rate mortgage loan or an ARM loan, then the starting interest rate is the current interest rate (the note rate).
 - Reduce the starting interest rate in increments of 0.125% to get as close as possible to the target monthly mortgage payment ratio. The interest rate floor in all cases is 2%.
 - If the resulting rate is below the Interest Rate Cap, this reduced rate will be in effect for the first 5 years followed by annual increases of 1% per year (or such lesser amount as may be needed) until the interest rate reaches the Interest Rate Cap, at which time it will be fixed for the remaining mortgage loan term.
 - If the resulting rate exceeds the interest rate cap, then that rate is the permanent rate.
 - The Interest Rate Cap is the Freddie Mac Weekly Primary Mortgage Market Survey® (PMMS®) rate for 30-year fixed-rate conforming mortgage loans, rounded to the nearest 0.125%, as of the date that the Agreement is prepared.
3. If necessary, extend the term and re-amortize the mortgage loan by up to 480 months from the modification effective date (that is, the first day of the month following the end of the Trial Period Plan) to achieve the target monthly mortgage payment ratio. Negative amortization after the effective date of the modification is prohibited.
4. If necessary, you must 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 unpaid principal balance (UPB), or maturity of the mortgage loan. A principal write-down or principal forgiveness is prohibited on Fannie Mae mortgage loans. The amount of principal you can forbear is the greater of:
- 30% of the UPB of the mortgage loan, or
 - an amount resulting in a modified interest-bearing balance that would create a current mark-to-market loan-to-value (MTMLTV) ratio of less than 100%.

See the Servicing Guide for additional guidance.

TRIAL PERIOD PLAN

A three-month Trial Period Plan is required for borrowers whose loan is in default and a four-month Trial Period Plan is required for imminent default borrowers. The effective date of the Trial Period Plan is set forth in the Trial Period Plan.

The borrower must remain current under the terms of the Trial Period Plan and be current at the end of the trial period in order to receive a permanent modification. "Current" is defined as the borrower having made each required Trial Period Plan payment by the last day of the month in which it is due. A borrower who fails to make the Trial Period Plan payments on a timely basis is considered to have failed the Trial Period Plan and is not eligible for a permanent HAMP mortgage modification.

Continued on next page...

The Fannie Mae Home Affordable Modification Program (HAMP)

| Terms and Conditions continued | <p>MBS RECLASSIFICATION</p> <p>If the eligible mortgage loan is in a Fannie Mae MBS pool, it must be removed prior to the Modification Effective Date as indicated in the Servicing Guide.</p> | | | | | | | | |
|---|--|---|-----------|---|---------|---|---------|---|-------|
| Reporting requirements | <p>To Fannie Mae:</p> <ul style="list-style-type: none"> Use Home Saver Solutions® Network (HSSN) (part of Fannie Mae’s Asset Management Network) to provide loan-level data and record receipt of the Trial Period payments due under the Plan. Report delinquency status codes accurately to reflect trial period payment data and then the modification after the borrower completes the Trial Period Plan and before the modification becomes effective. Refer to the HSSN Job Aids and select Delinquency Reporting for details. Existing monthly Loan Activity Record (LAR) requirements will not change <p>To Treasury:</p> <ul style="list-style-type: none"> Report periodic Fannie Mae HAMP loan activity via HMPadmin.com. <p>To Mortgage Insurers:</p> <ul style="list-style-type: none"> Report successful Fannie Mae HAMP modifications and the terms of those modifications to appropriate mortgage insurers, 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 servicer and the mortgage insurers. Keep paying the mortgage insurance premium. <p>To Credit Bureaus:</p> <ul style="list-style-type: none"> You must submit a “full-file” credit report to each major credit repository on a monthly basis. | | | | | | | | |
| Incentive fees | <p>The servicer receives:</p> <ul style="list-style-type: none"> An amount based on a tiered incentive structure upon successful completion of the Fannie Mae HAMP modification. The incentive fee structure is based on the number of days the mortgage loan is delinquent as of the Trial Period Plan Effective Date as specified in the following table and will be paid automatically by Fannie Mae upon successful completion of the modification as long as you complete the required delinquency reporting. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Days Delinquent at Trial Period Plan Effective Date</th> <th style="text-align: center;">Incentive</th> </tr> </thead> <tbody> <tr> <td>Less than or equal to 120 days delinquent (150 days from Last Paid Installment (LPI))</td> <td style="text-align: center;">\$1,600</td> </tr> <tr> <td>121 days through 210 days delinquent (151 to 240 days from LPI)</td> <td style="text-align: center;">\$1,200</td> </tr> <tr> <td>Greater than 210 days delinquent (greater than 240 days from LPI)</td> <td style="text-align: center;">\$400</td> </tr> </tbody> </table> <ul style="list-style-type: none"> An annual “pay for success” fee for up to three years after a modification is implemented as long as the borrower’s monthly mortgage payment (as defined in the Servicing Guide) was reduced through the modification by 6% or more AND the loan is a performing loan modification. <p style="text-align: right;">Continued on next page...</p> | Days Delinquent at Trial Period Plan Effective Date | Incentive | Less than or equal to 120 days delinquent (150 days from Last Paid Installment (LPI)) | \$1,600 | 121 days through 210 days delinquent (151 to 240 days from LPI) | \$1,200 | Greater than 210 days delinquent (greater than 240 days from LPI) | \$400 |
| Days Delinquent at Trial Period Plan Effective Date | Incentive | | | | | | | | |
| Less than or equal to 120 days delinquent (150 days from Last Paid Installment (LPI)) | \$1,600 | | | | | | | | |
| 121 days through 210 days delinquent (151 to 240 days from LPI) | \$1,200 | | | | | | | | |
| Greater than 210 days delinquent (greater than 240 days from LPI) | \$400 | | | | | | | | |

The Fannie Mae Home Affordable Modification Program (HAMP)

| | |
|---------------------------------|--|
| Incentive fees continued | <p>For the borrower:</p> <ul style="list-style-type: none"> • Borrowers will earn a principal balance reduction incentive of up to \$1,000 per year for up to five years after a modification is implemented as long as the borrower's monthly mortgage payment was reduced through the modification by 6% or more AND the loan remains a performing loan modification. • This annual payment will be paid to the servicer who must apply it first toward reducing the interest bearing UPB and then towards any principal forbearance amount (if applicable) on the loan. |
| Costs | <p>There is no cost to the borrower for a Fannie Mae HAMP.</p> <p>You must waive all late charges, penalties, stop payment fees, or similar fees upon successful completion of the Trial Period Plan and conversion to the permanent Fannie Mae HAMP modification.</p> <p>If the borrower does not successfully complete the Trial Period Plan and does not convert to a permanent Fannie Mae HAMP modification, you may collect all late fees, including those accrued during the trial period.</p> <p>You must advance any actual out-of-pocket expenses such as notary fees, recordation fees, title costs, property valuation fees (if any), credit report fees or other allowable and documented expenses. Fannie Mae will reimburse you for allowable out-of-pocket expenses in accordance with the Servicing Guide.</p> |

[Back to top.](#)

The Fannie Mae Second Lien Modification Program (2MP)

| | |
|-----------------------------|---|
| Description | <p>The Fannie Mae Second Lien Modification Program (2MP) is designed to work with the Fannie Mae Home Affordable Modification Program (HAMP) to help eligible borrowers by lowering payments on both first lien and second lien mortgage loans.</p> <p>All servicers of Fannie Mae second lien mortgage loans must participate in 2MP without regard to whether the servicer services the first lien mortgage loan.</p> <p>Since the terms of the Fannie Mae HAMP modification on the first lien are used to determine the terms of the Fannie Mae 2MP modification on the second lien, you are not required to verify financials originally provided by the borrower for the Fannie Mae HAMP modification unless you suspect fraud or misrepresentation.</p> |
| Eligibility | <p>To be eligible, a loan must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Second liens with corresponding first liens modified under Fannie Mae HAMP • Second liens originated on or before January 1, 2009 • Second liens not previously modified under 2MP • Closed-end second liens (if lien is open line of credit, ability to draw funds must be terminated when the 2MP modification becomes effective) • Mortgage liens that would generally be in a second lien position but have a tax lien, a mechanic's lien or other non-mortgage related lien that has priority (if applicable) • A fully executed 2MP Modification Agreement or Trial Period Plan is in your possession on or before December 31, 2013 <p>The following loan types are ineligible:</p> <ul style="list-style-type: none"> • Second liens (current or delinquent) with an unpaid principal balance (at initial consideration for the second lien modification) of less than \$5,000 or a pre-modification scheduled monthly payment less than \$100 • A mortgage loan that is subordinate to a second lien - modification of a subordinate mortgage loan in place of the second lien will not satisfy your obligation to modify the second lien • A home equity loan in first lien position • A second lien with no interest charged and no payments due until the first lien is paid in full (e.g., FHA partial claim liens and/or equity appreciation loans) |
| Terms and conditions | <p>MORTGAGE INSURANCE</p> <p>MI written approval is required (if applicable). A list of the mortgage insurers from which Fannie Mae receives a delegated authority agreement is posted on FannieMae.com.</p> <p>MODIFIED PAYMENT TERMS</p> <p>Since the terms of the Fannie Mae HAMP modification on the first lien are used to determine the terms of the Fannie Mae 2MP modification on the second lien, refer to the terms and conditions section for the Fannie Mae HAMP for details on obtaining the new modified payment terms for the Fannie Mae 2MP.</p> <p>TRIAL PERIOD REQUIREMENTS</p> <p>A trial period with payments reflecting terms of the proposed second lien modification is required for all 2MP eligible Fannie Mae second mortgage liens. During the trial period for MBS second liens, the second lien remains in the related MBS pool until the loan is removed from its MBS pool in accordance with the reclassification process.</p> <p style="text-align: right;">Continued on next page...</p> |

The Fannie Mae Second Lien Modification Program (2MP)

Terms and conditions continued

The effective date of the trial period is set forth in the Trial Period Plan. In most cases, the effective date is the first day of the month following your mailing of the offer for the Trial Period Plan. The trial payment period is based on the second lien mortgage loan delinquency status. The trial payment period is three months long for second lien mortgage loans where the payment is already in default and four months long for second liens where a borrower is current or default is imminent

The borrower must make each Trial Period Plan payment no later than 30 days from the trial period payment due date. You may use business judgment in accepting late payments when there are mitigating circumstances and must document the decision in the servicing file. The length of the trial period does not change and the effective 2MP modification date is not accelerated when a borrower makes early payments. The modification of a second lien may not become effective until:

- Modification of the corresponding first lien becomes effective under HAMP
- The borrower makes all required 2MP Trial Period Plan payments in accordance with the Servicing Guide

The servicer must offer a 2MP Trial Period Plan to eligible second-lien borrowers within 120 calendar days of the date the servicer receives the first and second lien matching information from Lender Processing Services (LPS).

Timely payment by the borrower of the initial 2MP trial period payment is evidence of the borrower's acceptance of the 2MP trial offer terms. If the trial period is not accepted by the last day of the month in which the first Trial Period Plan payment is due, you may permanently withdraw the offer and will not be obligated to modify the second lien. The withdrawal notice must be in writing and must be sent within 10 business days of the withdrawal decision.

To receive a permanent modification, the borrower must be current under the Trial Period Plan terms at the end of the trial period.

If the Fannie Mae HAMP modified first lien falls out of good standing while the second lien is in a trial period, you are not required to offer a 2MP modification.

Note: Full or partial extinguishment of principal options and deferring or waiving of accrued interest is prohibited.

Reporting requirements

To Fannie Mae:

After receipt of the first Trial Period Plan payment, you must enter loan level 2MP data for all Fannie Mae second lien mortgage loans held in our portfolio and MBS pools by submitting a delegated case into HomeSaver Solutions® Network (HSSN). Additionally, you must record each Trial Period Plan payment.

- Select the appropriate campaign ID when submitting a 2MP case in HSSN: 2MP (3 month delegated trial) or 2MP (4 month delegated trial)
- Second lien loans held in MBS pools must be reclassified prior to the effective date of the modification. You are required to follow the existing procedure and update the Officer Signature Date in HSSN to close the modification.

To Treasury:

The following data must be reported through the servicer web portal on HMPAdmin.com:

- Periodic 2MP loan activity, excluding 2MP trial period initiation and 2MP Trial Period Plan payments
- Loan set up attributes listed under the 2MP Data Dictionary on HMPAdmin.com no later than the fourth business day of the month the second lien modification is effective

Continued on next page...

The Fannie Mae Second Lien Modification Program (2MP)

| | |
|--|---|
| <p>Reporting requirements (continued)</p> | <p>To Mortgage Insurers:</p> <p>Servicers must maintain mortgage insurance processes and comply with required mortgage insurer reporting. You are required to report successful 2MP modifications and terms to the mortgage insurers, if applicable, within 30 days following the end of the trial period and in accordance with procedures that may be agreed upon.</p> <p>To Credit Bureaus:</p> <p>Servicers must report a “full-file” status report to the credit repositories for each loan under 2MP in accordance with the Fair Credit Reporting Act as well as other applicable law and credit bureau requirements as provided by the Consumer Data Industry Association (CDIA).</p> |
| <p>Incentive Fees</p> | <p>For the servicer:</p> <ul style="list-style-type: none"> • A one-time compensation of \$500 for each second lien modification that becomes effective under 2MP • An annual “pay for success” fee of \$250 for up to three years as long as: <ul style="list-style-type: none"> ➢ the second lien payment is reduced through 2MP by at least 6%, ➢ both the HAMP first lien modification and the 2MP modification remain in good standing, and ➢ the loan is not paid in full as of the “pay for success” payment date. <p>“Pay for success” fees do not accrue during the Trial Period Plan. The “pay for success” fee will accrue monthly and is payable annually for each of the first three years after the anniversary of the date the 2MP modification becomes effective. This is in addition to any incentive compensation the servicer may be eligible for in connection with a HAMP first lien modification.</p> <p>For the borrower:</p> <ul style="list-style-type: none"> • If the borrower’s monthly second lien payment is reduced through 2MP by at least 6%, the borrower will receive an annual “pay for performance” principal balance reduction payment of up to \$250 for up to five years following the effective date of the second lien modification. To be eligible, both the HAMP first lien and 2MP modification must remain in good standing and the loan is not paid in full. <p>“Pay for performance” principal balance reduction payments do not accrue during the Trial Period Plan. The “pay for performance” principal balance reduction payment will accrue monthly as long as the borrower is current on both the first and second liens and makes the monthly payment on time. The payment will be applied annually for the first five years after the anniversary of the date the 2MP modification became effective. This payment is paid to the servicer to be applied toward reducing the second lien unpaid principal balance (UPB).</p> |
| <p>Costs</p> | <p>Servicers of Fannie Mae second lien mortgage loans are required to pay a one-time set up fee and nominal transaction fees for each second lien matched, regardless of whether a 2MP modification is completed.</p> <p>Servicers must also pay out-of-pocket expenses such as notary fees, recordation fees, title costs, property valuation fees, credit report fees or other allowable and documented expenses. Fannie Mae will reimburse the servicer for allowable out-of-pocket expenses, but will not reimburse credit report costs.</p> <p>All late fees, penalties, stop payment fees or similar fees must be waived upon successful completion of the Trial Period Plan.</p> |

[Back to top.](#)

Fannie Mae Standard Modification

| | |
|--------------------|--|
| Description | <p>A modification changes some of the terms of a mortgage loan to make it more affordable for the borrower.</p> <p>The Fannie Mae standard modification is designed to help those borrowers who are ineligible for the Fannie Mae Home Affordable Modification Program (HAMP), or who defaulted on a Fannie Mae HAMP modification or under certain circumstances, another Fannie Mae modification.</p> <p>An affordable payment is achieved by following the sequential modification steps described under the Terms and Conditions section below. Before the loan is permanently modified, the borrower must enter into a Trial Period Plan and successfully make all Trial Period Plan payments.</p> |
| Eligibility | <p>ELIGIBLE</p> <ul style="list-style-type: none"> • Borrower previously received and defaulted on a Fannie Mae HAMP Trial Period Plan or permanent HAMP modification • Borrower previously received and defaulted on a Fannie Mae non-HAMP cash flow modification • Property may be owner-occupied or non-owner occupied • Property may be vacant as long as it is not condemned • Borrower must have a financial hardship (documented in the Uniform Borrower Assistance Form (UBAF), Form 710 – See the Servicing Guide for detailed guidance) • Loan must have been originated at least 12 months prior to the loan modification evaluation date • Borrower must have verified income (unemployment benefits are not an acceptable source), documented in accordance with the UBAF • The pre-modification mark-to-market loan-to-value (MTMLTV) ratio must be greater than or equal to 80% <p>INELIGIBLE</p> <ul style="list-style-type: none"> • Borrower previously received a Fannie Mae standard modification and became 60 or more days delinquent within 12 months of the modification effective date • The loan is secured by a non-owner occupied property and is current or less than 60 days delinquent <p>Fannie Mae will consider exceptions to the above eligibility criteria only when there are extenuating circumstances. You must submit a request to Fannie Mae for review if you believe a modification is appropriate.</p> <p>*Borrowers requesting a modification who are current or less than 60 days delinquent must be evaluated for imminent default using Freddie Mac's Imminent Default Indicator™ (IDI), accessed through Fannie Mae's HomeSaver Solutions® Network (HSSN), if the property securing the mortgage loan is owner-occupied.</p> <p>Servicers must consider unemployed borrowers for Fannie Mae's Unemployment Forbearance program before consideration for a permanent modification through Fannie Mae Home Affordable Modification Program (HAMP). A borrower who is currently in a Fannie Mae HAMP Trial Period Plan or a Fannie Mae standard modification Trial Period Plan and becomes unemployed may seek consideration for the Fannie Mae Unemployment Forbearance Program. The servicer, however, cannot require an unemployed borrower in a Trial Period Plan to convert to a forbearance plan.</p> <p style="text-align: right;">Continued on next page...</p> |

Fannie Mae Standard Modification

Terms and Conditions

PROPERTY VALUATION

A property valuation must be obtained using one of the following:

- Broker's price opinion (BPO)
- Appraisal
- Fannie Mae's Automated Property Service (APS)
- Freddie Mac's automated valuation model (AVM)
- Third-party AVM that renders a reliable confidence score

A servicer's internal AVM may be used as long as the servicer is subject to supervision by a federal regulatory agency, the agency has reviewed the model, and the AVM has a reliable confidence score. Refer to the Servicing Guide for further details.

The property valuation used cannot be more than 90 days old as of the date the loan is being evaluated for the modification and must be attached to the submitted case in HSSN.

IRS FORM

All borrowers must provide a signed and completed IRS Form 4506T-EZ or IRS Form 4506-T, if applicable. Refer to the Servicing Guide for details.

ESCROW

If the mortgage loan being considered is a non-escrowed mortgage loan, the servicer must revoke any escrow waiver and establish an escrow deposit account in accordance with the Servicing Guide, prior to the beginning of the Trial Period Plan, unless prohibited by law. In addition, an escrow analysis must be completed based on estimates prior to extending a Trial Period Plan.

MORTGAGE INSURANCE

Fannie Mae has obtained blanket delegations of authority on behalf of all servicers from several mortgage insurers based on the parameters in the Servicing Guide. The list of mortgage insurers from which blanket delegation of authority have been obtained are provided on FannieMae.com. If the mortgage loan does not meet the requirements as indicated, the servicer must submit the modification request to the mortgage insurer for approval.

MODIFIED PAYMENT TERMS

You must follow all these steps in order to determine the borrower's new modified payment terms:

- Capitalize the arrearage.
 - Acceptable arrearage: 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 Trial Period Plan and servicing advances paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by state law.
 - Late fees may not be capitalized and must be waived if the borrower satisfies all conditions of the Trial Period Plan.
 - If applicable state law prohibits capitalization of past-due interest or any other amount, the servicer must collect such funds from the borrower over a period not exceeding 60 months unless the borrower decides to pay the amount upfront.

Continued on next page...

Fannie Mae Standard Modification

Terms and Conditions continued

- Set the interest rate to a fixed-rate mortgage (fixed-rate may be subsequently adjusted from time to time for new modifications based on market conditions and communicated by Fannie Mae).
- Extend the term to 480 months from the modification effective date.
- For loans with a pre-modification MTMLTV ratio greater than 115%, forbear the principal in an amount that is the lesser of:
 - an amount that would create a post modified MTMLTV ratio of 115% using the interest bearing principal balance, or
 - 30% of the gross post-modified unpaid principal balance (UPB) of the mortgage loan, including capitalization of arrearages.

Servicers must stop forbearing principal once the modified interest-bearing UPB results in a 115% MTMLTV ratio or the amount of forbearance equals 30% of the post-modification UPB, whichever is first. Interest will not accrue on the deferred principal. Deferred principal is payable upon maturity of the mortgage loan modification, sale or transfer of the property, or refinance.

After calculation of the modified payment terms is completed, the mortgage loan must meet the following conditions:

- Monthly Housing Expense-to-Income Ratio must be greater than or equal to 10% and less than or equal to 55%. (See the Servicing Guide for details on calculating the housing expense-to-income ratio for specific property types).
- Modification must result in a principal and interest (P&I) reduction of at least 10% from the current contractual monthly P&I payment.

TRIAL PERIOD PLAN

A three-month Trial Period Plan is required for borrowers whose loan is in default and a four-month Trial Period Plan is required for imminent default borrowers.

The borrower must remain current under the terms of the Trial Period Plan and be current at the end of the Trial Period Plan in order to receive a permanent modification. "Current" is defined as the borrower having made each required Trial Period Plan payment by the last day of the month in which it is due. A borrower who fails to make the Trial Period Plan payments on a timely basis is considered to have failed the Trial Period Plan and is not eligible for a permanent mortgage modification.

MBS RECLASSIFICATION

If the eligible mortgage loan is in a Fannie Mae MBS pool, it must be removed prior to the Modification Effective Date as indicated in the Servicing Guide.

Continued on next page...

Fannie Mae Standard Modification

Reporting Requirements

To Fannie Mae:

- Submit loan-level data in HSSN upon receipt of a borrower’s first Trial Period Plan payment under the Trial Period Plan Notice and all other subsequent payments upon receipt.
- Report delinquency status codes accurately to reflect Trial Period Plan payment data and then the modification after the borrower completes the Trial Period Plan and before the modification becomes effective. Refer to the [HSSN Job Aids](#) and select Delinquency Reporting for details.
- Report post-modification UPB once the modification is closed in HSSN.
- Existing monthly Loan Activity Record (LAR) requirements remain unchanged.

Note: LAR reporting will be similar to Fannie Mae HAMP reporting. Special handling will be required if the final Trial Period Plan payment received results in application of a contractual payment in the same month as the modification is closed and reported in HSSN. Refer to “**Resolving Failed Business Rules and Hard Rejects for Modified Loans**” and “**How Fannie Mae Modifications Affect Investor Reporting**” on FannieMae.com for details that will help you avoid a “hard reject” and/or “failed business rule” during the Investor Reporting cycle.

To Mortgage Insurers:

- Report successful modifications and the terms of those modifications to appropriate mortgage insurers in accordance with procedures that currently exist or may be agreed upon between you and the mortgage insurers.

To Credit Bureaus:

- Continue to submit a “full-file” credit report to each major credit repository on a monthly basis. (See the Servicing Guide for details on credit bureau post modification reporting requirements.)

Incentives

Servicers will receive an amount based on a tiered incentive structure upon successful completion of the Fannie Mae standard modification. The incentive fee structure is based on the number of days the mortgage loan is delinquent as of the Trial Period Plan Effective Date as specified in the following table:

| Days Delinquent at Trial Period Plan Effective Date | Incentive Amount |
|---|------------------|
| Less than or equal to 120 days delinquent (150 days from Last Paid Installment (LPI)) | \$1,600 |
| 121 days through 210 days delinquent (151 to 240 days from LPI) | \$1,200 |
| Greater than 210 days delinquent (greater than 240 days from LPI) | \$400 |

Incentive fees will not be paid if the servicer settles the modification more than 60 days after the end of the Trial Period Plan.

Costs

There is no cost to the borrower for participating in the Fannie Mae standard modification.

You must waive all late charges, penalties, stop payment fees, or similar fees upon successful completion of the Trial Period Plan and conversion to the permanent loan modification.

If the borrower does not successfully complete the Trial Period Plan and does not convert to a permanent modification, you may collect all late fees, including those accrued during the trial period.

You must advance any actual out-of-pocket expenses such as notary fees, recordation fees, title costs, property valuation fees (if any), credit report fees or other allowable and documented expenses. Fannie Mae will reimburse you for allowable out-of-pocket expenses in accordance with the Servicing Guide.

[Back to top.](#)

Fannie Mae Short Sale / HAFA II

| | |
|-----------------------------|---|
| Description | <p>A short sale involves releasing the lien against the property in exchange for proceeds from the sale of the property of less than the amount owed.</p> <p>A Fannie Mae short sale must be considered for borrowers who are not eligible for HAMP and who have been considered for other retention options.</p> |
| Eligibility | <p>A short sale can be initiated for eligible borrowers who are delinquent or facing imminent default, can no longer afford the mortgage or do not qualify for retention workout options, and wants to avoid foreclosure.</p> <p>Eligibility guidelines are detailed in the Guide and include:</p> <ul style="list-style-type: none"> • Borrowers facing imminent default who meet certain criteria may be considered for a short sale. • For non-imminent default cases, there are no property type restrictions; owner occupied, investor-owned, second home, and vacant properties are eligible. • Borrowers may qualify for Streamlined Documentation if their FICO scores are less than 620 and the loan is greater than 90 days delinquent. Streamlined Documentation allows the servicer to proceed with the short sale without obtaining the Borrower Response Package, including Form 710, income documentation, and hardship affidavit. • Borrowers who do not qualify for Streamlined Documentation are required to provide a Borrower Response Package, including Form 710 with hardship designation. • Only borrowers who meet certain asset and DTI tests need to be evaluated for cash or promissory note contributions. In most cases, servicers have flexibility in negotiating a contribution. Streamlined Documentation borrowers are not required to make contributions. <p>Servicers may submit cases that do not meet eligibility criteria to Fannie Mae for review.</p> |
| Terms and conditions | <ul style="list-style-type: none"> • Servicers must request a property valuation, including an interior inspection through Fannie Mae's valuation mailbox. • Servicers will receive list price guidance from Fannie Mae and should work proactively with borrowers and brokers to suggest appropriate list prices. • Short sale proceeds must meet the net proceeds thresholds provided by Fannie Mae. Offers that do not result in acceptable net proceeds should be submitted to Fannie Mae for review. • Up to \$6,000 is available from closing proceeds to obtain the release of subordinate liens. Servicers should facilitate such releases, which are required for closing the short sale. • Most of the mortgage insurers have given Fannie Mae delegated authority, therefore approval from those insurers is not required. The list of MI delegation is posted on FannieMae.com. • Borrowers who complete a short sale in accordance with approval terms will receive a deficiency waiver. • In most cases borrowers will receive a \$3,000 relocation incentive if they are moving from their primary residence and are not making a contribution. <p style="text-align: right;">Continued on next page...</p> |

Fannie Mae Short Sale / HAFA II

| | |
|-------------------------------|--|
| Reporting requirements | <p>Complete the required monthly delinquency reporting in HSSN. Refer to the HSSN Job Aids and select Delinquency Reporting for details.</p> <p>You must report the case in HSSN.</p> <p>You must submit a “full-file” credit report to each major credit repository on a monthly basis.</p> |
| Servicer Incentives | <p>There is a tiered incentive fee for a servicer for each successful short sale:</p> <ul style="list-style-type: none"> • \$1,500 for (i) short sales with Net Proceeds to Value (NPTV) equal to or greater than 92% or (ii) short sale in situations in which the mortgage insurance claim is projected to make Fannie Mae whole for all losses • \$1,250 for short sales with NPTV equal to or greater than 90% but less than 92% • \$1,000 for short sales with NPTV of less than 90% <p>After the closed case is entered into HSSN, Fannie Mae will review the case for eligibility of incentive fees and make a final determination based on the case information provided. Approved incentive fees will be paid to servicers automatically once per month.</p> |
| Costs | <p>There is no cost to the borrower for a short sale.</p> <p>To receive reimbursement for fees and costs, including expenses such as taxes and insurance, complete a Cash Disbursement Request, Form 571. The reimbursement request will be rejected for any amount(s) requested greater than the amount(s) in the closed HSSN case.</p> |

[Back to top.](#)

Fannie Mae Mortgage Release (Standard Deed-in-Lieu of Foreclosure and Deed for Lease)

| | |
|--------------------|--|
| Description | <p>A Mortgage Release (Standard Deed-in-Lieu of foreclosure (DIL) and Deed for Lease) or a “voluntary conveyance,” occurs when a borrower voluntarily transfers title to and possession of the property to Fannie Mae to satisfy the mortgage loan debt and avoid foreclosure.</p> <p>The guidelines in this section are required for mortgage loans evaluated for a Mortgage Release on or after March 1, 2013, although servicers are encouraged to implement them earlier. Servicers evaluating loans for a standard DIL or D4L prior to March 1, 2013 should refer to the Servicing Guide for DIL or D4L guidelines if the servicer has not yet implemented the updated guidelines.</p> <p>Fannie Mae Mortgage Release can be offered to borrowers with eligible hardships who are first evaluated for an appropriate home retention solution. If it is determined that a home retention solution is not possible, then the servicer should encourage the borrower to consider a Fannie Mae Standard Short Sale / HAFA II. If a short sale is not a viable foreclosure prevention alternative, the servicer should evaluate the borrower for a Mortgage Release.</p> <p>A borrower who is eligible for a Mortgage Release may be eligible for one of the following three exit options:</p> <ul style="list-style-type: none"> • Immediate move (standard Mortgage Release) • Up to three month transition with no rent payment required • Up to 12 month lease with market rent payment <p>For more information, refer to the Servicing Guide and related Announcements.</p> |
| Eligibility | <p>A Mortgage Release can be initiated when a home retention option or short sale is not a viable solution and the borrower can no longer afford the mortgage and wants to avoid foreclosure. Eligibility guidelines are detailed in the Guide and include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Borrower is delinquent or facing imminent default. • Borrowers less than 90 days delinquent who meet certain criteria and face certain hardships may be considered for a Mortgage Release. • Borrowers who are 90 days or more delinquent and meet certain criteria will all be eligible for a Mortgage Release as long as they have an eligible financial hardship. • Servicer must receive executed deed from the borrower 30 days or more prior to the foreclosure sale. • Borrowers may qualify for Streamlined Documentation if their FICO score is less than 620 and the loan is greater than 90 days or more delinquent. Streamlined Documentation allows the servicer to proceed with the short sale without obtaining the Borrower Response Package, including Form 710, income documentation, and hardship affidavit. • Borrowers who do not qualify for Streamlined Documentation are required to provide a Borrower Response Package, including Form 710 with hardship designation. • Only borrowers who meet certain asset and DTI tests need to be evaluated for cash or promissory note contributions. In most cases, servicers have flexibility in negotiating a contribution. Streamlined Documentation borrowers are not required to make contributions. <p>Fannie Mae will consider exceptions to the above eligibility criteria only when there are extenuating circumstances. You must submit a request to Fannie Mae for review if you believe a Mortgage Release is appropriate.</p> <p style="text-align: right;">Continued on next page...</p> |

Fannie Mae Mortgage Release (Standard Deed-in-Lieu of Foreclosure and Deed for Lease)

| | |
|-------------------------------|---|
| Terms and Conditions | <p>Before a Mortgage Release can be accepted from the borrower, servicers must complete all of the following:</p> <ul style="list-style-type: none"> • Obtain a signed personal property release from the borrower • Obtain clear and marketable title • Review property inspection to determine condition. For transition options, the property manager will ensure the property is in good condition. • Negotiate and gain approval from subordinate lien holders (if applicable). • Gain mortgage insurer approval if Fannie Mae does not have delegation of authority. • Collect cash contribution and/or executed promissory note (if applicable). • Receive the deed executed by the borrower. <p>After recording of the Mortgage Release documents, notify Fannie Mae of the acquired property using Fannie Mae's REO Notification system (REOgram) on the Asset Management Network and close the case in HSSN.</p> |
| Reporting Requirements | <p>Complete the required monthly delinquency reporting in HSSN. Refer to the HSSN Job Aids and select Delinquency Reporting for details.</p> <p>You must report a closed case in HSSN.</p> <p>You must submit a "full-file" credit report to each major credit repository on a monthly basis.</p> |
| Incentive Fees | <p>Servicers will receive a \$1,000 incentive payment for each successful Mortgage Release.</p> <p>After the closed case is entered into HSSN, Fannie Mae will review the case for eligibility of the incentive payment and make a final determination based on the case information provided. Approved incentive fees will be paid to servicers automatically once per month.</p> |
| Costs | <p>There is no cost to the borrower for a Mortgage Release.</p> <p>Fannie Mae will reimburse the servicer for costs relating to obtaining a title report and up to \$350 for attorneys' fees incurred for preparation of Mortgage Release documents.</p> <p>To receive reimbursement for fees and costs, including expenses such as taxes and insurance, complete a Cash Disbursement Request, Form 571.</p> |

[Back to top.](#)