

MHA UPDATE

February 16, 2012

SD 12-01: MHA Program – Principal Reduction Alternative and Second Lien Modification Program Incentives Updates

Today, February 16, 2012, [Supplemental Directive \(SD\) 12-01: Making Home Affordable Program – Principal Reduction Alternative and Second Modification Program Investor Incentives Updates](#) was issued, increasing the amount of investor incentive compensation that can be earned for: (1) permanent modifications under Home Affordable Modification Program (HAMP) that include principal reduction under the Principal Reduction Alternative (PRA), and (2) full extinguishment or permanent modifications with partial extinguishment under the Second Lien Modification Program (2MP).

The SD applies to:

- all permanent modifications under HAMP that include PRA principal reduction that have a trial period plan effective date on or after March 1, 2012; and
- all 2MP full extinguishments or permanent modifications incorporating partial extinguishment, in each case with effective dates on or after June 1, 2012.

Servicers that are subject to a servicer participation agreement and related documents (SPA) must follow the guidance set forth in the SD.

This guidance does not apply to mortgage loans that are owned or guaranteed by Fannie Mae or Freddie Mac, insured or guaranteed by the Veterans Administration or the Department of Agriculture's Rural Housing Service or insured by the Federal Housing Administration.

The following topics are covered in the SD:

- Increased PRA Investor Incentive Compensation
- Updated Net Present Value (NPV) Model
- PRA Mark-to-Market Loan-to-Value (MTMLTV)
- Increased 2MP Investor Extinguishment Incentive Compensation

See [SD 12-01](#) for more details regarding these updates.

Questions?

[Email](#) the HAMP Solution Center or call 1-866-939-4489.