

Supplemental Directive 11-06

July 6, 2011

Making Home Affordable Program – Updates to Servicer Incentives

In February 2009, the Obama Administration introduced the Making Home Affordable (MHA) Program to stabilize the housing market and help struggling homeowners get 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 June 2011, Treasury issued version 3.2 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 and Freddie Mac (Non-GSE Mortgages).

This Supplemental Directive provides changes to servicer compensation for completed permanent modifications under the Home Affordable Modification Program (HAMP) and is designed to encourage servicers to provide an appropriate solution, at the very early stages of the delinquency, to borrowers who are suffering a hardship. This Supplemental Directive amends and supersedes the notated portions of the *Handbook*.

This Supplemental Directive is applicable to all permanent HAMP modifications with a trial period plan effective date on or after October 1, 2011 (Supplemental Directive Effective Date). Servicers that are subject to a servicer participation agreement and related documents (SPA) must follow the guidance set forth in this Supplemental Directive. 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 (FHA).

Servicer Incentives for Completed Modifications

For all HAMP permanent modifications with a trial period plan effective date on or after the Supplemental Directive Effective Date, servicers will be entitled to receive completed modification incentives on a sliding scale, based on the number of days the mortgage loan is delinquent as of the effective date of the trial period plan. The new scale for servicer completed modification incentives is as follows:

No. of days delinquent at Trial Period Plan Effective Date	Incentive Amount
Less than or equal to 120 days delinquent (150 days from last full paid installment (LPI) date)	\$1,600
121 days or more delinquent to and including 210 days delinquent (151 to 240 days from LPI date)	\$1,200
Greater than 210 days delinquent (greater than 240 days from LPI date)	\$400

For permanent HAMP modifications with trial period plan effective dates on or after the Supplemental Directive Effective Date, the additional \$500 compensation payable to the servicer if a borrower was current under the original mortgage loan is eliminated.

Servicer Pay-for-Success incentives and all borrower and investor incentives remain unchanged.

Prohibition Against Special Collection Measures

Following a servicer's standard collection efforts and during consideration of a borrower for HAMP, servicers may not take additional collection measures for the purpose of reducing the delinquency period in order to qualify for a higher up-front servicer incentive. These additional efforts include but are not limited to, requesting or requiring borrowers to make past due payments, bringing a loan less delinquent through capitalization, or deferral or forgiveness of payments. MHA-Compliance will perform testing of loan payment histories to ensure that such activities do not occur.

Reporting

Updated HAMP payment processes implementing the terms of this Supplemental Directive are currently under development by the Program Administrator. Subsequent guidance on such processes will be provided on www.HMPAdmin.com. Servicers with completed permanent HAMP modifications having trial period plan effective dates on or after the Supplemental Directive Effective Date should continue to report their HAMP modified loans. Until the payment processes implementing the terms of this Supplemental Directive are in place, servicers will receive compensation under the existing compensation matrix. Upon implementation of such payment processes, the Program Administrator will make a one time adjustment payment to the servicers to "true-up" the completed modification incentive payment for completed modifications with trial period plan effective dates on or after the Supplemental Directive Effective Date. This adjustment may result in an additional payment of incentives earned for loans modified early in the delinquency or a recapture of excess incentive payment made for loans modified late in the delinquency.

Transfer of Servicing

In the event the servicing of a loan subject to this incentive change is transferred prior to implementation of the updated HAMP payment processes implementing the terms of this Supplemental Directive, any adjustment to incentives will be paid to or recaptured from the servicer of record as of the date of the implementation.

**EXHIBIT A
MHA HANDBOOK MAPPING**

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 list of bulleted items in Section 2.2 of Chapter I is amended to add the following text as the final bullet:

- *Information relating to the borrower's payment history.*

B. Sections 13.1, 13.1.1 and 13.1.2 of Chapter II are replaced in their entirety with the following text:

13.1 Servicer Incentive Compensation

A servicer will be entitled to the completed modification incentive ~~and, if applicable, the current borrower 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 ~~and the current borrower 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* ~~of \$1,000~~ for each completed modification under HAMP.

<i>No. of days delinquent at TPP Effective Date</i>	<i>Incentive Amount</i>
<i>Less than or equal to 120 days delinquent (150 days from last full paid installment (LPI) date)</i>	<i>\$1,600</i>
<i>121 days or more delinquent to and including 210 days delinquent (151 to 240 days from LPI date)</i>	<i>\$1,200</i>
<i>Greater than 210 days delinquent (greater than 240 days from LPI date)</i>	<i>\$400</i>

13.1.2 ~~Current Borrower Incentive~~ Prohibition on Special Collection Measures

~~If a borrower was current under the original mortgage loan, a servicer will receive an additional compensation amount of \$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.~~

Following a servicer's standard collection efforts and during consideration of a borrower for HAMP, servicers may not take additional collection measures for the purpose of reducing the delinquency period in order to qualify for a higher up-front servicer incentive. These additional efforts include but are not limited to, requesting or requiring borrowers to make past due payments, bringing a loan less delinquent through capitalization, or deferral or forgiveness of payments. MHA-C will perform testing of loan payment histories to ensure that such activities do not occur.