

Supplemental Directive 12-09

November 30, 2012

Making Home Affordable[®] Program –Administrative Clarifications

In February 2009, the Obama Administration introduced the Making Home Affordable (MHA) Program to stabilize the housing market and to 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 August 17, 2012, Treasury issued version 4.0 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 or guaranteed by Fannie Mae and Freddie Mac (Non-GSE Mortgages).

This Supplemental Directive provides guidance to servicers regarding loans that are repurchased from Fannie Mae and Freddie Mac (GSEs) while in a trial period plan or after being permanently modified under the Home Affordable Modification Program[®] (HAMP), as well as other administrative clarifications and updates with application to many MHA programs. Servicers that are subject to the terms of a servicer participation agreement and related documents (SPA) must follow the guidance set forth in this Supplemental Directive. This Supplemental Directive amends and supersedes the notated portions of the *Handbook* and Supplemental Directive 12-04, and except as stated herein, is effective immediately.

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

This Supplemental Directive covers the following topics:

- HAMP[®] Modified Loans Repurchased from GSEs
- Debt-to-Income Ratio Eligibility
- Single Point of Contact (SPOC) Clarifications
- Dodd-Frank, Identity and Occupancy Verification Clarifications
- *Handbook* Mapping Clean-Up and Clarifications

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 following guidance applies with respect to loans that a SPA servicer is required to repurchase from a GSE either during a trial period plan or after being permanently

modified under HAMP (each a HAMP Modified Loan). The HAMP Reporting Tool will be 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 trial period plan or after conversion to a permanent modification.

Treasury Reporting Requirements

With respect to a HAMP Modified Loan that is in a trial period plan as of the effective date of the repurchase, the HAMP Reporting Tool will be updated to allow the servicer 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.

Payment of incentives as described below is dependent on the availability and functionality of the HAMP Reporting Tool. Accordingly, SPA servicers should not proceed with changing the investor code or cancellation and resubmission of a HAMP Modified Loan pursuant to the guidance in this Supplemental Directive until notified that such functionality is available. Within 60 calendar days from such notification, servicers should cancel and change the investor codes in the HAMP Reporting Tool for all HAMP Modified Loans that the servicer repurchased on or before the notification date. With respect to HAMP Modified Loans repurchased after such functionality is available, the servicer must cancel and change the investor code into the HAMP Reporting Tool no later than the fourth (4th) business day of the month after the date of the repurchase.

Impact on Incentives

Incentives will only be paid with respect to modifications that comply with the eligibility, underwriting or other requirements set forth in the *Handbook*. This includes, but is not limited to, compliance with requirements regarding Section 1481(d) of the Dodd Frank Wall Street Reform and Credit Protection Act (Pub. L. 111-203) (Dodd-Frank) and Treasury's requirement for delivery of a certification there under (Dodd-Frank Certification). Accordingly, 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. Completed Dodd-Frank Certification(s) must be obtained from all requisite parties prior to changing the investor code or re-boarding loans repurchased from a GSE. If the Dodd-Frank Certification is not obtained, no incentives will be paid. Servicers must retain evidence of efforts to obtain Dodd-Frank Certifications.

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

HAMP Modified Loans that were in an active trial period plan as of the effective date of the repurchase are eligible for all applicable investor, servicer and borrower incentives described in

Chapter II of the *Handbook*, including incentives accrued from the effective date of the trial period plan. All incentives will be paid in accordance with Treasury guidance.

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 described in Chapter II of the *Handbook*, 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 the investor incentives described in Chapter II of the *Handbook*.

Loans Permanently Modified but 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.

Impact on Second Lien Modification ProgramSM (2MP) Incentives

If a first lien loan that has been permanently modified under HAMP is repurchased from a GSE and cancelled in the HAMP Reporting Tool, but is not subsequently re-boarded in the HAMP Reporting Tool as a permanent modification under this guidance, no servicer, borrower or investor incentives will be paid on any corresponding 2MP modification. The 2MP servicer will be notified through the LPS matching facility if the associated first lien is re-boarded, at which point the 2MP servicer must resume monthly reporting for the 2MP modification and will be entitled to 2MP incentive compensation in accordance with current guidance.

Debt-to-Income Ratio Eligibility

Acceptable DTI Range

The following guidance is effective February 1, 2013.

Section 6.1 of Chapter II of the *Handbook* sets forth the requirement that under HAMP Tier 2, the borrower's post-modification debt-to-income (DTI) ratio must be greater than or equal to 25 percent and less than or equal to 42 percent (Acceptable DTI Range). This Supplemental Directive expands the acceptable DTI range to 10 percent at the low end and 55 percent at the high end (Expanded Acceptable DTI Range). Servicers also have flexibility to 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.

Net Present Value (NPV) Analysis

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 continue to use the Acceptable DTI Range or 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.

Pre-modification DTI Eligibility

This Supplemental Directive clarifies that 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.

Single Point of Contact (SPOC) Clarifications

Pursuant to Section 4 of Chapter I of the *Handbook*, each servicer that is subject to the guidance in that section must assign a relationship manager to a borrower who is delinquent or requests consideration under imminent default immediately upon successful establishment of Right Party Contact and the determination that the servicer will consider that borrower for HAMP, the Home Affordable Unemployment ProgramSM (UP) or the Home Affordable Foreclosure Alternatives[®] (HAFA) Program. This Supplemental Directive clarifies that the assignment of a relationship manager for these borrowers must take place upon successful establishment of Right Party Contact and (i) the determination by the servicer of a borrower's potential eligibility based on information disclosed during the initial telephone interview or other oral communication, or (ii) upon receipt from the borrower of any completed or partially completed Initial Package (i.e., Request for Mortgage Assistance (RMA) form, IRS Form 4506-T, evidence of income, Hardship Affidavit or Dodd Frank Certification) signed by the borrower. The requirement in Section 2.2.3 of Chapter II of the *Handbook* that servicers must assign a relationship manager even if a borrower does not disclose financial information over the phone is superseded by this guidance and will be removed from the section.

Dodd-Frank, Identity and Occupancy Verification Clarifications

Borrower Notice

Supplemental Directive 12-04 provided that all borrower notices relating to not-cleared alerts for trial period plans and pending HAFA[®] transactions must include the following borrower response period language – “You have 30 calendar days from the date of this notice to contact [name of servicer] to discuss the reason for your ineligibility or to discuss alternative loss mitigation options that may be available to you. Your loan may be referred to foreclosure during this time, or any pending foreclosure action may continue. However, **no foreclosure sale will be conducted** during this 30-day period [or any longer period required for us to review supplemental material you may provide in response to this Notice].” This Supplemental Directive clarifies that this language is model clause language, referenced in Section 2.3.2 of Chapter II of the *Handbook* and set forth in Exhibit A of the *Handbook* for all Non-Approval Notices. As with all model clauses, use of this model clause is optional; however it illustrates a level of specificity that is deemed to be in compliance with language requirements of the *Handbook*.

Alert Clearance for Borrowers In Multiple MHA Programs

Supplemental Directive 12-04 provided that if a borrower (including a non-borrower occupant, as applicable) is not cleared of an alert and is found to be benefiting from another housing program funded under the Emergency Economic Stabilization Act of 2008 (EESA), Treasury will notify the servicer of the respective EESA funded program(s) that the person and applicable loan must be removed from participation within fifteen (15) calendar days from the date of the notification. This Supplemental Directive clarifies how situations in which a borrower who is subject to an alert and participates in multiple EESA funded programs with servicers will be handled.

If the servicer who initially receives the alert (Servicer A) can clear the alert, the alert clearance process is complete. If Servicer A cannot clear the alert and the borrower is benefiting from another EESA funded program, Treasury will cause an alert notice to be sent through the portal to the servicer(s) of the other EESA funded program(s) (Servicer A, B, etc...) and each servicer will be required to evaluate the alert with respect to its own transaction. Each servicer who receives an alert has full authority and responsibility to clear the alert with respect to their loan.

- If Servicer A and Servicer B are both unable to clear the alert, each servicer must cancel the loan from its respective EESA funded program(s) in the HAMP Reporting Tool. If a servicer identifies that the loan has or is receiving assistance from a HHF program, the servicer must notify the relevant housing finance agency (HFA) contemporaneously with the notice sent to the borrower in accordance with Sections 2.3.2.5 of Section II or Section 4.2 of Chapter IV of the *Handbook*, and work with the HFA before cancelling the related loan in the HAMP Reporting Tool. Servicers should allow the HFA a minimum of 30 days and a maximum of 60 days to resolve the Alert before cancelling the loan in the HAMP Reporting Tool.

- If one servicer is able to clear the alert but another servicer is unable to clear the Alert with respect to the same alert type (owner occupant, Borrower Identity or Dodd Frank Certification) each servicer must report the clearance or non-clearance respectively. In this instance, Treasury will refer the borrower and applicable loans to the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) for potential investigation as appropriate.

Treasury System Reporting

Supplemental Directive 12-04 provided that servicers must cancel the loan in the HAMP Reporting Tool no later than the fourth (4th) business day of the month after the expiration of the 30-day dispute period using the reason code that corresponds with the reason cited in the Non-Approval or other notice of ineligibility (or in the case of HAFA transaction, using a reason code of “Other”).

This Supplemental Directive clarifies that servicers must cancel the loan in the HAMP Reporting Tool no later than the fourth (4th) business day of the month after the expiration of the 30-day dispute period (or such later period as required to review supplemental material provided by the borrower or an HFA to clear or resolve Alerts when a borrower benefits from more than one EESA funded program). This Supplemental Directive also specifies servicers will report Reason Code (21) Application Discrepancy if the borrower is ineligible due to an alert based on owner occupancy or borrower identity and will report (24) Dodd-Frank Certification Non-Compliance if the borrower is ineligible due to an alert based on potential Dodd-Frank noncompliance.

Handbook Mapping Clean-Up and Clarifications

The mapping attached hereto as Exhibit A includes the following clean-up and clarification items to the *Handbook* that were not included in version 4.0 of *Handbook* published on August 17, 2012.

- Section 2.2 of Chapter II of the *Handbook* provides servicers with the opportunity to evaluate a borrower for Tier 2 within 30 calendar days of a HAMP Tier 1 payment default using 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 documentation is no longer accurate. The seventh paragraph of Section 2.2 is amended to include debt and property value assessment in the sentence that now should read, “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...”.
- In the fifth paragraph in Section 3.3 of Chapter II of the *Handbook* the second bullet is removed and the phrase “**and** any of the following conditions...” is replaced with “**if** any

of the following conditions...”. Additionally, the sixth paragraph will now begin with the following instruction, “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”.

- In the second paragraph in Section 5.1.9 of Chapter II of the *Handbook*, the reference to non-borrower household income that can be relied upon to support the mortgage payment is revised to refer to non-borrower household income that can be relied upon to support the household.
- In September 2011, servicers were notified that the HAMP Reporting Tool was being updated to support a change in the deadline for servicers to submit Official Monthly Reports (OMRs) for HAMP, Treasury/Federal Housing Administration (FHA) HAMP, Rural Development-HAMP and 2MP to the HAMP Reporting Tool to the 8th business day of the month. Previously servicers had until two business days prior to the close of the monthly reporting cycle to report a final OMR or 2OMR to the Program Administrator. Section 11.3 of Chapter II of the *Handbook* is amended to reflect this change.
- The third row of the table found in Section 2.3 of Chapter III of the *Handbook* - Eligibility of HAMP Borrowers, is deleted. The fourth row is amended to add that a loan with a HAMP permanent modification where a borrower has lost good standing is eligible for an UP forbearance plan and for HAMP consideration at the end of the UP forbearance period.

EXHIBIT A
MHA HANDBOOK MAPPING

I. NEW HANDBOOK SECTIONS

A. A new Section 11.7 of Chapter II is inserted in its entirety as follows:

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 or after being permanently modified under HAMP (each a HAMP Modified Loan). The HAMP Reporting Tool will be 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 as of the effective date of the repurchase, the HAMP Reporting Tool will be updated to allow the servicer 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.

Payment of incentives as described in Section 13.4 is dependent on the availability and functionality of the HAMP Reporting Tool. Accordingly, SPA servicers should not proceed with changing the investor code or cancellation and resubmission of a HAMP Modified Loan pursuant to the guidance in this section until notified that such functionality is available. Within 60 calendar days from such notification, servicers should cancel and change the investor codes in the HAMP Reporting Tool for all HAMP Modified Loans that the servicer repurchased on or before the notification date. With respect to HAMP Modified Loans repurchased after such functionality is available, the servicer must cancel and change the investor code into the HAMP Reporting Tool no later than the fourth (4th) business day of the month after the date of the repurchase.

B. A new Section 13.4 of Chapter II is inserted in its entirety as follows:

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. Accordingly, 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. Completed Dodd-Frank Certification(s) must be obtained from all requisite parties prior to changing the investor code or re-boarding loans repurchased from a GSE. If the Dodd-Frank Certification is not obtained, no incentives will be paid. Servicers must retain evidence of efforts to obtain Dodd-Frank Certifications.

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.

C. A new Section 11.4 of Chapter V is inserted in its entirety as follows:

11.4 Impact on 2MP Incentives of HAMP Modified First Liens Repurchased from GSEs

If a first lien loan that has been permanently modified under HAMP is repurchased from a GSE and cancelled in the HAMP Reporting Tool, but is not subsequently re-boarded in the HAMP Reporting Tool as a permanent modification under this guidance, no servicer, borrower or investor incentives will be paid on any corresponding 2MP modification. The 2MP servicer will be notified through the LPS matching facility if the associated first lien is re-boarded, at which point the 2MP servicer must resume monthly reporting for the 2MP modification and will be entitled to 2MP incentive compensation in accordance with current guidance.

II. 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 second and third paragraphs of Section 2.8.8 of Chapter I as presented in Exhibit A to Supplemental Directive 12-04 is amended as follows:**

2.8.8 Not Cleared Borrower Notices

If the borrower is in a TPP or a pending HAFA transaction and the servicer is unable to clear the Alert, the servicer must designate the loan “Not Cleared” on the BE&C Portal and cancel the transaction in the HAMP Reporting Tool. Following cancellation of a TPP or pending HAFA transaction, servicers may, but are not required to offer the borrower a proprietary modification or other proprietary loss mitigation option. If the borrower is in a permanent modification and the servicer is unable to clear the Alert, the servicer must designate the loan “Not Cleared” on the BE&C Portal and cancel the transaction in the HAMP Reporting Tool.

If the servicer identifies that the loan has or is receiving assistance from a HHF program, the servicers must notify the relevant HFA contemporaneously with the notice sent to the borrower in accordance with Sections 2.3.2.5 of Section II or Section 4.2 of Chapter IV, and work with the HFA before cancelling the related loan in the HAMP Reporting Tool. Servicers should allow the HFA a minimum of 30 days and a maximum of 60 days to resolve the Alert before cancelling the loan in the HAMP Reporting Tool.

Cancellation in the HAMP Reporting Tool does not terminate or alter a modification agreement executed between the servicer and borrower.

- B. Section 2.8.9 of Chapter I as presented in Exhibit A to Supplemental Directive 12-04 is amended as follows:**

2.8.9 Treasury System Reporting and Incentives

No later than the (4th) fourth business day of the month after the expiration of the 30-day dispute period (*or such later period as required to review supplemental material provided by the borrower or an HFA to clear or resolve Alerts when a borrower benefits from more than one EESA funded program*), the servicer must cancel the loan in the HAMP Reporting Tool using the following reason codes: ~~that corresponds with the reason cited in the Non-Approval or other notice of ineligibility~~ *if the borrower is ineligible due to an alert based on owner occupancy or borrower identity, report Reason Code (21) Application Discrepancy; if the borrower is ineligible due to an alert based on potential Dodd-Frank Certification noncompliance by the borrower, report Reason Code (24) Dodd-Frank Certification Non-Compliance; except that (or* in the case of a HAFA transaction, ~~using a report reason code (7) of “Other”~~*using a report reason code (7) of “Other”).* If as a result of the Alert clearance process, the servicer determines that any information in the HAMP Reporting Tool was incorrect, the servicer must concurrent with submitting the corrected information to the BE&C Portal in the manner described in the instructions found on the BE&C Portal, also submit corrected information to the HAMP Reporting Tool.

Treasury will recapture any servicer, borrower or investor incentives previously paid on a loan cancelled from the HAMP Reporting Tool as a result of borrower identity, owner-occupancy or Dodd-Frank non-compliance.

C. Section 2.8.10 of Chapter I as presented in Exhibit A to Supplemental Directive 12-04 is replaced in its entirety by the following:

2.8.10 Interaction with Other EESA Programs

It is possible that a single borrower (*including non-borrower occupants, as applicable*) or loan could benefit from more than one EESA funded program at the same time. For example, a borrower whose loan was permanently modified under HAMP may also have a second lien modified through 2MP or receive assistance through an HHF unemployment assistance program.

~~In the event a borrower is found to be benefiting from another EESA funded program, Treasury will notify the servicer of the respective EESA funded program(s) that the person and applicable loan must be removed from participation in the other EESA funded programs within fifteen (15) calendar days from the date of the notification. Treasury will recapture any servicer, borrower or investor incentives previously paid on the loan under such other programs.~~

2.8.10.1 Borrowers In Multiple MHA Programs

In the event a borrower (including non-borrower occupants, as applicable) that is subject to an Alert that cannot be cleared is found to be benefiting from another EESA funded program(s), Treasury will provide the servicer(s) of the other respective MHA program(s) notice of an Alert through the portal and that servicer(s) is required to evaluate the Alert with respect to the borrower's transaction in accordance with the guidance in this Section 2.8.

In the event one servicer is able to clear an Alert but another servicer is unable to clear the Alert with respect to the same alert type (owner occupant, Borrower Identity or Dodd Frank Certification), each servicer must report the clearance or non-clearance respectively. In this instance, SIGTARP will be notified of the discrepancy.

2.8.10.2 Borrowers In MHA and HHF Programs

In the event a borrower is subject to an Alert that cannot be cleared and the servicer is aware that the borrower is also benefiting from an EESA funded HHF program, the servicer must notify the relevant HFA as described in Section 2.8.8 and work with the HFA before cancelling the related loan in the HAMP Reporting Tool. Servicers should allow the HFA a minimum of 30 days and a maximum of 60 days to resolve the alert before cancelling the loan in the HAMP Reporting Tool.

D. The second paragraph of Section 4 of Chapter I is amended as follows:

Each such servicer must assign a relationship manager to a delinquent borrower or a borrower who requests consideration under imminent default immediately upon the successful establishment of Right Party Contact with the borrower and (i) the determination by *the servicer of a borrower's potential eligibility* ~~that the servicer will consider the borrower~~ for HAMP, UP or HAFA based on information disclosed during the initial telephone interview or other oral communication, or (ii) upon receipt from the borrower of any completed or partially completed Initial Package (as defined in Section 4 of Chapter II) signed by the borrower. Borrowers who are in the process of being evaluated for HAMP, UP, or HAFA, who are in a TPP or an UP forbearance plan or who have executed a SSA or DIL Agreement as of September 1, 2011 must be assigned a relationship manager no later than November 1, 2011. Borrowers who were determined to be ineligible for HAMP, UP or HAFA prior to September 1, 2011 and who request re-evaluation after that date must be assigned a relationship manager if the servicer determines that there has been a significant change in the borrower's circumstances that merits a re-evaluation in accordance with Section 1.2 of Chapter II.

E. The seventh paragraph of Section 2.2 of Chapter II is amended as follows:

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* ~~is~~ 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.

F. Section 2.2.3 of Chapter II is amended as follows:

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 less than 20 percent of the borrower's gross monthly income. 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 ~~and must assign a relationship manager~~. 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.

G. The fifth and sixth paragraphs of Section 3.3 of Chapter II is amended as follows:

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 Tier 2 (either if done automatically by the servicer or if the borrower submits a request prior to the Deadline) ~~and~~ 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 received a HAMP Tier 1 TPP on such loan and but failed to make one or more trial period payments by the last day of the month in which it was due and has experienced a change in circumstance; or~~
- 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.

H. The second paragraph of Section 5.1.9 of Chapter II is amended as follows:

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 mortgage payment~~. 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. If income is being used for a non-borrower, the servicer should use only the income that the non-borrower will contribute to the mortgage. 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.

I. The third paragraph of Section 6.1 of Chapter II is amended as follows:

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 ~~25~~ten percent and less than or equal to ~~4255~~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 MPV 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.

J. The second paragraph of Section 11.3 of Chapter II is amended as follows:

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 ~~two business days prior to the close of the monthly reporting cycle (the 17th calendar day of the month or the prior business day if the 17th is not a business day)~~ *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.

K. The third and fourth rows of the table in Section 2.3 of Chapter III is amended as follows:

Borrower in a permanent modification	A borrower in a permanent modification that becomes unemployed is not eligible for an UP forbearance plan. In addition, a borrower is not eligible for an UP forbearance plan if the borrower either (1) received a modification and lost good standing (as defined in Section 9.4 of Chapter II) or (2) received a TPP offer and failed to make one or more payments by the last day of the month in which it was due.
Loan in a HAMP permanent modification	A borrower in a HAMP permanent modification that is in good standing is not eligible for an UP forbearance plan. <i>A borrower in a HAMP permanent modification that has lost good standing is eligible for an UP forbearance plan. A borrower that has obtained employment during or after an UP forbearance plan or Non-MHA Unemployment Assistance, but still has a financial hardship and otherwise meets HAMP eligibility criteria, must be considered for HAMP (Tier 1 and/or Tier 2) prior to consideration of other loss mitigation alternatives.</i>

L. The model clause in Item 14 of the list of “Model Clauses for Borrower Notices” in Exhibit A is revised as follows:

Post Modification DTI Outside of Acceptable Range. We are unable to offer you a HAMP Modification because, in performing our underwriting of a potential modification, we determined that the proposed modified monthly payment which we could offer you, which includes a modified monthly principal and interest payment on your first lien mortgage loan plus property taxes, hazard insurance premiums, and homeowners dues (if any) was outside the ~~required~~ range of *[insert as appropriate:] [25]10% - 42]55%* OR *[insert Servicer’s DTI Range]* of your monthly gross income (your income before taxes and other deductions which we verified as \$_____). Your modified monthly housing expense must be ~~equal to or greater than 25% and equal to and less than 42% of your gross monthly income~~ *within this range* in order for you to be eligible for HAMP. If you believe the verified income figure we have is incorrect, please contact us at the number provided below.