

Supplemental Directive 13-03***May 1, 2013******Making Home Affordable[®] Program – Handbook for Servicers Version 4.2***

In February 2009, the Obama Administration introduced the Making Home Affordable (MHA) Program, a plan 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 a series of Supplemental Directives, frequently asked questions (FAQs) and waivers.

In this Supplemental Directive, Treasury is issuing Version 4.2 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 or Freddie Mac (Non-GSE Mortgages). Servicers of mortgage loans that are owned or guaranteed by Fannie Mae or Freddie Mac (GSE) should refer to any relevant guidance issued by the applicable GSE. In addition to the applicable guidance in the *Handbook*, servicers of mortgage loans insured or guaranteed by a federal agency, such as the Federal Housing Administration or Rural Housing Service, should refer to any relevant guidance issued by the applicable agency.

Issuance of Version 4.2 of Handbook

Generally, Version 4.2 of the *Handbook* includes revisions to existing sections of Version 4.1 of the *Handbook* that have been issued in Supplemental Directives with effective dates after the publication of Version 4.1 of the *Handbook* and before the date of this Supplemental Directive.

Version 4.2 of the *Handbook* incorporates and supersedes in their entirety Supplemental Directives 12-07 and 12-10. Version 4.2 of the *Handbook* also incorporates and supersedes those portions of Supplemental Directives 12-09 and 13-02 that were effective on February 1, 2013 and April 5, 2013, respectively.

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 To the extent that any Supplemental Directive, FAQ or waiver has not been incorporated into and superseded by the *Handbook*, it continues to apply, and any references in such documents to guidance that have been incorporated into the *Handbook* are deemed to refer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

The *Handbook* is available on www.HMPadmin.com.

Treasury FHA-HAMP

Version 4.2 of the *Handbook* incorporates several administrative changes into Chapter VI of the *Handbook*, some of which are attributable to the issuance by the Federal Housing Administration (FHA) of Mortgage Letter 2012-22 dated November 16, 2012.

Specifically, Section 2.1 of Chapter VI in Version 4.2 of the *Handbook* now makes reference to Mortgage Letter 2012-22.

In addition, Section 3.2.1 of Chapter VI in Version 4.2 of the *Handbook* makes clear that, once a borrower has defaulted on a trial period plan or lost good standing on a Treasury FHA-HAMP or RD-HAMP permanent modification, no incentives will be paid on any subsequent FHA-HAMP or RD-HAMP modification.

Incentive Compensation

Current guidance set forth in Section 3.2 of Chapter VI of the *Handbook* provides that no incentives of any kind will be paid by Treasury on FHA-HAMP modifications with effective dates on or after March 30, 2011 if the modified monthly mortgage payment does not achieve the target monthly mortgage payment ratio of 31 percent. This Supplemental Directive revises such guidance to provide that, for any FHA-HAMP trial period plan with an effective date on or after November 16, 2012, the related permanent modification will be eligible for Treasury incentives if the modified monthly mortgage payment falls within the targeted monthly mortgage payment ratio range as established by FHA for FHA-HAMP, subject to a maximum post modification debt to income ratio of 40 percent.

The reporting and payment processes are currently being updated by the Program Administrator to implement the foregoing guidance. Servicers will be notified when such update is complete. In the meantime, the HAMP Reporting Tool is capable of processing Treasury FHA-HAMP transactions that achieve the target monthly mortgage payment ratio of 31 percent. For all other FHA-HAMP modifications that fall within the range established by FHA, servicers should refrain from inputting such modifications into the HAMP Reporting Tool until notified that the HAMP Reporting Tool has been updated to accept such FHA-HAMP modifications.

EXHIBIT A
MHA HANDBOOK MAPPING

I. 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. Section 1 of Chapter VI is amended as follows:

Both FHA and RHS have implemented programs to provide eligible borrowers with sustainable mortgage payments through modification of FHA-insured or RHS-guaranteed first lien mortgage loans in a manner complementary to HAMP. Similar to HAMP Tier 1, each of these programs provides a borrower with an affordable monthly mortgage payment ~~equal-tied to 31-percent-a~~ percentage of his or her monthly gross income and requires the borrower to complete a trial payment plan before the loan is permanently modified. If the FHA-insured or RHS-guaranteed mortgage loan meets Treasury's eligibility criteria, the borrower is eligible for pay-for-performance compensation and the servicer is eligible for pay-for-success compensation from Treasury.

B. Section 2.1 of Chapter VI is updated as follows:

In July 2009, FHA launched FHA-HAMP through Mortgagee Letter 2009-23. The effective date of FHA-HAMP was August 15, 2009. The guidance in Mortgagee Letter 2009-23, including any attachments and Questions and Answers, and Mortgagee Letters 2009-35, 2009-39, 2010-04 ~~and~~, 2010-11, ~~and 2012-22~~ are incorporated by reference into this Handbook. Servicers should consult only these Mortgagee Letters and other existing or future guidance issued by FHA for requirements related to eligibility, underwriting and administration of FHA-HAMP (hereafter referred to as FHA-HAMP Mortgagee Letters), with the exception of the specific requirements of Treasury FHA-HAMP set forth in this Handbook. In addition to any guidance provided by FHA, to be eligible for incentive compensation under Treasury FHA-HAMP, the first lien mortgage loan must have been originated on or before January 1, 2009 and a request for modification assistance must be postmarked by the borrower on or before December 31, 2013 and the effective date of the permanent modification must be on or before September 30, 2014.

C. The fourth paragraph of Section 3.2 of Chapter VI is amended as follows:

Furthermore, *for any FHA-HAMP trial period plan with an effective date on or after November 16, 2012*, no incentives of any kind will be paid on *the related FHA-HAMP permanent modifications with effective dates on or after March 30, 2011* if the modified monthly mortgage payment does not *fall within achieve the target monthly mortgage payment ratio required by* ~~of 31 percent. In accordance with FHA guidance, if a servicer cannot achieve the target monthly mortgage payment ratio of 31 percent, it should contact the FHA National Servicing Center for assistance for FHA-HAMP, subject to a maximum post modification debt to income ratio of 40 percent. No incentives of any kind will be paid on RD-HAMP modifications if the modified~~

monthly mortgage payment does not achieve the target monthly mortgage payment ratio of 31 percent.

D. The second paragraph of Section 3.2.3 of Chapter VI is amended as follows:

Furthermore, once a borrower has defaulted on a TPP or lost good standing on a Treasury FHA-HAMP or RD-HAMP permanent modification, no incentives will be paid on any subsequent FHA-HAMP or RD-HAMP modification. In the event a borrower defaults on the modified loan, the servicer should work with the borrower to cure the modified loan. If this is not possible, the servicer should evaluate the borrower for any other loss mitigation alternative prior to commencing foreclosure proceedings.

E. The fourth paragraph of Section 3.3 of Chapter VI is amended as follows:

~~Incentive compensation will accrue as described in Section 3.2.1 for servicers and 3.2.2 for borrowers for all RD HAMP modifications. However, servicer and borrower incentive payments will be made only following implementation of the reporting and payment processes and the servicer commencing reporting.~~