

Supplemental Directive 15-06***July 1, 2015******Making Home Affordable Program – Streamlined Modification Process***

In February 2009, the Obama Administration introduced the Making Home Affordable (MHA) Program to stabilize the housing market and 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 June 1, 2015, Treasury issued version 4.5 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).

As described in more detail below, the Home Affordable Modification Program (HAMP) will now include a “streamlined” modification process (referred to as Streamline HAMP). Streamline HAMP is designed to assist borrowers who meet basic HAMP eligibility criteria and, among others, those who have not completed an application by the time their loan is 90 days delinquent.

This Supplemental Directive provides guidance to servicers for implementation of Streamline HAMP for Non-GSE Mortgages. The mapping of the *Handbook* is expected to be issued in August and will delineate the changes thereto attributable to the guidance provided in this Supplemental Directive. Except where noted, the guidance set forth in this Supplemental Directive is effective January 1, 2016 (Effective Date). Except as indicated herein, HAMP guidelines of general applicability existing as of the date of this Supplemental Directive will apply to HAMP Tier 1, HAMP Tier 2 and Streamline HAMP modifications.

This Supplemental Directive applies to servicers that are subject to the terms of a servicer participation agreement and related documents (SPA) and that have a Program Participation Cap (as defined in the SPA) of \$75,000,000 or more as of the date of this Supplemental Directive. However, all other servicers that are subject to the terms of a SPA are encouraged to adopt the guidance in this Supplemental Directive. This Supplemental Directive does not apply to mortgage loans that are owned, securitized or guaranteed by Fannie Mae or Freddie Mac (each, a GSE), 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:

- Servicer Participation
- Investor Solicitation
- Streamline HAMP Eligibility
- Streamline HAMP NPV Tool
- Streamline HAMP Modification Terms

- Streamline HAMP Offer
- Streamline HAMP Trial Period
- Evaluation Upon Submission of an Initial Package
- Streamline HAMP Permanent Modification
- Borrower Notices
- Incentive Compensation
- Servicing Transfers
- Compliance
- Annual Certification
- Treasury Reporting Requirements
- Interaction with Other MHA Programs

Servicer Participation

Each servicer must perform the following on or before the Effective Date: (1) develop and implement a written policy, consistent with investor guidelines and applicable law, which describes the basis on which the servicer will offer Streamline HAMP (Streamline HAMP Policy), and (2) evaluate the portion(s) of its servicing portfolio that satisfy the Streamline HAMP eligibility criteria below for participation in Streamline HAMP. Servicers are encouraged, but not required, to offer Streamline HAMP to eligible borrowers when the net present value (NPV) result of doing so is estimated to be positive on a portfolio basis. Servicers may begin evaluating their portfolio for Streamline HAMP once the Streamline HAMP NPV Tool is made available on www.HMPAdmin.com.

The servicer's Streamline HAMP Policy must treat all similarly situated loans in a consistent manner, subject to investor restrictions, and in compliance with applicable laws as set forth in the SPA and Section 1.6 of Chapter I of the *Handbook*. In addition, a servicer's Streamline HAMP Policy must include (as applicable) (i) the date by which the servicer will begin to offer Streamline HAMP, (ii) the frequency with which the servicer's portfolio will be evaluated for Streamline HAMP using the Streamline HAMP NPV Tool, (iii) the segmentation of the servicer's portfolio for evaluation with the Streamline HAMP NPV Tool, (iv) the eligibility criteria for the servicer's offer of Streamline HAMP to the extent such criteria are in addition to or more restrictive than the eligibility criteria described below, (v) the manner in which the servicer will offer a Streamline HAMP modification using the alternative modification waterfall under HAMP, and (vi) a description of the servicer's continued outreach efforts related to a Streamline HAMP offer. Servicers must provide a copy of their Streamline HAMP Policy to Treasury, the Program Administrator and/or MHA-C upon request. Each servicer must notify the Program Administrator of any material changes to the servicer's Streamline HAMP Policy no later than 15 calendar days prior to the effective date of the change.

A servicer may begin offering Streamline HAMP prior to the Effective Date once the Streamline HAMP NPV Tool is made available on www.HMPAdmin.com and the servicer's Streamline HAMP Policy is in place.

Investor Solicitation

Within 30 days of identifying an investor or servicing agreement that permits a servicer to offer HAMP Tier 1 or HAMP Tier 2, but limits or prohibits a servicer from offering Streamline HAMP, the servicer must contact the investor in writing at least once to encourage the investor to permit Streamline HAMP modifications.

Streamline HAMP Eligibility

Eligibility Criteria

In order to be eligible for Streamline HAMP, the loan must satisfy the basic HAMP eligibility criteria described in Section 1.1.1 of Chapter II of the *Handbook* (origination date on or before January 1, 2009, documented hardship¹, one to four-unit property, unpaid principal balance limitations and not condemned). However, the borrower is not required to submit an Initial Package.

In addition, the loan must be (i) secured by a property that is either owner-occupied or a rental property as set forth in Section 1.1.2 and Section 1.1.3 of Chapter II, respectively; and (ii) at the time of the offer for Streamline HAMP at least (a) 90 days delinquent, or (b) 60 days delinquent if within the 12 month period following an interest rate step-up under HAMP Tier 1. Servicers are not required to offer a Streamline HAMP modification within 60 calendar days prior to a scheduled foreclosure sale date.

Servicers should have proactively solicited any borrower who is potentially eligible for HAMP in accordance with Section 2.2 of Chapter II of the *Handbook* before offering a borrower Streamline HAMP. Accordingly, one or both of the following circumstances may be applicable:

- If the borrower previously received one permanent HAMP modification, the borrower may be eligible for Streamline HAMP, provided that at least 12 months have passed since the HAMP Tier 1 or HAMP Tier 2 modification effective date or the borrower has experienced a change in circumstance.
- If the borrower was previously evaluated for, but not offered, a HAMP modification, the servicer may, but is not required to, offer Streamline HAMP.

This Supplemental Directive amends Section 9.4 and Section 13.4 of Chapter II of the *Handbook*, to clarify that a loan permanently modified under HAMP Tier 2 may be eligible for a Streamline HAMP modification, subject to the guidance described below under “Limitation on Multiple Modifications.”

¹ Under Streamline HAMP, a borrower's financial hardship will be documented by his or her attestation of hardship in the Streamline HAMP Affidavit, which the servicer will collect after extending the Streamline HAMP Offer, but prior to granting a permanent modification.

In order to be eligible for Streamline HAMP, the Modification Effective Date of the loan must be on or before September 30, 2017.

Limitation on Multiple Modifications

As provided in Section 1.2 of Chapter II of the *Handbook*, an individual, as borrower or co-borrower, may receive permanent HAMP modifications on mortgages secured by up to six properties. A borrower may receive a permanent modification under HAMP Tier 1, HAMP Tier 2 or Streamline HAMP on a loan secured by an owner-occupied property; if the borrower receives a HAMP Tier 1 modification, the borrower may also receive either a HAMP Tier 2 or a Streamline HAMP modification of the same loan. If the borrower receives a HAMP Tier 2 modification, the borrower may also receive a Streamline HAMP modification of the same loan. If the borrower receives a Streamline HAMP modification, the borrower may also receive either a HAMP Tier 1 or a HAMP Tier 2 modification of the same loan. Further, a borrower may receive a permanent modification under Streamline HAMP with respect to each of five other properties that meet Streamline HAMP eligibility requirements. Notwithstanding the foregoing, a borrower may not receive more than two permanent modifications or default on more than two trial period plans (or a combination of both) under HAMP on the same loan.

A borrower who fails a Streamline HAMP trial period plan after accepting the trial by making the first payment, or successfully completes the Streamline HAMP trial period plan but failed to timely return the Streamline HAMP Modification Agreement and/or the Streamline HAMP Affidavit² (Streamline HAMP Documents), is not eligible to receive another Streamline HAMP modification on the same loan. In addition, a borrower who loses good standing under a Streamline HAMP permanent modification (whether on a principal residence or a rental property) is not eligible to receive another Streamline HAMP modification on the same loan. A loan is not eligible for Streamline HAMP if either of the following apply:

- The borrower previously received a loss mitigation offer with respect to the subject loan, for which the period for acceptance has not expired; or
- The borrower is currently performing under a loss mitigation solution with respect to the subject loan.

A loan that is not eligible for Streamline HAMP may be considered for HAMP Tier 1 or HAMP Tier 2, to the extent such loan meets eligibility criteria (including the borrower's submission of an Initial Package), and the borrower has not previously received two permanent modifications or defaulted on two trial period plans (or a combination of both) under HAMP with respect to the subject loan.

² The Streamline HAMP Affidavit includes, among other things, a hardship affidavit, a Dodd-Frank Certification, and a Rental Property Certification, if applicable.

Borrowers in Bankruptcy

Servicers may, but are not required to, offer Streamline HAMP to borrowers in active Chapter 7 or Chapter 13 bankruptcy cases. Borrowers who are currently in a Streamline HAMP trial period plan and subsequently file for bankruptcy may not be denied a permanent modification on the basis of the bankruptcy filing. Servicers should extend the trial period plan as necessary, in accordance with Section 8.5 of Chapter II of the *Handbook*, to accommodate delays in obtaining court approvals or receipt of remittance of trial payments made to a trustee. A trial period plan is required for a Streamline HAMP permanent modification and cannot be waived.

Eligibility of Non-Borrowers and Co-Borrowers

Non-borrowers who inherit or are awarded sole title to a property may be eligible for a Streamline HAMP modification, without regard to whether the borrower who previously owned the property was already in a Streamline HAMP trial period plan.

The servicer must send written notice to the new titleholder describing the requirements for assuming the note, subject to applicable law and investor guidelines. The servicer should process the assumption and permanent loan modification contemporaneously if the titleholder is eligible for Streamline HAMP and investor guidelines and applicable law permit an assumption of the loan. Servicers are reminded that they must comply with disclosure obligations under applicable law, including, without limitation, the Truth in Lending Act.

If the loan is in a Streamline HAMP trial period plan, the servicer must notify the titleholder, whether a non-borrower or a remaining co-borrower, that he or she may continue the existing Streamline HAMP trial period plan and, if he or she complies with the terms of the plan and signs and returns the Streamline HAMP Documents, the loan will be permanently modified in accordance with the terms of the modification agreement. Servicer should also provide information necessary for the new titleholder to submit an Initial Package if he or she may be eligible for HAMP Tier 1 or HAMP Tier 2.

Streamline HAMP NPV Tool

Servicers must evaluate their portfolio for Streamline HAMP using a portfolio level NPV tool (Streamline HAMP NPV Tool) that will be made available to servicers on www.HMPAdmin.com. Servicers must use the Streamline HAMP NPV Tool in accordance with the guidance that will be posted on www.HMPAdmin.com at the same time as the Streamline HAMP NPV Tool.

Servicers will be able to input certain characteristics of their portfolio or part thereof into the Streamline HAMP NPV Tool and ascertain the estimated total NPV of the portfolio with corresponding expected NPV ranges and NPV pass rates. The NPV pass rate will reflect, under a number of different scenarios, that portion of the servicer's portfolio that is estimated to be NPV positive. The Streamline HAMP NPV Tool will generate the results across different

Primary Mortgage Market Survey (PMMS) rates illustrating the impact of different market rates on the NPV calculation.

Each servicer must maintain detailed documentation of the manner in which the Streamline HAMP NPV Tool is used, all inputs to the Streamline HAMP NPV Tool and the assumptions and the NPV results on a portfolio basis or segment of a portfolio for which it is used.

The Streamline HAMP NPV Tool may not be used by a servicer to evaluate its portfolio for non-HAMP modifications. The Terms and Conditions for servicer use of the NPV Model referred to in Section 7.1 of Chapter II of the *Handbook* will also apply to the Streamline HAMP NPV Tool and related documents, with the exception of sub-paragraph (i)(b) which is not applicable.

From time to time, Treasury will release updates to the Streamline HAMP NPV Tool. All servicers are required to use the most recent version of the Streamline HAMP NPV Tool when evaluating all or part of their portfolio for Streamline HAMP.

Streamline HAMP Modification Terms

Streamline HAMP Standard Modification Waterfall

Servicers must apply the modification steps enumerated below in the stated order of succession to determine the borrower's modified monthly mortgage payment under Streamline HAMP:

- Step 1 – Capitalization. The servicer capitalizes 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 as well those servicing advances that are made for costs and expenses incurred in performing servicing obligations consistent with the guidance in Section 6.3.1.1 of Chapter II of the *Handbook*.
- Step 2 - Interest Rate Adjustment. The interest rate is a fixed rate based on the weekly PMMS Rate (defined in Section 9.3.6 of Chapter II of the *Handbook*) for 30 year fixed rate conforming loans, rounded to up the nearest 0.125 percent plus an adjustment expressed in basis points (currently -50 basis points). Treasury will notify servicers of any changes to the adjustment.
- Step 3 - Term Extension. The servicer extends the term and re-amortizes the mortgage to 480 months from the “as of” date of the loan information (e.g., unpaid principal balance (UPB), term) provided by the servicer. Under Streamline HAMP, the “as of” date is the date the servicer determines the borrower's Streamline HAMP modification terms. Note, when servicers are drafting the Streamline HAMP Modification Agreement, they should set the maturity date in the Streamline HAMP Modification Agreement to the date that is 480 months after the Modification Effective Date.
- Step 4 - Principal Forbearance. If the loan's estimated post-modification mark-to-market loan to value (LTV) ratio, after applying Steps 1 through 3 above, is greater than 115 percent, the servicer calculates principal forbearance in an amount equal to the lesser of

(i) an amount that would create a post-modification mark-to-market LTV ratio of 115 percent using the interest bearing principal balance or (ii) an amount equal to 30 percent of the gross post-modified UPB of the mortgage loan (inclusive of capitalized arrearages). The principal forbearance amount is non-interest bearing and non-amortizing. Similar to HAMP Tier 2, there is no excessive forbearance limit in Streamline HAMP. 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 UPB, or at maturity of the mortgage loan.

The servicer must ensure that the borrower's Streamline HAMP post-modification monthly principal and interest (P&I) payment is less than or equal to the borrower's monthly P&I payment in effect at the time the loan is considered for Streamline HAMP. For adjustable rate mortgage (ARM) loans (including pay option loans and interest only ARM loans), and loans with interest rate step-ups, the pre-modification monthly P&I payment used for the comparison should be determined in accordance with the current guidance set forth in Section 6.1.2.1 and Section 6.1.2.2, respectively, of Chapter II of the *Handbook*.

Notwithstanding the foregoing, servicers may establish a minimum P&I payment reduction requirement for Streamline HAMP, provided a reduction of no more than 10 percent is required. Such a requirement must be included in the servicer's Streamline HAMP Policy.

Prohibitions on Waterfall Steps

If investor guidelines or applicable law restricts or prohibits a modification step in the Streamline HAMP standard modification waterfall and the servicer partially performs it or skips it, the modification may still qualify for Streamline HAMP. Servicers should follow the guidance in Section 6.5 of Chapter II of the *Handbook*.

Servicers must maintain evidence in the loan file documenting the nature of any deviation from the Streamline HAMP standard modification waterfall steps and the fact that investor guidelines or applicable law restricted or prohibited the servicer from fully performing the modification step. The documentation must show that the servicer made a reasonable effort to seek a waiver from the investor and whether that waiver was approved or denied.

Streamline HAMP Alternative Modification Waterfall

Principal forgiveness in HAMP is optional; however, investors who offer deferred principal forgiveness in accordance with the Principal Reduction Alternative (PRA) in Streamline HAMP are eligible for investor PRA incentives. When determining Streamline HAMP modification terms with PRA, servicers may apply principal reduction in place of forbearance to reduce the unpaid principal balance by an amount equal to the lesser of (i) an amount that would create a post-modification mark-to-market LTV ratio of 115 percent using the interest bearing principal balance or (ii) an amount equal to 30 percent of the gross post-modified unpaid principal balance of the mortgage loan (inclusive of capitalized arrearages).

Servicers who forgive principal below 115 percent will only be entitled to investor PRA incentives for amounts of forgiveness that result in a mark-to-market LTV ratio equal to or greater than 105 percent in accordance with Section 13.3.4 of Chapter 2 of the *Handbook*. Servicers should update their PRA Policies (as described in Section 6.4 of Chapter II of the *Handbook*) to identify the basis on which the servicer will make principal reduction determinations for Streamline HAMP.

Streamline HAMP Offer

As set forth above, an Initial Package is not required for consideration under Streamline HAMP. In addition, servicers are not required to verify the borrower's income, nor is there a debt-to-income ratio required for Streamline HAMP.

If a servicer determines that a loan is eligible for Streamline HAMP based on the guidance herein and in its Streamline HAMP Policy, the servicer must send the borrower a Streamline HAMP trial period plan offer (Streamline HAMP Offer) within 15 calendar days of such determination.

The Streamline HAMP Offer must include sufficient information to enable the borrower to submit an Initial Package if the borrower is potentially eligible for HAMP Tier 1 or HAMP Tier 2, and must include a date by which the borrower must return an Initial Package in order to be evaluated for such options. This date must be no less than 30 days from the date of the Streamline HAMP Offer, and prior to the date the servicer will send the borrower the Streamline HAMP Documents for the borrower's signature.

After a Streamline HAMP Offer is sent, a loan will continue to be eligible for Streamline HAMP even if the borrower subsequently makes payments that reduce the delinquency of the loan to less than 90 days or 60 days, as applicable, provided the loan is at least 30 days or more delinquent upon commencement of the trial period plan.

Borrowers are not required to sign or return the Streamline HAMP Offer. The servicer's receipt of the first payment due under the Streamline HAMP trial period plan on or before the last day of the month in which such payment is due is evidence of the borrower's acceptance of the Streamline HAMP Offer and the terms and conditions stated therein. In addition, a servicer may include the Streamline HAMP Affidavit with the Streamline HAMP Offer that is sent to a borrower; however, a servicer may not require the borrower to sign or return the Streamline HAMP Affidavit as a condition of the acceptance of the Streamline HAMP trial period plan. In the event the servicer receives the executed Streamline HAMP Affidavit before sending the Streamline HAMP Documents to the borrower for signature, the servicer does not have to resend the Streamline HAMP Affidavit with the Streamline HAMP Modification Agreement.

A servicer may continue outreach for Streamline HAMP to borrowers who do not accept the Streamline HAMP Offer, in accordance with a servicer's Streamline HAMP Policy.

Streamline HAMP Trial Period

The Streamline HAMP trial period is three months in duration (or longer if necessary to comply with applicable contractual obligations) and governed by terms set forth in the Streamline HAMP Offer, including the applicable payment due dates. The effective date of the borrower's trial period is determined in accordance with Section 8.2 of Chapter II of the *Handbook*.

Any borrower who accepts a Streamline HAMP Offer must be assigned a relationship manager promptly following acceptance of the trial period plan, if he or she did not have an assigned relationship manager at that time. If the borrower was previously assigned a relationship manager, the servicer should, to the extent possible, ensure that the borrower's original relationship manager is maintained.

Post-Modification Counseling Requirement

Any borrower who accepts a Streamline HAMP Offer must be referred to financial counseling promptly following such acceptance in accordance with Section 6.7 of Chapter II of the *Handbook*. Any borrower who is in a Streamline HAMP permanent modification must be referred to financial counseling if identified as a Risk of Default Borrower by the servicer in accordance with Section 6.7.1.2 of Chapter II.

Section 6.7.2 of Chapter II of the *Handbook* requires servicers to maintain reports of how many borrowers (i) are offered financial counseling, (ii) started such financial counseling, and (iii) complete a full financial counseling engagement, all of which must be provided to Treasury and its agents upon request. Servicers must also maintain such information as is necessary to monitor a borrower's performance under a modified loan after having received financial counseling. Servicers must maintain such information relating to borrowers who have accepted the Streamline HAMP Offer as a separate category for reporting purposes.

Protections Against Unnecessary Foreclosure

A servicer may not refer a loan to foreclosure or conduct a scheduled foreclosure sale after a borrower has accepted a Streamline HAMP trial period plan, and for the duration of the trial period, while the borrower is making timely payments.

Evaluation Upon Submission of an Initial Package

A borrower who submits an Initial Package (as defined in Section 4 of Chapter II of the *Handbook*) on or before December 31, 2016 must be evaluated for HAMP. In relation to a borrower determined to be eligible for Streamline HAMP:

- If a borrower submits an Initial Package before the Streamline HAMP Offer is sent, the servicer must evaluate the borrower in accordance with Section 4.6.1 of Chapter II of the *Handbook* before sending the Streamline HAMP Offer. If the borrower is not eligible for

HAMP Tier 1, HAMP Tier 2 or other modification alternatives, servicers may send the borrower a Streamline HAMP Offer as provided in their Streamline HAMP Policy.

- If a borrower submits a complete Initial Package after the Streamline HAMP Offer is sent, but the borrower has not yet accepted the offer and the period for acceptance has not yet expired, the servicer must evaluate the borrower in accordance with Section 4.6.1 of Chapter II of the *Handbook*. If the borrower is not eligible for HAMP Tier 1, HAMP Tier 2 or other modification alternatives, he or she remains eligible for Streamline HAMP, so long as the Streamline HAMP trial period plan is accepted before the period for acceptance has expired.
- If a borrower submits a complete Initial Package after the borrower accepts a Streamline HAMP trial period plan, but prior to the servicer's mailing of the Streamline HAMP Documents to the borrower for signature, the servicer must evaluate the borrower for HAMP Tier 1 and/or HAMP Tier 2, as applicable. If the borrower is not eligible for HAMP Tier 1 or HAMP Tier 2, he or she remains eligible for Streamline HAMP in accordance with the terms of the Streamline HAMP Offer.

Communication of Evaluation and Outcome

If a borrower submits a complete Initial Package while in a Streamline HAMP trial period plan, the servicer must remind the borrower that he or she must continue to make timely payments under the Streamline HAMP trial period plan while the Initial Package is being evaluated. Such borrower communication must be documented in the servicing system and/or mortgage file. In addition, the servicer must extend the Streamline HAMP trial period if a complete Initial Package is received prior to sending the Streamline HAMP Documents to the borrower, in order to evaluate the borrower for HAMP Tier 1 or HAMP Tier 2, as applicable.

Following the acceptance of a Streamline HAMP trial period plan, servicers may not offer a HAMP Tier 1 or HAMP Tier 2 modification with a P&I payment that is greater than the Streamline HAMP P&I payment. Accordingly, such loan would not be eligible for HAMP Tier 1 or HAMP Tier 2, as applicable.

Subject to the foregoing, if the borrower is eligible for a modification under HAMP Tier 1 or HAMP Tier 2, as applicable, with revised terms, the servicer must then notify the borrower of this in writing. Such notice must inform the borrower that they are eligible for a HAMP modification and will receive a permanent modification with revised terms at the end of the trial period, provided the borrower makes all trial payments at the current payment level on a timely basis and returns the executed modification agreement. Upon completion of the trial period, the servicer must provide the borrower with a modification agreement reflecting the terms of the HAMP Tier 1 or HAMP Tier 2 modification, as applicable.

If the servicer determines that the borrower is not eligible for a modification under HAMP Tier 1 or HAMP Tier 2 with revised terms, the servicer must notify the borrower in writing. Such notice must inform the borrower that they will receive a permanent modification under HAMP as

originally offered under the Streamline HAMP trial period plan, provided the borrower makes all trial payments on a timely basis and returns the executed Streamline HAMP modification agreement.

The written notices described above need not be separate notices and may be included with or incorporated into the cover letter accompanying the Streamline HAMP Documents sent to the borrower.

Streamline HAMP Permanent Modification

In order for a borrower in a Streamline HAMP trial period plan to receive a permanent modification, the servicer must receive all required trial period payments and all Streamline HAMP Documents executed by the borrower in a timely manner. Servicers may not require additional documentation from borrowers unless required by investor guidelines or applicable law.

Prior to sending the Streamline HAMP Documents to the borrower, servicers must re-run the Streamline HAMP Waterfall(s) to determine final terms of the Streamline HAMP modification.

The modification agreement should be prepared and will become effective in accordance with Section 9.1 of Chapter II of the *Handbook*.

Forms of the Streamline HAMP Offer, Streamline HAMP Affidavit, Streamline HAMP Modification Agreement Cover Letter, and an updated Home Affordable Modification Agreement - Document Summary setting forth the applicable changes to the Modification Agreement for Streamline HAMP will be posted on www.HMPAdmin.com.

Borrower Notices

Section 2.3 of Chapter II of the *Handbook* describes conditions under which a Borrower Notice must be sent, as well as the content that must be included in such notice. With respect to Streamline HAMP:

- If a servicer determines that a borrower is not eligible for a Streamline HAMP Offer, the servicer should not send a Non-Approval Notice with regard to Streamline HAMP.
- The offer of a trial period plan under HAMP Tier 1, HAMP Tier 2, or Streamline HAMP is considered a HAMP offer. Therefore, if a borrower submits a complete Initial Package while in a Streamline HAMP trial period plan, and is evaluated and determined to be eligible for HAMP Tier 1 or HAMP Tier 2, the servicer should not send a Non-Approval Notice with regard to Streamline HAMP. Conversely, if the borrower is evaluated and does not receive an offer under HAMP Tier 1 or HAMP Tier 2, but remains eligible for Streamline HAMP, the servicer is not required to send a Non-Approval Notice with regard to HAMP Tier 1 or HAMP Tier 2.

- Unlike HAMP Tier 1 and HAMP Tier 2, if a borrower fails to accept a Streamline HAMP Offer by making the first payment on or before the last day of the month in which the payment is due, the servicer should not send a Non-Approval Notice with regard to Streamline HAMP.
- If, after making the first payment, a borrower in a Streamline HAMP trial period plan fails to make one or more subsequent trial period payments in a timely manner, the servicer must send a Non-Approval Notice for this payment default during the trial period.
- If a borrower in a Streamline HAMP trial period plan makes timely trial period payments but fails to return the executed Streamline HAMP Documents on a timely basis, the servicer must send a Non-Approval Notice indicating the failure to return the required Streamline HAMP Documents.
- If a borrower in a Streamline HAMP trial period plan makes all trial period payments and returns the Streamlined HAMP Documents in a timely manner, but is not approved for a Streamline HAMP permanent modification due to failure of any other term or condition set forth in the Streamline HAMP Offer or Streamline HAMP Documents (including, but not limited to, the servicer's determination that one or more of the borrower's representations are not true or correct) the servicer must send a Non-Approval Notice.

The model clauses for borrower notices attached as Exhibit A to the *Handbook* will be updated to incorporate Streamline HAMP, in addition to HAMP Tier 1 and HAMP Tier 2.

Incentive Compensation

Borrowers, servicers and investors are eligible for incentives for loans modified under Streamline HAMP as set forth below.

Borrower Incentives

Borrowers will earn a “pay for performance” principal balance reduction payment of \$5,000 in year six, as long as the loan is in good standing and has not been paid in full, without regard to the number of current payments or whether the monthly mortgage payments were reduced through HAMP by six percent or more. The incentive will be payable after the sixth anniversary of the month in which the Streamline HAMP trial period plan effective date occurred.

Servicers may, but are not required to, offer to recast the unpaid principal balance for Streamline HAMP borrowers in good standing after the application of borrower incentives in year six in accordance with Section 13.2.3 of Chapter II of the *Handbook*.

Servicer Incentives

Completed modification incentives currently available under HAMP will be paid for permanent modifications under Streamline HAMP in accordance with Section 13.1.1 of Chapter II of the *Handbook*.

Loans modified under Streamline HAMP are not eligible for servicer “pay for success” incentives.

Investor Incentives

For modifications under Streamline HAMP, investors are entitled to payment reduction cost share compensation equal to one-half of (i) the dollar difference between the borrower’s post modification P&I payment under Streamline HAMP and the borrower’s pre-modification P&I payment or (ii) 15 percent of the borrower’s pre-modification P&I payment, whichever is lower, and paid in accordance with Section 13.3.1 of Chapter II of the *Handbook*.

The investor Home Price Decline Protection (HPDP) incentives currently available under HAMP Tier 2 will be paid for permanent modifications under Streamline HAMP consistent with Section 13.3.3 of Chapter II of the *Handbook*. Notwithstanding the foregoing, the Base NPV Model is not utilized under Streamline HAMP, and the NPV Date is not applicable under Streamline HAMP. The HAMP Reporting Tool will determine the potential HPDP incentive payable for a modification under Streamline HAMP as of the date the servicer determines the borrower’s Streamline HAMP modification terms.

The PRA investor incentives currently available under HAMP will be paid for permanent modifications under Streamline HAMP in accordance with Section 13.3.4.1 of Chapter II of the *Handbook*.

Servicing Transfers

As set forth in Section 1.4.1 of Chapter I of the *Handbook*, when a participating servicer transfers or assigns mortgage loans, or servicing rights relating to mortgage loans, that constitute Eligible Loans pursuant to the SPA, the transferee servicer must assume the transferor servicer’s obligations under the SPA with respect to the Eligible Loans involved in the transfer. An “Eligible Loan” is defined in the SPA to include, among other things, any mortgage loan which is 60 days or more delinquent and otherwise eligible for consideration or process under one or more of the MHA programs at the time of transfer or assignment. Section 1.4.1.1 of Chapter I generally provides that with respect to HAMP, an Eligible Loan will no longer be considered an Eligible Loan if one of the circumstances set forth in Section 3.1.1 of Chapter II exists. This Supplemental Directive amends such guidance to provide that a loan that is subject to a Streamline HAMP Offer for which the period for acceptance has not expired, or is in a Streamline HAMP trial period plan or permanent modification, in either case, as of the effective date of the servicing transfer (or such earlier date on which the population of loans to be transferred is finalized), such loan is considered an Eligible Loan with respect to HAMP. As

provided in Section 1.4.4 of Chapter I, in the event the borrower timely accepts and successfully completes a Streamline HAMP trial period plan, the transferee servicer must offer to permanently modify the borrower's loan.

Compliance

Section 2 of Chapter I of the *Handbook* provides that MHA-C will conduct independent compliance assessments and servicer reviews to evaluate servicer compliance with the requirements of MHA. This Supplemental Directive expands the scope of such assessments and reviews to include Streamline HAMP, specifically as it relates to the requirements associated with such modifications, as set forth herein.

In addition to the documentation requirements specified in Section 2.2 of Chapter I of the *Handbook*, as applicable, required documentation for Streamline HAMP includes but is not limited to:

- The servicer's Streamline HAMP Policy.
- All records of Streamline HAMP Offers sent to borrowers.
- All executed Streamline HAMP Documents required to be submitted by a borrower prior to permanent modification of a loan under Streamline HAMP.
- All records relating to the servicer's use of the Streamline HAMP NPV Tool in determining whether Streamline HAMP is offered on a population of loans.
- All records relating to active Streamline HAMP trial period plans in which the borrower subsequently submitted an Initial Package for evaluation.

In accordance with Section 2.8 of Chapter I of the *Handbook*, review of Dodd-Frank Certification and borrower identity compliance will be conducted on a random sample of Streamline HAMP loans reported in the HAMP Reporting Tool as permanent modifications during the current month's reporting cycle.

Annual Certification

As set forth in Section 2.6.2 of Chapter I of the *Handbook*, servicers are required to certify on an annual basis as to their compliance pursuant to activities performed and obligations satisfied during the period from the effective date of the most recent prior certification through and including the subsequent certification effective date. This Supplemental Directive provides that a subsequent certification for HAMP is inclusive of Streamline HAMP for all subsequent certifications with an effective date on or after March 31, 2016.

Treasury Reporting Requirements

Reason Code Reporting

Section 11.4.1 of Chapter II of the *Handbook* requires servicers to report a Trial Fallout Reason Code for each loan that falls out of or withdraws from a trial period, or completes the trial period but does not result in a permanent modification. This guidance also applies for loans in a Streamline HAMP trial period.

Not Accepted/Not Approved Reason Codes are not applicable with regard to Streamline HAMP Offers. However, if a borrower in a Streamline HAMP trial submits a complete Initial Package, is evaluated for HAMP and does not receive an offer under HAMP Tier 1 or HAMP Tier 2, the servicer must report the reason the borrower was not offered a HAMP Tier 1 or HAMP Tier 2.

An updated list of reason codes will be available in the HAMP Additional Data Requirements Data Dictionary at www.HMPAdmin.com.

Reporting Streamline HAMP Transactions

Updated reporting and payment processes implementing the terms of this Supplemental Directive are currently under development. Subsequent guidance on such processes will be provided on www.HMPAdmin.com. Until updated functionality capable of processing Streamline HAMP transactions is implemented, servicers should not report Streamline HAMP trial period plans or permanent modifications in the HAMP Reporting Tool.

During the interim period, servicers must enter into Streamline HAMP trial period plans and permanent modifications in accordance with the guidance set forth herein and in the *Handbook*, and collect and store information regarding such trial period plans and permanent modifications so that they can be reported once the updated processes become available.

Incentives will be paid on permanent modifications under Streamline HAMP once the updated reporting and payment processes are implemented.

Survey Reporting

Servicers are required to maintain reports of the number of Streamline HAMP Offers made, including those offers accepted and not accepted. With respect to Streamline HAMP Offers, servicers are also required to maintain reports of the number of borrowers who have submitted an Initial Package but whose eligibility for HAMP has not yet been determined.

Interactions with Other MHA Programs

Second Lien Modification Program (2MP)

First lien loans in trial period plans or permanent modifications under Streamline HAMP are not eligible for a matching second lien mortgage modification under 2MP. Accordingly, Streamline HAMP modifications will not be included in the Black Knight match file, nor will any incentive compensation be paid under 2MP in connection with such loans, regardless of whether such loans were previously modified under HAMP Tier 1 or HAMP Tier 2 and once associated with an active 2MP.

Home Affordable Unemployment Program (UP)

Consistent with Section 2.3 of Chapter III of the *Handbook*, a borrower whose loan is currently in a Streamline HAMP trial period plan and who becomes unemployed may seek consideration under UP, regardless of whether the borrower had a payment default. However, a loan may not be in a HAMP trial period plan and an UP forbearance plan simultaneously. In addition, a borrower in a Streamline HAMP permanent modification that loses good standing may be eligible for an UP forbearance plan.

A borrower who, while making timely payments under a prior Streamline HAMP trial period plan, became unemployed and requested UP forbearance, continues to be eligible for Streamline HAMP on that mortgage loan. A borrower who experienced a payment default under a prior Streamline HAMP trial period plan or who lost good standing in a prior Streamline HAMP permanent modification is not eligible for another Streamline HAMP on that mortgage loan.