

Supplemental Directive 09-05 Revised

March 26, 2010

Update to the Second Lien Modification Program (2MP)

Background

In Supplemental Directive 09-01, the Treasury Department (Treasury) announced the eligibility, underwriting and servicing requirements for the Home Affordable Modification Program (HAMP). Under HAMP, servicers apply a uniform loan modification process to provide eligible borrowers with sustainable monthly payments for their first lien mortgage loans (referred to herein as first liens). On August 13, 2009, Treasury published Supplemental Directive 09-05, introducing the Second Lien Modification Program (referred to as 2MP) designed to work in tandem with HAMP. Together, HAMP and 2MP create a comprehensive solution to help borrowers achieve greater affordability by lowering payments on both first lien and second lien mortgage loans (referred to herein as second liens). Under 2MP, when a borrower's first lien is modified under HAMP and the servicer of the second lien is a 2MP participant, that servicer must offer to modify the borrower's second lien according to a defined protocol, to accept a lump sum payment from Treasury in exchange for full extinguishment of the second lien, or to accept a lump sum payment from Treasury in exchange for a partial extinguishment and modify the remaining borrower's second lien according to a defined protocol. The 2MP offer will be made in reliance on the financial information provided by the borrower in conjunction with the HAMP modification and without additional evaluation by the second lien servicer.

This Supplemental Directive replaces in its entirety Supplemental Directive 09-05. If a material regulatory or legislative event occurs after the publication of this Supplemental Directive, Treasury agrees to review the event and its impact on the guidance in this Supplemental Directive. This Supplemental Directive provides guidance to servicers for adoption and implementation of 2MP for second liens that are not owned or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Second Liens). Servicers of second liens that are owned or guaranteed by Fannie Mae or Freddie Mac should refer to the 2MP guidance provided by the applicable GSE.

In order to participate in 2MP with respect to Non-GSE Second Liens, a servicer must execute a Servicer Participation Agreement (SPA) (or an amended and restated Servicer Participation Agreement if the servicer has previously executed a HAMP SPA) and related documents with Fannie Mae in its capacity as financial agent for the United States (as designated by Treasury) on or before October 3, 2010. All servicers of eligible second liens may participate in 2MP. A servicer need not service the related first lien or participate in HAMP in order to participate in 2MP.

To help servicers implement 2MP, this Supplemental Directive covers the following topics:

- Modification and Extinguishment Eligibility
- Coordination with Other MHA Programs
- Modification Process
- Trial Period Requirements
- Borrowers in Bankruptcy
- Borrower Notice
- 2MP Timing
- 2MP Modification Documents
- Mortgage and Other Insurer Approval
- Use of Suspense Accounts and Application of Payments
- Assignment to MERS
- Reporting Requirements
- Credit Bureau Reporting
- Incentive Compensation
- Extinguishment Option
- Compliance
- Document Retention

Modification and Extinguishment Eligibility

- Only second liens with corresponding first liens that have been modified under HAMP are eligible for a modification or extinguishment under 2MP.
- Second liens originated on or before January 1, 2009 are eligible for a modification or extinguishment under 2MP.
- Second liens (current or delinquent) with an unpaid principal balance (at initial consideration for the second lien modification) of less than \$5,000 or a pre-modification scheduled monthly payment less than \$100 may not be modified or partially extinguished under 2MP. Servicers may, at their discretion, fully extinguish a second lien with an unpaid principal balance (at initial consideration for the second lien modification) of less than \$5,000 or a pre-modification scheduled monthly payment less than \$100 and, such full extinguishment is eligible for an investor incentive payment.
- A second lien may be modified only once under 2MP.
- A mortgage loan that is subordinate to a second lien is ineligible under 2MP. Modification or extinguishment of such a subordinate mortgage loan in place of the second lien will not satisfy the servicer's obligation under 2MP to modify or extinguish the second lien.
- If a second lien is modified under 2MP, it is not later eligible for payment of full or partial extinguishment incentives under 2MP. However, when a partial extinguishment of principal is combined with a modification of an eligible second lien, incentives can be paid for each activity.
- If a second lien is fully extinguished under 2MP, no other subordinate lien shall become eligible for modification or extinguishment.

- A home equity loan that is in first lien position is not eligible under 2MP and should be evaluated for modification under HAMP.
- A mortgage lien that would be in second lien position but for a tax lien, a mechanic's lien or other non-mortgage related lien that has priority is eligible under 2MP.
- A second lien on which no interest is charged and no payments are due until the first lien is paid in full (e.g., FHA partial claim liens and/or equity appreciation loans) is not eligible under 2MP.
- Borrowers may be accepted into the program if a fully executed 2MP modification agreement or trial period plan is in the servicer's possession on December 31, 2012.

Note: Second lien mortgage loans insured, guaranteed or held by a federal government agency (e.g. FHA, HUD, VA and Rural Development) are not eligible for 2MP.

Coordination with Other MHA Programs

To ensure alignment of all programs within the Making Home Affordable Program, participating servicers in 2MP must re-subordinate junior liens within their servicing portfolio to facilitate the modification of a first lien under HAMP or the refinance of a mortgage loan under the Home Affordable Refinance Program.

Modification Process

When a borrower's first lien is modified under HAMP, a participating second lien servicer must offer to modify the borrower's second lien according to a defined protocol. In addition, if the borrower's first lien is modified under HAMP, a participating second lien servicer must dismiss any outstanding foreclosure action on the borrower's second lien. The 2MP modification offer may be prepared during the HAMP trial period for loans approved for a trial period plan under the fully verified protocol required in Supplemental Directive 10-01; or on or after the date the HAMP modification becomes effective with respect to any loan modified under HAMP. In addition, the permanent modification of the second lien under 2MP may not become effective unless and until the permanent modification of the first lien becomes effective under HAMP.

Matching Second Liens to HAMP First Liens

In order to facilitate the communication of HAMP modification information between first and second lien servicers, Lender Processing Services' (LPS), Applied Analytics Division will build and maintain a database of second liens that may be eligible under 2MP and that are serviced by servicers participating in 2MP. Information from the database will be used to match first and second liens and to notify second lien servicers of the HAMP modification status and details necessary for the second lien servicer to offer a 2MP modification to the borrower. A 2MP participating servicer is required to use LPS to identify all eligible lien matches for 2MP, including matches of first and second liens it identifies through its own internal systems. Servicers participating in 2MP must enter into a contract directly with LPS to facilitate this program and will be required to pay a one-time set up fee and nominal transaction fees for each second lien matched, regardless of whether a 2MP modification is completed.

As part of its contract with LPS, a 2MP participating servicer will agree to provide LPS with information regarding all eligible second liens that it services. If the 2MP participating servicer identifies matching first and second liens on its own system, it should work with LPS so that the required loan information is accurately reflected in the LPS database. In addition, the servicer will provide monthly updates of this information to LPS. The information provided to LPS will be used for matching first and second liens to facilitate 2MP modifications and for program analysis and reporting.

LPS will provide matching information to participating second lien servicers via a secure transmission. The general data requirements for providing second lien information to LPS are attached as Exhibits A and B to this Supplemental Directive.

Reliance on First Lien Data

The terms of the HAMP modification of the first lien will be used to determine the terms of the 2MP modification of the second lien. Servicers participating in 2MP are not required to verify any of the financial information provided by the borrower in connection with the HAMP modification. In general, modification of first lien mortgages under HAMP confers a benefit on any associated second lien mortgages. Because a HAMP-modified first lien mortgage was, as required by HAMP guidelines, delinquent or faced imminent default before modification, servicers may reasonably conclude that default is foreseeable with respect to a related second lien mortgage. Therefore, it can be reasonably concluded that the combination of the modification of the first lien and the second lien under HAMP guidelines will be Net Present Value (NPV) positive, and for that reason, the second lien servicer is not required to perform an additional NPV test on the related second lien mortgage. Furthermore, post-foreclosure recoveries of second lien mortgages, as a class, are likely to be *de minimis* if the first lien mortgage is delinquent or at risk of default. Accordingly, it is reasonable for servicers to conclude that modification of second lien mortgages in accordance with this guidance is likely to provide an anticipated recovery on the outstanding principal mortgage debt that, as a class, will exceed the anticipated recovery through foreclosure.

Unless there is evidence of fraud or misrepresentation (such as when the second lien servicer is aware that a property is not owner-occupied), there is no additional responsibility on the part of the second lien servicer to verify the information provided by the first lien servicer through LPS. If the second lien servicer identifies evidence of fraud or misrepresentation, the servicer should not proceed with the 2MP modification and must notify the Program Administrator at Escalations@HMPAdmin.com.

Standard Modification Steps

Servicers must follow the standard modification steps set forth below to modify the second lien.

Step 1: Capitalization

Capitalize accrued interest and servicing advances (costs and expenses incurred in performing second lien servicing obligations, such as those related to preservation and protection of the

security property and the enforcement of the mortgage) paid to third parties in the ordinary course of business and not retained by the servicer, if allowed by applicable state law. Accrued interest may be waived or deferred at the discretion of the servicer. The servicer should capitalize only those third party delinquency fees that are reasonable and necessary. Fees permitted by Fannie Mae and Freddie Mac for GSE mortgage loans shall be considered evidence of fees that would be reasonable for non-GSE mortgage loans. Late fees and other ancillary income fees (e.g., insufficient funds fees, over limit fees and annual fees) may not be capitalized and must be waived unless the borrower fails to make the 2MP trial period payments and the second lien is not modified.

Step 2: Reduce Interest Rate

2.A: For amortizing second liens (payment of both principal and interest): Reduce the interest rate of the second lien to 1.0 percent. After five years, the interest rate on the second lien will reset at the then-current interest rate on the HAMP-modified first lien. If applicable, following the initial interest rate reset, the interest rate of the modified second lien will reset on the same terms and schedule as the interest rate of the HAMP-modified first lien. At any time, the servicer may, in its discretion, offer a rate of interest that is lower than the HAMP-modified first lien.

Example: The Interest Rate Cap (as defined in Supplemental Directive 09-01) on the modified first lien is 6.5%. The interest rate on the modified first lien is fixed at 5.0% for the first five years and then increases by 1.0% in year six to 6.0%, and by 0.5% in year seven to 6.5%. Thereafter, the interest rate remains at 6.5% for the remaining term of the first lien. Accordingly, the interest rate of the modified second lien will be fixed at 1.0% for the first five years and then increase by 5.0% in year six to 6.0%, and by 0.5% in year seven to 6.5%.

2.B: For second liens with interest-only payments: Servicers may, in accordance with investor and regulatory guidance, either follow the procedure above to convert interest-only payments to amortizing payments at 1.0 percent interest, or retain the interest-only payment schedule and reduce the interest rate of the second lien to 2.0 percent. After five years, the interest rate on the second lien will reset at the then-current interest rate on the HAMP-modified first lien. If applicable, following the initial rate reset, the interest rate of the modified second lien will reset on the same terms and schedule as the interest rate of the HAMP-modified first lien. At any time, the servicer may, in its discretion, offer a rate of interest that is lower than the HAMP-modified first lien.

Example: The Interest Rate Cap on the modified first lien is 6.5%. The interest rate on the modified first lien is fixed at 5.0% for the first five years and then increases by 1.0% in year six to 6.0%, and by 0.5% in year seven to 6.5%. Thereafter, the interest rate remains at 6.5% for the remaining term of the first lien. Accordingly, the interest rate of the modified second lien will be fixed at 2.0% for the first five years and then increase by 4.0% in year six to 6.0%, and by 0.5% in year seven to 6.5%.

2.C: For partially amortizing second liens (such as convertible HELOCs): If 50 percent or more of a second lien (based on the unmodified aggregate unpaid principal balance as of

the date the 2MP offer is made to the borrower) is currently amortizing, the servicer should follow Step 2.A above to reduce the interest rate of the second lien. If less than 50 percent of a second lien (based on the unmodified aggregate unpaid principal balance as of the date the 2MP offer is made to the borrower) is currently amortizing, the servicer should follow Step 2.B. above to reduce the interest rate of the second lien.

In the alternative, and at the discretion of the servicer in accordance with any related pooling and servicing agreement or other investor servicing agreement, for the steps above in 2.A, 2.B, or 2.C, the terms of the 2MP modification may include a more gradual interest rate step up after five years. At no time may the interest rate on the modified second lien exceed the interest rate on the modified first lien.

Step 3: Extend Term

3.A: For amortizing second liens (payment of both principal and interest): If the original term of the second lien is shorter than the remaining term of the HAMP-modified first lien, extend the term of the second lien to match, at a minimum, the term of the HAMP-modified first lien. Subject to regulatory guidance and the applicable pooling and servicing agreement or other investor servicing agreement, a servicer may extend the term or the amortization period of the second lien up to 40 years, regardless of the term or amortization period on the first lien. In either instance, amortize the modified unpaid principal balance of the second lien over the term of the modified second lien. If a term extension is not permitted under the applicable pooling and servicing agreement or other investor servicing agreement, but an extension of the amortization period is permissible, then reamortize the second lien with a balloon payment due at maturity so that the new amortization period either (i) matches, at the servicer's discretion, either the amortization period or the term of the modified first lien or (ii) is extended for up to 40 years; in either case subject to the applicable pooling and servicing agreement or other investor servicing agreement.

3.B: For second liens with interest-only payments: If the original term of the second lien is shorter than the remaining term of the HAMP-modified first lien, extend the term of the second lien to match, at a minimum, the term of the HAMP-modified first lien. Subject to regulatory guidance and the applicable pooling and servicing agreement or other investor servicing agreement, a servicer may extend the term or the amortization period of the second lien up to 40 years, regardless of the term or amortization period on the first lien. In either instance, amortize the modified unpaid principal balance of the second lien beginning at the time specified in the original second lien documents or after year five, whichever is later. If a term extension is not permitted under the applicable pooling and servicing agreement or other investor servicing agreement, but an extension of the amortization period is permissible, then reamortize the second lien with a balloon payment due at maturity so that the new amortization period either (i) matches, at the servicer's discretion, either the amortization period or the term of the modified first lien or (ii) is extended for up to 40 years; in either case subject to the applicable pooling and servicing agreement or other investor servicing agreement. If, however, the second lien is interest-only until the maturity date under the original loan documents and does not become amortizing, then amortization on the modified 2MP lien must begin after year five.

3.C: For partially amortizing second liens (such as convertible HELOCs): If 50 percent or more of a second lien (based on the unmodified aggregate unpaid principal balance as of the date the 2MP offer is made to the borrower) is currently amortizing, the servicer should follow Step 3.A above to extend the term of the second lien. If less than 50 percent (based on the unmodified aggregate unpaid principal balance as of the date the 2MP offer is made to the borrower) of a second lien is currently amortizing, the servicer may, in accordance with investor guidance, follow either Step 3.A or 3.B above to determine whether or not to extend the term of the second lien.

Step 4: Principal Forbearance

If there was principal forbearance or forgiveness on the HAMP-modified first lien, a servicer must forbear principal on the second lien in the same proportion. The servicer may, at its discretion and as permitted under the applicable pooling and servicing agreement, choose to forgive or forbear (or any combination thereof) principal at least in the proportionate amount corresponding to the amount forborne or forgiven on the HAMP-modified first lien.

The proportion of the required forbearance should be based on the ratio of the principal forbearance or forgiveness amount of the HAMP-modified first lien to the total unpaid principal balance of the HAMP-modified first lien on its modification effective date. If the servicer has deferred accrued interest in lieu of capitalization in Step 1, the deferred amount will be in addition to any principal forbearance required under this Step 4.

Example: The total unpaid principal balance plus the forgiveness amount of the HAMP-modified first lien on its modification effective date is \$100,000, the amount of principal forbearance on the first lien is \$5,000 and the amount of principal forgiveness is \$5,000. Therefore, the servicer must forbear and/or forgive 10% of the second lien. If the total unpaid principal balance of the second lien on the modification effective date is \$40,000, the servicer must forbear and/or forgive a total of \$4,000.

Principal Forgiveness Option

There is no requirement to forgive principal under 2MP. However, servicers may, at their discretion and when permitted under the applicable pooling and servicing agreement or other investor servicing agreement, agree to forgive principal as part of a 2MP modification and will be eligible for both modification incentives and extinguishment incentives on any partial amount of principal that is forgiven so long as the unpaid principal balance of the second lien (at initial consideration for the second lien modification) is equal to or greater than \$5,000 and has a pre-modification scheduled monthly payment equal to or greater than \$100. Servicers may, at their discretion, fully extinguish a second lien with an unpaid principal balance (at initial consideration for the second modification) of less than \$5,000 or a pre-modification scheduled monthly payment less than \$100, as more fully discussed in the “Extinguishment Option” section of this Supplemental Directive.

Additionally, a servicer may elect to use principal forgiveness rather than interest rate reduction to achieve an affordable monthly payment and will be eligible for both extinguishment incentives on any partial amount of principal that is forgiven and modification incentives so long as the unpaid principal balance of the second lien (at initial consideration for the second lien modification) is equal to or greater than \$5,000 and has a pre-modification scheduled monthly payment equal to or greater than \$100. In this instance, the servicer must first determine what the modified monthly payment on the second lien would be under the standard waterfall (“target payment”). The monthly payment during the first five years of the second lien modification must be no greater than the target payment. The interest rate may exceed the waterfall interest rate of 1% for amortizing loans and 2% for interest-only loans, but in no event may be higher than the Interest Rate Cap plus 200 basis points.

Note: All loans modified under 2MP must result in closed-end second liens. If the second lien is an open-end line of credit, participating servicers must terminate the borrower’s ability to draw additional amounts on the credit line when the 2MP modification becomes effective. In addition, immediately upon notification that the first lien is entering a HAMP trial period or has been modified under HAMP, servicers should terminate the borrower’s ability to draw additional amounts on open-end lines of credit if permitted by applicable law and the second lien loan documents. When terminating the borrower’s ability to draw additional amounts under an open-end line of credit, the servicer of the second lien must provide the borrower with disclosures in a manner consistent with applicable law.

Investor and Other Prohibitions

If the applicable pooling and servicing agreement or other investor servicing agreement prohibits the servicer from entering into a modification of the second lien, the servicer must seek approval from the investor’s representative for an exception. In the event that applicable state law or the applicable pooling and servicing agreement or other investor servicing agreement prohibits or limits a modification step (e.g., extension of term beyond a specific point in time), a servicer may either skip the modification step or perform the step within the limitations of the law or servicing agreement without obtaining prior approval from the investor.

Trial Period Requirements

The borrower must demonstrate the ability and willingness to support the modified payment on the second lien; therefore, a trial period may be required based on the delinquency status of the borrower. A borrower’s delinquency status on the second lien is determined as of the date the 2MP offer is made to the borrower. When a borrower is current on the existing second lien and the current contractual payment amount is equal to or greater than the monthly payment that will be due following the 2MP modification, a trial period is not required (unless a trial period is necessary to comply with applicable contractual obligations). The servicer and borrower may execute a modification of the second lien immediately following modification of the HAMP-modified first lien.

When a borrower is not current (two or more payments are due and unpaid at the time of the 2MP offer), the borrower must enter a trial period plan with payments that reflect the terms of

the proposed second lien modification. The trial period must be three months in duration (or longer if necessary to comply with applicable contractual obligations). The 2MP trial period may run concurrently or overlap in time with the trial period for a first lien approved for a trial period plan under the fully verified protocol required in Supplemental Directive 10-01. However, since a modification of the second lien cannot be effective until the HAMP modification of the related first lien is effective, the trial period for the second lien may be longer than three months if it overlaps with the first lien trial period. If this occurs, the borrower must continue to make timely trial period payments throughout the trial period regardless of its length. A 2MP trial period for second liens related to first liens approved for a trial period plan based on stated income may not begin until the first lien has been converted to a permanent modification. Additionally, if the HAMP modified first lien falls out of good standing while the second lien is in a trial period, the servicer is not required to offer a 2MP modification to the borrower.

2MP trial period payment due dates may be any day of the month. However, the 2MP modification agreement must require that payments are due on the first day of each month. If the final 2MP trial period due date is not the first day of the month, then the servicer may, at its option, extend the trial period by one additional month. If the servicer elects this option, the borrower will not be required to make an additional trial period payment during the month in between the final trial period month and the month in which the modification becomes effective. A servicer must treat all borrowers the same in applying this flexibility by developing and applying a written policy.

The borrower must make each trial period payment no later than 30 days from the date such trial period payment is due in order to receive a 2MP modification, though servicers may use business judgment in accepting late payments when there are mitigating circumstances and must document that decision in the servicing file. Although the borrower may make scheduled payments earlier than expected, the early payments do not affect the length of the trial period or accelerate the 2MP modification effective date.

If the borrower does not pay the final trial period payment on or before the last due date of the trial period, then the servicer may, at its option, extend the trial period by one additional month. If the servicer elects this option, the borrower will not be required to make an additional trial period payment during the month in between the final trial period month and the month in which the modification becomes effective. A servicer must treat all borrowers the same in applying this flexibility by developing and applying a written policy by which the final trial period payment must be submitted before the servicer applies this option (cutoff date). The cutoff date must be after the due date for the final trial period payment.

In addition, the servicer must inform the borrower in writing about (i) the delay of the modification effective date by one month and (ii) the effects of the interim month and the delay in the effective date of the modification, including, but not limited to, the delay in the effective date of the modified interest rate and the increase in the delinquent interest capitalized if the borrower does not make an additional trial period payment.

If a participating servicer has entered a borrower in a second lien trial period plan prior to executing the SPA and the corresponding first lien has been converted to a permanent modification, that trial period plan will satisfy the 2MP trial period requirements if the trial

period plan is at least three months in duration and the second lien modification follows the steps detailed in the “Standard Modification Steps” section of this Supplemental Directive. However, the servicer must execute the SPA prior to the effective date of a second lien modification in order for the modification to be eligible for any 2MP incentives.

Borrowers in Bankruptcy

Borrowers in active Chapter 7 or Chapter 13 bankruptcy cases are eligible for 2MP if the borrower, borrower’s counsel or bankruptcy trustee contacts the servicer to request consideration. With the borrower’s permission, a bankruptcy trustee may contact the servicer to request a 2MP modification. Servicers are not required to solicit these borrowers for 2MP when they are under bankruptcy protection.

Borrowers who are currently in a trial period plan and subsequently file for bankruptcy may not be denied a 2MP permanent modification on the basis of the bankruptcy filing. The servicer and its counsel must work with the borrower or borrower’s counsel to obtain any court and/or trustee approvals required in accordance with local court rules and procedures.

Borrower Notice

When a borrower is evaluated for 2MP and the borrower is not offered a 2MP modification, the servicer must report a reason code specified in Exhibit B of this Supplemental Directive. Servicers are also required to mail a notice to the borrower no later than 10 days following the date of the servicer’s determination that a 2MP modification will not be offered. Such notices may be sent electronically only if the borrower has previously agreed to exchange correspondence relating to the modification with the servicer electronically. The content of the notice to the borrower may vary depending on the information intended to be conveyed or the determination made by the servicer. All notices must be written in clear, non-technical language, with acronyms and industry terms explained in a manner that is easily understandable. The explanation(s) should relate to one or more of the reason codes specified in Exhibit B.

2MP Timing

The modification of a second lien may not become effective unless and until (i) the modification of a corresponding first lien becomes effective under HAMP, and, when applicable (ii) the borrower has made all required 2MP trial period payments in accordance with this Supplemental Directive.

No later than 120 calendar days after the later of (i) the effective date of the 2MP SPA Service Schedule, (ii) the date a servicer receives the first and second lien matching information from LPS or (iii) the date of the implementation of the 2MP reporting and payment processes (each, a Trigger Event), a servicer must offer a 2MP trial period plan or 2MP modification, as applicable to any eligible second lien borrower whose corresponding first lien was modified under HAMP at any time prior to the Trigger Event and the first lien modification remains in good standing. A servicer may offer a 2MP trial period plan or 2MP modification, as applicable, to a borrower prior to the occurrence of the Trigger Event described in clause (iii) above (but after the

occurrence of the Trigger Events described in clauses (i) and (ii) above); provided, however, that no incentives will be paid with respect to the modified second lien unless both the first and second liens are in good standing as of the first day of the month following the occurrence of such Trigger Event. In addition, if the HAMP modified first lien falls out of good standing while the second lien is in a trial period, the servicer is not required to offer a 2MP modification to the borrower.

For first liens modified under HAMP after the Trigger Event, servicers must offer a 2MP trial period plan or 2MP modification, as applicable, to a second lien borrower no later than 60 calendar days after the effective date of the related HAMP modification.

Borrower Response

Timely payment by the borrower of the first 2MP trial period payment is evidence of the borrower's acceptance of the terms of the 2MP trial offer. If no trial period is required, the borrower must sign the 2MP modification agreement within 30 days from the date of the 2MP modification offer. If the trial period is not accepted by the last day of the month in which the first trial period payment is due, or the modification offer is not accepted within 30 days, the servicer may permanently withdraw the offer and will not be obligated to modify the second lien. The withdrawal notice must be in writing and must be sent within 10 business days of the withdrawal decision.

2MP Modification Documents

Treasury will not issue standard modification documents for 2MP. Participating servicers may rely on their existing second lien modification documents, revised as necessary to include 2MP program requirements and ensure that the documents comply with applicable federal, state, and local laws. At a minimum, the modification documents used must include the following:

1. A representation by the borrower that, under penalty of perjury, all documents and information provided by borrower to servicer is true and correct.
2. A statement from the borrower that the modification documents supersede the terms of any modification, forbearance, trial period plan or workout plan previously entered into in connection with the borrower's second lien.
3. A statement from the borrower that the borrower will comply with and is bound by all covenants, agreements, and requirements of his/her loan documents except to the extent that such loan documents are modified by the modification agreement.
4. A statement from the borrower that the loan documents are composed of duly valid, binding agreements, enforceable in accordance with their terms.
5. A statement from the borrower that nothing in the modification agreement shall be understood or construed to be a satisfaction or release in whole or in part of the obligations contained in the loan documents as modified by the modification agreement.
6. A due on sale provision to the extent enforceable under federal law.

7. A statement that prohibits any subsequent assumption of the loan after modification.
8. A statement that declares any provision providing for a penalty for full or partial prepayment of the modified principal balance null and void.
9. A statement where the borrower agrees that the modification agreement will be null and void if the servicer does not receive all necessary title endorsement(s), title insurance product(s) and/or subordination agreement(s).
10. A statement in which the borrower agrees to execute any documents, including corrected documents and replacements for lost documents, necessary to consummate the transactions contemplated in the modification agreement.
11. A statement from the borrower that if the second lien is an open-end line of credit, the borrower consents to the termination of his or her ability to draw additional amounts on the line.
12. A statement in which the borrower consents to the disclosure of his/her personal information, including the terms of the modification, to (a) Treasury for purposes related to HAMP and 2MP, (b) any investor, insurer, or guarantor that owns, insures or guarantees his/her mortgage, (c) the servicer of his/her first lien, (d) Fannie Mae and Freddie Mac as necessary for either to perform its respective obligations as financial agents of Treasury in connection with HAMP and 2MP, and (e) Companies that perform support services for HAMP and 2MP, including marketing HAMP or 2MP, conducting surveys or providing marketing research or other borrower outreach, data processing, and technical systems consulting.

Mortgage and Other Insurer Approval

Typically, mortgage insurance for a second lien is issued through a master pool policy placed by the investor or holder of the mortgage. As a result, the second lien servicer might not be aware of the existence of mortgage insurance. When a servicer is servicing second liens on behalf of an investor, the servicer should ensure that the investor has identified those second liens that have mortgage insurance. The second lien investor should seek to obtain a blanket delegation of authority from mortgage insurers to modify second liens under 2MP.

As an alternative to a blanket delegation of authority, servicers may obtain mortgage insurer approval to modify second liens under 2MP on a case-by-case basis. Servicers should consult their mortgage insurance providers for specific processes related to the reporting of modified terms, payment of premiums, payment of claims, and other operational matters in connection with loans modified under 2MP.

Servicers should also obtain insurer approval for other types of lender placed protection policies, such as lien protection policies. Lien protection policies provide coverage for the lender against liens and encumbrances that assert a priority over an insured mortgage.

Use of Suspense Accounts and Application of Payments

During a trial period plan, and if permitted by the applicable loan documents and the servicer's business practices, servicers may accept and hold as "unapplied funds" (held in a custodial account) amounts received which do not constitute a full monthly, contractual payment. However, when the total of the reduced payments held as "unapplied funds" is equal to a full contractual payment, the servicer is required to apply the payment to the second lien.

Any unapplied funds remaining at the end of any 2MP trial period that do not constitute a full monthly, contractual payment should be applied to reduce any amounts that would otherwise be capitalized as part of the modified principal balance.

If, following a 2MP modification, a principal curtailment is received on a loan that has a principal forbearance, servicers are instructed to apply the principal curtailment to the interest bearing unpaid principal balance (UPB). If, however, the principal curtailment amount is greater than or equal to the interest bearing UPB, then the curtailment should be applied to the principal forbearance portion. If the curtailment satisfies the principal forbearance portion, any remaining funds should then be applied to the interest bearing UPB.

Monthly Statements

For modifications that include principal forbearance, servicers are encouraged to include the amount of the gross UPB on the borrower's monthly payment statement.

Assignment to MERS

If the original second lien was registered with Mortgage Electronic Registration Systems, Inc. (MERS) and the originator elected to name MERS as the original mortgagee of record, solely as nominee for the lender named in the security instrument and the note, the servicer MUST make the following changes to the modification agreement:

(a) Insert a new definition under the "Property Address" definition, which reads as follows:

"MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for lender and lender's successors and assigns. MERS is the mortgagee under the Mortgage. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, (888) 679-MERS.

(b) Add a section to state:

That MERS holds only legal title to the interests granted by the borrower in the mortgage, but, if necessary to comply with law or custom, MERS (as nominee for lender and lender's successors and assigns) has the right: to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the Property; and to take any action required of lender including, but not limited to, releasing and canceling the mortgage loan.

(c) MERS must be added to the signature lines at the end of the modification agreement, as follows:

Mortgage Electronic Registration
Systems, Inc. – Nominee for Lender

The servicer may execute the modification agreement on behalf of MERS.

Reporting Requirements

Each servicer will be required to register with Fannie Mae to participate in 2MP. Fannie Mae will provide a 2MP Registration Form to facilitate registration. Servicers are not required to report to Fannie Mae, as 2MP program administrator, the initiation of 2MP trial periods or the receipt of 2MP trial period payments.

Second Lien Modifications

Servicers are required to provide to Fannie Mae, as 2MP program administrator, the loan set up attributes generally set forth in Exhibits A and B, as applicable, of this Supplemental Directive no later than the fourth business day of the month in which the second lien modification is effective. Servicers should look for a full description and detail of these attributes in the 2MP Data Dictionary to be posted on www.HMPAdmin.com.

Servicers must begin reporting activity on all 2MP loans on a monthly basis, beginning with the month after the loan set up file is provided, using the attributes generally set forth in Exhibits A and B, as applicable, of this Supplemental Directive. Servicers should look for a full description and detail of these attributes in the 2MP Data Dictionary to be posted on www.HMPAdmin.com.

Second Lien Modification Not Approved/Approved But Not Accepted/Approved But Defaulted On The Plan

Servicers are required to provide to Fannie Mae, as 2MP program administrator, for all second liens for which modifications were not approved, approved but not accepted or approved but defaulted on the trial period plan by the borrower in a given month, the loan attributes generally set forth in Exhibits A and B, as applicable, of this Supplemental Directive, no later than the fourth business day of the following month. Servicers should look for a full description and detail of these attributes in the 2MP Data Dictionary to be posted on www.HMPAdmin.com.

Effective Dates for Reporting

The 2MP reporting and payment processes are currently under development by Fannie Mae, in its capacity as program administrator. Subsequent guidance will be provided describing when the 2MP reporting processes will be available. Servicers will not be required to report 2MP data until the reporting process is in place, but in this interim period servicers must collect and store

information on all 2MP transactions so that the necessary data can be reported when the processes become available.

Credit Bureau Reporting

Servicers must report a “full-file” status report to the credit repositories for each loan under 2MP in accordance with the Fair Credit Reporting Act as well as other applicable law and credit bureau requirements as provided by the Consumer Data Industry Association (CDIA). “Full-file” reporting means that the servicer must describe the exact status of each mortgage it is servicing as of the last business day of each month. Following modification of a second mortgage lien loan under 2MP, servicers should use Special Comment Code “CN” to identify loans being paid under a modified payment agreement as described in the guidance below provided by CDIA.

Trial Period Reporting

If the borrower was current with payments prior to the trial period and he or she makes each trial period payment on time, servicers must report the borrower as current (Account Status 11) during the trial period and report Special Comment Code ‘AC’ (Paying under a partial payment agreement).

If the borrower was delinquent (at least 30 days past the due date) prior to the trial period and the reduced payments do not bring the account current, servicers must report the Account Status Code that reflects the appropriate level of delinquency and report Special Comment Code ‘AC’ (Paying under a partial payment agreement).

Post Modification Reporting

Servicers should continue to report one trade line under the original Account Number.

- Date Opened = the date the account was originally opened
- Original Loan Amount = the original amount of the loan, including the Balloon Payment Amount, if applicable. If the principal balance increases due to capitalization of delinquent amounts due under the loan, the Original Loan Amount should be increased to reflect the modified principal balance
- Terms Duration = the modified terms
- Scheduled Monthly Payment Amount = the new amount as per the modified agreement
- Current Balance = the principal balance (including the Balloon Payment Amount, if applicable), plus the interest and escrow due during the current reporting period
- Account Status Code = the appropriate code based on the new terms of the loan
- Special Comment Code = CN
- K4 Segment = used to report the Balloon Payment information, if applicable:
 - Specialized Payment Indicator = 01 (Balloon Payment)
 - Payment Due Date = the date the balloon payment is due which is equal to maturity of the amortizing portion of the loan. Note: The payoff date can be used in this field
 - Payment Amount = the amount of the balloon payment in whole dollars only

Incentive Compensation

No 2MP incentives of any kind will be paid if the servicer has not executed a SPA to participate in 2MP. Additionally, no 2MP servicer or borrower incentives will be paid if (i) either the first or second lien is no longer in good standing under HAMP or 2MP, respectively, or (ii) either the first or second lien is paid in full. No 2MP investor cost share incentives will be paid if the first lien is no longer in good standing under HAMP or if either the first lien or second lien is paid in full.

With respect to payment of any incentive that is predicated on a six percent reduction in the borrower's monthly second lien payment, the reduction will be calculated by comparing the monthly payment prior to modification and the borrower's payment under 2MP.

The amount of funds available to pay servicer, borrower and investor compensation in connection with each servicer's modifications will be capped pursuant to each servicer's SPA (Program Participation Cap). Treasury will establish each servicer's initial Program Participation Cap by estimating the number of 2MP modifications and extinguishments expected to be performed by each servicer during the term of the 2MP. The Program Participation Cap could be adjusted based on Treasury's full book analysis of the servicer's loans.

The funds remaining available for a servicer's modifications and extinguishments under that servicer's Program Participation Cap will be reduced by amounts paid for extinguishments and the maximum amount of compensation payments potentially payable with respect to each second lien modification upon the modification becoming effective. In the event the compensation actually paid with respect to a second lien modification is less than the maximum amount of compensation payments potentially payable, the funds remaining available for a servicer's modifications and extinguishments under 2MP will be increased by the difference between such amounts.

Treasury may, from time to time and in its sole discretion, revise a servicer's Program Participation Cap. Fannie Mae will provide written notification to a servicer of all changes made to the servicer's Program Participation Cap. Once a servicer's Program Participation Cap is reached, a servicer may continue to modify second liens in accordance with the 2MP guidelines; however, no payments will be made with respect to any new second lien modifications or extinguishments. If the servicer is also participating in HAMP, the 2MP Program Participation Cap will be added to the servicer's existing Program Participation Cap and will be fungible between the programs.

Accruals

Incentive compensation will be accrued from the 2MP modification effective date for all modifications. All 2MP incentives relating to a loan which has been modified in accordance with this Supplemental Directive and which have accrued prior to implementation of the 2MP reporting and payment processes will be paid on the later of (i) the month following implementation of such processes or (ii) the month the required modification data is entered into

the Treasury system of record, so long as both the first and second liens are in good standing on the date the modification is entered into the Treasury system of record. If either loan is no longer in good standing on the date the modification is entered into the Treasury system of record, no incentives will be paid.

All incentives accrued after the implementation of the 2MP reporting and payment processes will be paid in the month the required modification data is entered into the Treasury system of record.

Redefault and Loss of Good Standing

If a borrower misses three consecutive payments at any time on his or her second lien following the execution of a 2MP modification (three monthly payments are due and unpaid on the last day of the third month), the second lien is no longer considered to be in “good standing.” A loan that is not in good standing permanently loses eligibility to receive further servicer and borrower incentives and reimbursements under the program. Undisbursed incentive payments to borrowers and servicers, even if accrued, will not be made. Once lost, good standing cannot be restored and eligibility for incentives and interest reimbursements cannot be reclaimed, even if the borrower fully cures the delinquency. Further, the second lien is not eligible for another 2MP modification or extinguishment.

Servicer Incentive Compensation

A servicer of a second lien will receive one-time compensation of \$500 for each second lien modification that becomes effective under 2MP. If a particular borrower’s monthly second lien payment is reduced through the 2MP by six percent or more, the servicer will also receive an annual “pay for success” fee of \$250 for up to three years as long as both the HAMP modification and the 2MP modification remain in good standing and have not been paid in full as of the date the payment is made. “Pay for success” fees do not accrue during the trial period, if any. The “pay for success” fee will accrue monthly and is payable annually for each of the first three years after the anniversary of the date the 2MP modification becomes effective. This is in addition to any servicer incentive compensation for which the servicer may be eligible in connection with a HAMP first lien modification. If either the HAMP modification or the 2MP modification ceases to be in good standing or either loan is paid in full, the servicer will cease to be eligible for any further 2MP incentive payments after that time, even if the borrower subsequently cures his or her delinquency. Undisbursed incentive payments, even if accrued, will not be made.

Borrower Incentive Compensation

If a particular borrower’s monthly second lien payment is reduced through 2MP by six percent or more, the borrower will receive an annual “pay for performance” principal balance reduction payment of up to \$250 for up to five years following the effective date of the second lien modification as long as both the HAMP modification and the 2MP modification remain in good standing and have not been paid in full as of the date the payment is made. “Pay for performance” principal balance reduction payments do not accrue during the trial period, if any. The “pay for performance” principal balance reduction payment will accrue monthly as long as

the borrower is current on both the first and second liens and makes his or her monthly payment on time (the payment is made by the last day of the month in which the payment is due) and will be applied annually for each of the first five years after the anniversary of the date the 2MP modification became effective. This payment will be paid to the servicer of the second lien to be applied towards reducing the UPB on the second lien.

If either the modified first lien or the modified second lien ceases to be in good standing or either loan is paid in full, the borrower will be ineligible to receive 2MP incentive payments already accrued or to accrue any future 2MP incentive payments, even if the borrower subsequently cures his or her delinquency. Undisbursed incentive payments, even if accrued, will not be made.

Investor Payment Reduction Cost Share Incentives

Investors of second liens modified under 2MP will receive payment reduction cost share compensation equal to 160 basis points multiplied by the unmodified UPB (less any partial principal forgiveness, if applicable) of the second lien, converted to a monthly rate. The calculation formula is:

- $160 \text{ basis points} \times \text{unmodified UPB (less any partial principal forgiveness, if applicable) of second lien} / 12.$

Payment reduction cost share compensation will begin paying on the effective date of the 2MP modification and will be paid monthly for up to five years as long as the first lien modified under HAMP remains in good standing and neither the first lien or the second lien have been paid in full.

Extinguishment Option

As an alternative to, or in conjunction with the modification of an eligible second lien, a servicer, in accordance with any applicable pooling and servicing agreement or other investor servicing agreement, may elect to extinguish the entire second lien in exchange for a lump sum payment paid in accordance with the formula set forth in the table below or a servicer may elect to extinguish a portion of the second lien in exchange for a lump sum payment in accordance with the formula set forth below. Incentive payments will not be made for full or partial extinguishment of a second lien that has been previously modified under 2MP.

When the extinguishment option is utilized, the second lien servicer, investor and any mortgage or other insurer must relinquish, in whole or in part, all rights and remedies against the borrower(s) related to the portion of the second lien obligation that is forgiven, and the borrower may not be required to sign a promissory note or be charged a fee.

Following an extinguishment of the entire second lien, servicers must take all necessary action to cancel the indebtedness and release the second lien in a timely manner. When the mortgage note is cancelled and the required release and/or satisfaction documents are executed and filed, the servicer must promptly send the cancelled documents to the borrower with a cover letter

instructing the borrower to retain the evidence of cancellation. The servicer must not charge the borrower a fee for cancelling the indebtedness and releasing or discharging the second lien against the property. When a second lien is fully extinguished, no other subordinate lien shall become eligible for modification or extinguishment.

Following an extinguishment of a portion of the second lien, servicers must take all necessary action to reflect the new unpaid principal balance of the loan in the modification documents.

Extinguishment Timing

When extinguishment is selected, the extinguishment of the second lien or any part thereof may not become effective unless and until the modification of the first lien becomes effective under HAMP. The same timing requirements indicated in the “2MP Timing” section of this Supplemental Directive apply to extinguishments.

Servicer Incentive Payments

A servicer of a second lien will receive one-time compensation of \$500 for each second lien with an unpaid principal balance equal to or greater than \$5,000 and a pre-modification scheduled monthly payment equal to or greater than \$100 that is fully extinguished under 2MP. No additional one-time compensation is payable for partial extinguishment other than the one-time compensation provided in conjunction with the modification of the remaining loan balance.

Investor Incentive Payments

For purposes of determining the incentive payment payable to the investor for extinguishing a second lien, the servicer must know the borrower’s combined loan-to-value (CLTV) ratio. The CLTV is the ratio of the current total unpaid principal balance of the HAMP-modified first lien and the current total unpaid principal balance of the unmodified second lien divided by the property value obtained in connection with the HAMP modification. LPS will provide the second lien servicer with the current total unpaid principal balance of the HAMP-modified first lien and the value of the property that secures the HAMP-modified first lien in the second lien match notification. Unless there is evidence of fraud or misrepresentation, there is no additional responsibility on the part of the second lien servicer to verify the information provided by the first lien servicer through LPS. If the second lien servicer identifies evidence of fraud or misrepresentation, or evidence that the property valuation is inaccurate, the servicer should not proceed with the 2MP modification and must notify the Program Administrator at Escalations@HMPadmin.com and shall be given an opportunity to present such evidence.

**2MP Compensation Per Dollar of UPB Extinguished
in CLTV Range
(Loans Less than or Equal to Six Months Past Due)**

<u><115%</u>	<u>115% to 140%</u>	<u>>140%</u>
0.21	0.15	0.10

Notwithstanding the foregoing, the investor will be paid \$0.06 per dollar of the unpaid principal balance being extinguished for second liens that were greater than six months past due at any time during the 12 months prior to the date of extinguishment.

With respect to extinguishments of a portion of the principal of the second lien, the investor will be paid an amount proportional to the portion of the second lien which is extinguished. Such an amount will be calculated and paid only following the implementation of the 2MP reporting and payment processes.

Second liens (current or delinquent) with an unpaid principal balance (at initial consideration for the second lien modification) of less than \$5,000 or a pre-modification scheduled monthly payment less than \$100 may not be partially extinguished under 2MP. Servicers may, at their discretion, fully extinguish a second lien with an unpaid principal balance (at initial consideration for the second lien modification) of less than \$5,000 or a pre-modification scheduled monthly payment less than \$100 and, such full extinguishment is eligible for an investor incentive payment.

The servicer must represent and warrant that the second lien has been released in compliance with applicable laws when submitting a request to Fannie Mae for 2MP extinguishment payment. Additionally, the servicer must keep copies of all lien releases in its files to be made available for verification by the Compliance Agent.

Second lien extinguishment payments will be made in the month following receipt by Fannie Mae of all required data relating to the second lien extinguishment. All 2MP incentives relating to a loan which has been extinguished in full or in part in accordance with this Supplemental Directive and which have accrued prior to the implementation of the 2MP reporting and payment processes, will be paid on the later of (i) the month following implementation or (ii) the month the required extinguishment data is entered into the Treasury system of record; provided, however, that accrued incentives relating to a loan which has been partially extinguished will only be paid so long as both the first and second loans are in good standing as of the date the extinguishment data is entered into the Treasury system of record. If either loan is no longer in good standing on the date the extinguishment data is entered into the Treasury system of record, no incentives will be paid.

All incentives accrued after implementation of the 2MP reporting and payment processes, will be paid in the month the extinguishment data is entered into the Treasury system of record.

Mortgage Insurer Approval

When a servicer is servicing second liens on behalf of an investor, the servicer should ensure that the investor has identified those second liens that have mortgage insurance. The second lien investors should seek to obtain a blanket delegation of authority from mortgage insurers to extinguish second liens under 2MP. As an alternative to a blanket delegation of authority, servicers may obtain mortgage insurer approval to extinguish the second lien under 2MP on a case-by-case basis.

Extinguishment Reporting Requirements

Servicers are required to provide to Fannie Mae, as 2MP program administrator, the loan information and attributes generally set forth in Exhibits A and B, as applicable, of this Supplemental Directive no later than the fourth business day of the month in which the second lien extinguishment is effective. Servicers should look for a full description and detail of the data attributes in the 2MP Data Dictionary to be posted on www.HMPAdmin.com. The same timing for the effective dates for reporting and accrual indicated in the “Reporting Requirements” section of this Supplemental Directive apply to extinguishments.

Credit Bureau Reporting for Extinguishments

For second liens that are extinguished in their entirety under 2MP, the servicer must report the following to the credit repositories:

Account Status Code = 13 (Paid)

Payment Rating = the appropriate code that identifies the status of the account within the activity period being reported

Special Comment Code = AU (Paid in full for less than the full balance)

Current Balance and Amount Past Due = zero

Date Closed = date the accounts are forgiven and considered to be paid

Note that payment history for the forgiven accounts will be retained.

For second liens where a portion of the principal is extinguished in conjunction with a modification under 2MP, the servicer must report to the credit repositories in the same manner as it would a modification under 2MP, as further described above in the section titled “Credit Bureau Reporting.”

Compliance

Servicers must comply with 2MP requirements and must document all aspects of the execution of loan evaluation, loan modification and accounting processes. Servicers must develop and execute a quality assurance program, similar to that established for HAMP, that includes either a statistically based (with a 95 percent confidence level) or a ten percent stratified sample of loans

modified, drawn within 30-45 days of modification and reported on within 30-45 days of review. In addition, a trending analysis must be performed on a rolling 12-month basis.

Treasury has selected Freddie Mac to serve as its compliance agent for 2MP. In its role as compliance agent, Freddie Mac will conduct independent compliance assessments of 2MP servicers.

The scope of the assessments may include, among other things, an evaluation of documented evidence to confirm adherence to 2MP requirements with respect to the following:

- Evaluation of Second Lien Modification Eligibility and Solicitation
- Adherence to the Standard Modification Steps appropriate for the loan type (amortizing or interest only), as outlined in this Supplemental Directive
- Adherence to the Extinguishment Option requirements for a Second Lien, including evidence of borrower notifications
- Adherence to the timing requirements for modifying or extinguishing second liens
- Evidence of Mortgage Insurer Approval
- Accurate processing of Borrower Incentive Payments
- Appropriate recognition of Servicer Incentive Compensation
- Investor Payment Reduction Cost Share and Incentive Calculations and Application
- Data Integrity in record keeping and ongoing data reporting
- Submission of current and accurate second mortgage data to LPS.

The review will also evaluate the effectiveness of the servicer's quality assurance program; such evaluation will include, without limitation, the timing and size of the sample selection, the scope of the quality assurance reviews, and the reporting and remediation process.

Freddie Mac will typically conduct two types of compliance assessments: on-site and remote. For on-site reviews, Freddie Mac will generally provide the servicer with a 30-day advance notification of a pending review. However, Freddie Mac reserves the right to arrive at the servicer's site unannounced. Freddie Mac will require the servicer to make available documentation, including, without limitation, policies and procedures, management reports, loan files internal control assessment and quality assurance documentation, and other relevant information.

During the review, Freddie Mac will review loan files and other requested documentation to evaluate compliance with 2MP terms. Upon the completion of the review, Freddie Mac will conduct an exit interview with the servicer to discuss preliminary assessment results.

For remote reviews, Freddie Mac will request the servicer to send documentation, including, without limitation, policies and procedures, management reports, and loan files and supporting documentation.

The targeted time frame for publishing the servicer assessment report is 30 days after the completion of the review. Preliminary results will be discussed with the servicer prior to report

issuance. Treasury will receive a copy of the report prior to the release of the report to the servicer.

Document Retention

Servicers must retain all documents and information received during the process of determining borrower eligibility for 2MP, including evidence of application of each modification step. The servicers must retain all documents and information related to the monthly payments during and after any trial period, as well as incentive payment calculations and such other required documents.

Servicers must retain detailed records to document the reason(s) for any trial modification failure.

Servicers must retain required documents for a period of seven years from the date of the document collection.

Exhibit A 2MP Data Requirements

Matching Second Liens Loans to HAMP First Liens Loans:

Servicers are required to provide the following categories of information on all eligible second liens loans to LPS for matching:

- Loan Identifying Information
- Borrower/Co-Borrower Identifying Data
- Property Identifying Data
- Second Lien Servicer Contact Information

Once a second lien loan is matched to a first lien loan by LPS and the second lien servicer, LPS provides this matched second lien loan to the HAMP system as part of the 2MP Matching Activity.

Exhibit B provides a general description of the data attributes for these categories of information required to be reported. Servicers should look for a full description and detail of these data attributes in the 2MP Data Dictionary to be posted on www.HMPAdmin.com.

Second Lien Loan Modification Set Up:

Servicers must report a 2MP Official Modification, 2MP Extinguishment, or a 2MP Partial Extinguishment. Servicers have the ability to cancel or correct this information.

Servicers are required to provide the following categories of information to Fannie Mae, as 2MP program administrator, to set up the second lien loan official modification:

- Loan Identifying Information
- General Loan Information
- Borrower/Co-Borrower Identifying Data
- Property Identifying Data
- Loan Characteristics Before Modification
- Loan Characteristics After Modification

Once a second lien official modification (with or without a partial extinguishment) is reported, servicers are required to provide the following categories of information on an ongoing monthly basis to Fannie Mae, as 2MP program administrator:

- Loan Identifying Information
- Monthly Loan Activity

Exhibit B provides a general description of the data attributes for these categories of information required to be reported. Servicers should look for a full description and detail of these data attributes in the 2MP Data Dictionary to be posted on www.HMPAdmin.com.

Second Lien Modification Not Approved/Approved But Not Accepted/ Approved But Defaulted On The Plan:

Servicers are required to provide to Fannie Mae, as 2MP program administrator, for all second lien loans for which modifications were not approved, approved but not accepted or approved but defaulted on the trial period plan by the borrower, the following categories of information:

- Loan Identifying Information
- Borrower/Co-Borrower Identifying Data
- Property Identifying Data
- Reason Code

Exhibit B provides a general description of the data attributes for these categories of information required to be reported. Servicers should look for a full description and detail of these data attributes in the 2MP Data Dictionary to be posted on www.HMPAdmin.com.

Exhibit B
2MP Data Attributes

The following is a general description of the data attributes required to be reported by the servicers. Servicers should look for a full description and detail of these data attributes in the 2MP Data Dictionary to be posted on www.HMPAdmin.com.

ID	Name	Definition	Data Type	Allowable Values
Loan Identifying Information				
DD4	2MP Second Lien Servicer Number	The 2MP Servicer number for the Second Lien Servicer.	Numeric (9)	
DD7	HAMP Registration Number	The unique identifier for the servicer participating in the HAMP program.	Numeric(15)	
DD8	HAMP Servicer Number	A unique identifier assigned to each Servicer that is participating in the HAMP program.	Numeric(9)	
DD1 1	Second Lien GSE Loan Number	A unique identifier assigned to each loan by a GSE (Fannie or Freddie).	Text(30)	
DD1 2	Second Lien GSE Servicer Number	The Fannie Mae or Freddie Mac unique Servicer identifier for the Second Lien.	Text(30)	
DD1 4	Servicer Loan Number	The unique (for the lender) identifier assigned to the loan by the lender that is servicing the loan.	Text(30)	
DD1 3	Second Lien Servicer Loan Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the Second Lien.	Text(30)	
Borrower/Co-Borrower Identifying Data				
DD3 9	Borrower First Name	The first name of the Borrower of record.	Text(100)	
DD4 0	Borrower Last Name	The last name of the Borrower. This is also known as the family name or surname.	Text(100)	
DD4 3	Borrower Social Security Number	The Social Security Number of the Borrower.	Text(9)	
DD4 4	Borrower Truncated Social Security Number	The last four digits of the Social Security Number of the Borrower.	Numeric(4)	
DD4 6	Co-Borrower 1 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 1.	Numeric(4)	
DD4 7	Co-Borrower 2 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 2.	Numeric(4)	

ID	Name	Definition	Data Type	Allowable Values
DD4 8	Co-Borrower 3 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 3.	Numeric(4)	
DD4 9	Co-Borrower 4 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 4.	Numeric(4)	
DD5 0	Co-Borrower 5 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 5.	Numeric(4)	
DD5 1	Co-Borrower 6 Truncated Social Security Number	The last four digits of the Social Security Number of the Co-borrower 6.	Numeric(4)	
DD5 5	Co-Borrower First Name	The first name of the Co-Borrower of record.	Text(100)	
DD5 6	Co-Borrower Last Name	The last name of the Co- Borrower of record.	Text(100)	
DD5 9	Co-Borrower Social Security Number	The Social Security Number of the Co- Borrower.	Text(9)	
Property Identifying Data				
DD1 45	Property City	The name of the city where the subject property is located.	Text(100)	
DD1 51	Property State	The 2-character postal abbreviation of the state, province, or region of the subject property.	Text(2)	Enumeration: WY,WV,WI,WA,VT,VI,V A,UT,TX,TN,SD,SC,RI, PR,PA,OR,OK,OH,NY, NV,NM,NJ,NH,NE,ND, NC,MT,MS,MO,MN,MI, ME,MD,MA,LA,KY,KS,I N,IL,ID,IA,HI,GU,GA,FL ,DE,DC,CT,CO,CA,AZ, AR,AL,AK.
DD1 52	Property Street Address	The street address of the subject property.	Text(200)	
DD1 53	Property Type Code	A code that defines the type of property that the loan is associated with the loan.	Numeric(4,0)	Enumeration: 1. Single Family 1 to 4 Units 2. Condominium/Planned Unit Development (PUD) 3. Coop 4. Mobile Home 5. Zero-Lot-Line 6. Unknown
DD1 54	Property Unit Number	The unit number of the property.	Text (50)	

ID	Name	Definition	Data Type	Allowable Values
DD1 61	Property Zip Code	The code designated by the postal service to direct the delivery of physical mail or which corresponds to a physical location. In the USA, this can take either a 5 digit form (ZIP Code) or a 9-digit form (ZIP + 4).	Text(9)	
Second Lien Servicer Contact Information				
DD1 67	Second Lien Servicer City Name	The name of the city to which physical mail is directed for the Servicer.	Text(100)	
DD1 68	Second Lien Servicer Name	The name of the 2MP Servicer for the second lien.	Text(100)	
DD1 69	Second Lien Servicer Postal Code	The code designated by the postal service to direct the delivery of physical mail or which corresponds to a physical location. In the USA, this can take either a 5 digit form (ZIP Code) or a 9-digit form (ZIP + 4).	Text(9)	
DD1 70	Second Lien Servicer Primary Contact First Name	The first name of the Person.	Text(100)	
DD1 71	Second Lien Servicer Primary Contact Last Name	The last name of the Person.	Text(100)	
DD1 72	Second Lien Servicer Primary Contact Phone Number	The entire sequence of digits required to initiate a call from a standard phone to this number. It should include the area code or, for overseas numbers, the full country and city codes as they would be dialed.	Text(20)	
DD1 73	Second Lien Servicer State	The 2-character postal abbreviation of the state, province, or region to which physical mail is directed or which corresponds to a physical location.	Text(2)	Enumeration: WY,WV,WI,WA,VT,VI,V A,UT,TX,TN,SD,SC,RI, PR,PA,OR,OK,OH,NY, NV,NM,NJ,NH,NE,ND, NC,MT,MS,MO,MN,MI, ME,MD,MA,LA,KY,KS,I N,IL,ID,IA,HI,GU,GA,FL ,DE,DC,CT,CO,CA,AZ, AR,AL,AK.
DD1 74	Second Lien Servicer Street Address Line 1	The street address that denotes the location where mail is delivered for the Servicer.	Text(100)	
Loan Characteristics Before Modification				
DD2 99	Amortization Type Before Modification or Extinguishment	The amortization type before modification or extinguishment	Numeric(4,0)	Enumeration: 1. Amortizing 2. Interest Only 3. Partially Amortizing

ID	Name	Definition	Data Type	Allowable Values
DD75	Foreclosure Referral Date	Provide the date that the mortgage was referred to an attorney for the purpose of initiating foreclosure proceedings. This date should reflect the referral date of currently active foreclosure process. Loans cured from foreclosure should not have a referral date.	Date(CCYY-MM-DD)	
DD86	Interest Rate Before Modification or Extinguishment	The interest rate in the month prior to loan modification or extinguishment. Please report as rounded to nearest 8th (e.g. 4.125).	Numeric(6,4)	
DD90	Last Paid Installment Date Before Modification or Extinguishment	The due date of the last paid installment of the loan.	Date(CCYY-MM-DD)	
DD129	Payment Before Modification or Extinguishment	The scheduled principal and interest amount in the month prior to loan modification or extinguishment. For Interest Only loans, it is only the scheduled interest amount in the month prior to loan modification or extinguishment.	Currency(20,2)	
DD130	Percentage of Amortizing UPB	Indicates the percentage of Unpaid Principal Balance of the loan that is amortized, before modification.	Numeric(6,4)	
DD143	Product Before Modification or Extinguishment	The mortgage product of the loan, before the modification or extinguishment.	Numeric(4,0)	Enumeration: 1. ARM 2. Fixed rate 3. Step Rate 4. One Step Variable 5. Two Step Variable 6. Three Step Variable 7. Four Step Variable 8. Five Step Variable 9. Six Step Variable 10. Seven Step Variable 11. Eight Step Variable 12. Nine Step Variable 13. Ten Step Variable 14. Eleven Step Variable 15. Twelve Step Variable 16. Thirteen Step Variable 17. Fourteen Step Variable
DD214	Term Before Modification or Extinguishment	Represents the number of months on which installment payments are based.	Numeric(4)	Data Range: Min: 1 Max: 9999

ID	Name	Definition	Data Type	Allowable Values
DD2 26	Unpaid Principal Balance Before Modification or Extinguishment	The total principal amount outstanding prior to the effective date of the modification or extinguishment.	Currency(20,2)	
Loan Characteristics After Modification				
DD2 97	Amortization Type After Modification	The amortization type after modification	Numeric(4,0)	Enumeration: 1. Amortizing 2. Interest Only
DD2 7	Amount Capitalized	Total amount capitalized at the time of modification, including accrued interest and other advances as applicable.	Currency(20,2)	
DD8 3	Interest Rate After Modification	The interest rate in the month after loan modification.	Numeric(6,4)	Data Range: LIR; Min: 0 Max: 9999 ADE; Min: 1 Max: 9999
DD8 8	Last Paid Installment Date After Modification	For Trial, this is the anticipated LPI Date after modification. It should be one month before the anticipated Modification Effective Date. For the Official Modification, this is the actual LPI Date after Modification. It must be one month before the Modification Effective Date. For Official Monthly Reporting, this is the actual LPI date.	Date(CCYY-MM-DD)	Data Range: LIR; Min: 2009-02-01 Max: 2013-12-31 OMR; Min: 2009-03-04 Max: 2029-01-15
DD1 40	Product After Modification	The mortgage product of the loan, after the modification.	Numeric(4,0)	Enumeration: 2. Fixed Rate 3. Step Rate
DD9 8	Maturity Date After Modification	The maturity date of the loan after modification.	Date(CCYY-MM-DD)	
DD1 00	Max Interest Rate After Modification	The interest rate cap for the loan.	Numeric(6,4)	Data Range: Min: 0 Max: 9999
DD1 07	Modification or Extinguishment Effective Date	The date on which the loan modification or extinguishment becomes effective.	Date(CCYY-MM-DD)	
DD1 28	Payment After Modification	The P&I amount after modification.	Currency(20,2)	
DD1 36	Principal Forbearance Amount	The total amount in dollars of the principal that was deferred through loss mitigation.	Currency(20,2)	Data Range: Min: 0 Max: 999999999999999999. 99

ID	Name	Definition	Data Type	Allowable Values
DD1 39	Principal Write-down (Forgiveness)	Amount of principal written-down or forgiven.	Currency(20,2)	Data Range: Min: 0 Max: 999999999999999999. 99
DD1 66	Second Lien Release Indicator	Indicates that the lien has been released. The servicer must provide evidence of the second lien release, via this data attribute, when submitting a request for extinguishment payment.	Boolean	True/False
DD2 05	Step Interest Rate Step Number	The sequence is used to uniquely identify and order Loan Interest Rate Adjustment schedule records specific to the loans step rate schedule.	Numeric(4)	Data Range: Min: 1 Max: 9999
DD2 09	Step New Interest Rate Duration	The step duration for each corresponding step number.	Numeric(4)	Data Range: Min: 1 Max: 9999
DD2 06	Step Note Rate	The new interest rate in the step schedule.	Numeric(6,4)	Data Range: LIR; Min: 0 Max: 9999 OMR; Min: 1 Max: 9999
DD2 08	Step Payment Effective Date	The date the payment will be effective.	Date(CCYY-MM-DD)	Data Range: Min: 2009-03-04 Max: 2029-01-15
DD2 07	Step Principal and Interest Payment	The amount of the principal and/or interest payment due on the loan for each installment, beginning on the effective date.	Currency(20,2)	Data Range: Min: 0 Max: 999999999999999999. 99
DD2 10	Submission Status	The status of loan data being submitted.	Numeric(4,0)	Enumeration (for 1st Lien): 1. Trial 3. Official 5. Trial Cancel 6. Official Correction 7. Official Cancel Enumeration (for HAFA): 8. Short Sale or Deed-in-Lieu Notification 9. Short Sale Loan Set-up 10. Deed-in-Lieu Loan Set-up 11. Cancellation 12. Correction 13. Short Sale or Deed-in-Lieu Extension

ID	Name	Definition	Data Type	Allowable Values
				Enumeration (for 2 nd Lien): 14. 2MP Official Modification 15. 2MP Official Modification Cancel 16. 2MP Official Modification Correction 17. 2MP Partial Extinguishment 18. 2MP Partial Extinguishment Cancel 19. 2MP Partial Extinguishment Correction 20. 2MP Full Extinguishment 21. 2MP Full Extinguishment Cancel 22. 2MP Full Extinguishment Correction 23. 2MP Not Approved/Not Accepted 24. 2MP Not Approved/Not Accepted Cancel
DD2 13	Term After Modification	<p>For 1st Lien: The remaining number of months until the loan will be paid off, assuming that scheduled payments are made. This will equal lesser of 1. the number of months until the actual balance of the loan will amortize to zero; or 2. the number of months difference between the LPI date and the Maturity Date. In this case, the Maturity Date is the Maturity Date after the modification and may be different from the original Maturity Date (before the modification).</p> <p>For 2MP: The number of months used to calculate the periodic payments of both principal and interest that will be sufficient to retire a mortgage obligation.</p>	Numeric(4,0)	Data Range: Min: 1 Max: 9999

ID	Name	Definition	Data Type	Allowable Values
DD2 22	Unpaid Principal Balance After Modification	The unpaid principal balance of a loan after the loan modification. The unpaid principal balance after modification excludes any applicable forbearance amount and can also be referred to as Net UPB Amount.	Currency(20,2)	Data Range: LIR, ADE; Min: 0.01 Max: 999999999999999999. 99 OMR; Min: 0 Max: 999999999999999999. 99
Reason Code				
DD9 7	Matched Second Lien Loan Not Modified Reason Code	A code that specifies the reason why a matched second lien loan was not modified.	Numeric(4,0)	Enumeration: 1. Borrower rejected offer 2. Borrower non-responsive 3. Trial payments not received 4. Investor not participating 5. Evidence of fraud or misrepresentation 6. HAMP 1st lien Trial or Mod fell out before 2MP mod/ext became official 7. Ineligible for program or prohibited from modifying or extinguishing lien
Monthly Loan Activity				
DD2 0	Action Code	A code reported by the lender to update the loan that indicates the action that occurred during the reporting period.	Numeric(4,0)	Enumeration: 60 - Payoff
DD2 1	Action Code Date	For 1st Lien: The effective date of the action associated with the action code specified on the incoming LPC Transaction by the Servicer. The action date is required for certain action codes. For 2MP: The effective date of the action associated with the action code specified on the incoming transaction by the Servicer.	Date(CCYY-MM-DD)	Data Range: Min: 2009-03-04 Max: 2029-01-15
DD8 2	Interest Payment	Interest portion of the principal and interest.	Currency(20,2)	Data Range: Min: 0 Max: 999999999999999999.

ID	Name	Definition	Data Type	Allowable Values
				99
DD88	Last Paid Installment Date	The due date of the last paid installment of the loan. For monthly reporting this is the actual LPI.	Date(CCYY-MM-DD)	
DD137	Principal Payment	Principal portion of the principal and interest remitted.	Currency(20,2)	Data Range: Min: 0 Max: 999999999999999999. 99
DD206	Step Note Rate	The new interest rate in the step schedule.	Numeric(6,4)	Data Range: LIR; Min: 0 Max: 9999 OMR; Min: 1 Max: 9999
DD208	Step Payment Effective Date	The date the payment will be effective.	Date(CCYY-MM-DD)	Data Range: Min: 2009-03-04 Max: 2029-01-15
DD207	Step Principal and Interest Payment	The amount of the principal and/or interest payment due on the loan for each installment, beginning on the effective date.	Currency(20,2)	Data Range: Min: 0 Max: 999999999999999999. 99
DD222	Unpaid Principal Balance After Modification	The unpaid principal balance of a loan after the loan modification. The unpaid principal balance after modification excludes any applicable forbearance amount and can also be referred to as Net UPB Amount.	Currency(20,2)	Data Range: LIR, ADE; Min: 0.01 Max: 999999999999999999. 99 OMR; Min: 0 Max: 999999999999999999. 99
General Loan Information				
DD38	Borrower Execution or Notification Date	For official loan submission, this is the date that the borrower signed the official loan modification documents.	Date(CCYY-MM-DD)	
DD62	Date of Original Note	The date the mortgage note was signed.	Date(CCYY-MM-DD)	Data Range: Max: 2009-01-01
DD80	Interest Only End Date	The date on which the Interest Only loans begin to fully amortize.	Date(CCYY-MM-DD)	
DD92	Lien Position	The lien position of the loan.	Numeric(4)	
DD101	MI Approval Indicator	Indicates MI approval of modification or extinguishment of second lien.	Boolean	True/False

ID	Name	Definition	Data Type	Allowable Values
DD9	Investor Code	Owner of the mortgage.	Numeric(4,0)	Enumeration: 1. Fannie Mae * 2. Freddie Mac * 3. Private * 4. Portfolio * 5. GNMA 6. FHA/VA 7. State or Local Housing Finance Agency * indicates Investor Codes currently eligible for HAMP
DD10	Program Type/Campaign ID	A new program type that will identify campaign types. The unique identifier of a Loan Workout Campaign.	Text(14)	Enumeration (for 1st Lien): HMP1 - HMP Default* HMP2 - HMP Imminent Default* HMP4 - Deed-in-lieu with Jr. Lien HMP6 - Short Sale With Jr. Lien HMP7 - Current* * indicates program types in use for 1st Lien Enumeration (for 2MP): HMP8 - Second Lien Enumeration (for HAFA): HMP3 - Deed-in-lieu HMP5 - Short Sale
DD144	Projected Foreclosure Sale Date	Projected date for foreclosure sale of subject property.	Date(CCYY-MM-DD)	
DD15	Underlying Trust Identifier	This is the shelf and series security identifier associated with the underlying security. A shelf offering is an SEC provision allowing an issuer to register a new issue security without selling the entire issue at once. Additionally, this may be the CUSIP identifier associated with the security. The CUSIP number is the identification number assigned to a security by CUSIP (Committee on Uniform Security Identification Procedures) for trading.	Text(9)	

ID	Name	Definition	Data Type	Allowable Values
DD2 96	Second Lien Trial Indicator	A code that specifies if the loan required a trial period and if the trial was performed.	Numeric(4,0)	Enumeration: 1. Trial Not Required/Trial Not Performed 2. Trial Not Required/Trial Performed 3. Trial Required/Trial Performed