



FHFA Announces New Streamlined Modification Initiative

1. What is the Streamlined Modification Initiative?

The new Streamlined Modification Initiative is designed to help more borrowers with mortgages owned or guaranteed by Fannie Mae and Freddie Mac maintain homeownership. The initiative builds on lessons learned with the Servicing Alignment Initiative (SAI) - namely that early, effective borrower outreach and engagement is critical for successful modification solutions. Under the Streamlined Modification Initiative, many borrowers who are at least 90 days delinquent will be sent a Streamlined Modification Solicitation Offer that includes a Trial Period Plan specifying the dollar amount of the new mortgage payment based upon a fixed interest rate, extending the payment terms to 40 years, and providing principal forbearance for certain underwater borrowers. Borrowers will not be required to document their hardship or financial situations to receive the Streamlined Modification.

2. Why is FHFA directing Fannie Mae and Freddie Mac (the Enterprises) to launch the Streamlined Modification Initiative?

Throughout the financial crisis, one of the biggest challenges in assisting troubled homeowners has been the administrative challenge of document collection. Since the inception of the Making Home Affordable (MHA) program, FHFA, Fannie Mae and Freddie Mac have been measuring and monitoring borrower and servicer responsiveness to borrower assistance programs to understand why many borrowers are not able to get a loan modification. Removing the administrative barriers associated with document collection and servicer evaluation should enable significantly more borrowers to access the available options for home retention.

3. When will the Streamlined Modification Initiative be available?

The Streamlined Modification Initiative will begin July 1, 2013 and end August 1, 2015. Fannie Mae and Freddie Mac are issuing guidance to their mortgage servicers to implement the Streamlined Modification Initiative.

4. What are the eligibility requirements?

The loan must be owned or guaranteed by Fannie Mae or Freddie Mac. Homeowners must be 90 days to 24 months delinquent, and have a first-lien mortgage that is at least 12 months old with a loan-to-value ratio equal to or greater than 80 percent. Loans that have been modified at least two times previously are not eligible. Click on these links to see if your loan is owned or guaranteed by Fannie Mae or Freddie Mac.

5. How is the Streamlined Modification Initiative different from other Fannie Mae or



Freddie Mac mortgage modification options?

The Streamlined Modification builds on the success of the Standard Modification program that Freddie Mac and Fannie Mae announced last year under the Servicing Alignment Initiative. Starting July 1, 2013, servicers will be required to send a Streamlined Modification Solicitation Offer to borrowers who are at least 90 days delinquent and meet the initiative's eligibility requirements. The key difference is that borrowers will not be required to document their hardship or financial situation, but will be able to accept a Streamlined Modification Offer by simply making the trial period payments and agreeing to the terms of the modification. Borrowers will also be advised that more beneficial terms may be available if they document their financial situation and work with their servicer to pursue the full range of foreclosure prevention options.

6. How does the Streamlined Modification Initiative differ from the Home Affordable Modification Program (HAMP)?

Borrowers can look to take advantage of HAMP as soon as they run into financial troubles, but must provide financial, income and hardship documentation to their servicer to be considered for the program. The Streamlined Modification Initiative is only available for borrowers who are at least 90 days delinquent and it does not require borrowers to provide financial or hardship documentation. HAMP enables servicers to evaluate the borrower for modification terms based on an affordable payment that is 31 percent of the borrower's gross monthly income. HAMP may provide a more affordable monthly payment than the Streamlined Modification Initiative. In addition, borrowers may be eligible to receive financial incentive payments under HAMP.

7. Will all delinquent borrowers with Fannie Mae or Freddie Mac mortgages receive a Streamlined Modification Trial Period Plan after July 1, 2013 if he or she is 90+ days delinquent?

As of July 1, 2013, servicers must identify eligible borrowers who are 90 days to 24 months delinquent and send them an offer letter that states the terms of the modification, including the monthly payment required for a Streamlined Modification. These eligible borrowers can accept a Streamlined Modification Trial Period Plan by sending the specified payment to the loan servicer.

8. How long will the Trial Period last?

Similar to the Standard Modification, the Streamlined Modification Trial Period Plan will last three months. If the borrower makes on-time payments during the trial period and meets necessary criteria, the borrower will be asked to sign an agreement making the terms of the mortgage modification permanent.



9. What happens if a borrower misses a payment during the Streamlined Modification Trial Period Plan?

If the borrower misses a payment during the Streamlined Modification Trial Period Plan, the borrower will not be eligible for a permanent Streamlined Modification. However, the borrower may submit a Borrower Response Package to the servicer and will be evaluated for other alternatives to foreclosure, including other modification options.

10. Should struggling borrowers wait until the Streamlined Modification takes effect on July 1, 2013 to contact their servicer when they miss a payment?

For borrowers struggling to make their payments, calling the servicer as early as possible is the best option to ensure they are evaluated for the most appropriate alternative to foreclosure. When the borrower documents their financial situation, the servicer will be able to evaluate the borrower for alternative modification options with more beneficial terms. Calling the servicer will not exclude a borrower from receiving the Streamlined Modification solicitation.

11. When should I expect a letter from my servicer?

Servicers will be required to begin evaluating borrowers for a solicitation on July 1, 2013. Depending on the volume of delinquent borrowers and servicer capacity and systems, letters should be sent within a timely period.

12. What steps are Fannie Mae and Freddie Mac taking to discourage strategic defaults by borrowers who stop paying their loans to get a Streamlined Modification?

Fannie Mae and Freddie Mac have existing proprietary screening measures to prevent strategic defaulters from taking advantage of a Streamlined Modification. Additionally, only those borrowers with loans more than 12 months old with a mark-to market loan-to-value ratio greater than 80 percent and who have not had two or more previous loan modifications will be solicited for participation.

13. Why limit eligibility to borrowers who have missed three or more monthly payments?

Because many borrowers who miss one or two payments have a temporary hardship and often reinstate their mortgage to current status, it is most effective to target borrowers who are at least 90 days delinquent. Borrowers who are current or less than 90 days delinquent and have a permanent hardship should contact their servicer to submit a Borrower Response Package so they can be evaluated for a mortgage modification or other alternative to foreclosure.



14. Does the Streamlined Modification cover borrowers with delinquent Freddie Mac or Fannie Mae mortgages secured by second homes and/or investment properties?

Yes. Delinquent borrowers with Fannie Mae or Freddie Mac mortgages secured by second homes or investment properties are eligible to participate in the Streamlined Modification Initiative and may receive trial period plan offers, provided they also meet other eligibility criteria.

- **Fannie Mae Loan Lookup**

<https://www.knowyouroptions.com/loanlookup>

- **Freddie Mac Loan Lookup**

<https://ww3.freddiemac.com/corporate/?intcmp=LLT-HPimage>

LCT: According to CoreLogic: total negative equity was \$628 billion at the end of 2012, down from \$801 billion in 2009.

The Mortgage Debt Relief Act of 2007 has been extended until Jan. 1, 2014