Announcement 09-25  

July 13, 2009

Amends these Guides: Servicing

Trial Period Guidance for the Home Affordable Modification Program

Introduction

In Announcement 09-05R, Reissuance of the Introduction of the Home Affordable Modification Program, HomeSaver Forbearance™, and New Workout Hierarchy, Fannie Mae announced the eligibility, underwriting and servicing requirements for the Home Affordable Modification Program (HAMP), a uniform loan modification process that requires a trial period for the borrower to demonstrate the ability to make payments under the modified terms prior to the effective date of the modification. This Announcement provides additional guidance on the commencement of the trial period; a new option with respect to the commencement of the modification; and updates and clarifications to the reporting requirements for the trial period, loan set up, and modification. The policies outlined in this Announcement update Announcement 09-05R.

Commencement of the Trial Period

Fannie Mae is providing additional guidance with respect to how servicers determine the effective date of the trial period, which is based on the date the servicer mails the Home Affordable Modification Trial Period Plan (Form 3156) to the borrower.

A borrower’s trial period starts on the Trial Period Plan Effective Date, which is a field in the Trial Period Plan that is completed by the servicer. If the servicer mails the Trial Period Plan to the borrower on or before the 15th day of a calendar month, then the servicer must insert the first day of the next month as the Trial Period Plan Effective Date. If the servicer mails the Trial Period Plan to the borrower after the 15th day of a calendar month, the servicer must use the first day of the month after the next month as the Trial Period Plan Effective Date. The date of the Trial Period Plan cover letter will be used to verify the Trial Period Plan Effective Date.

For example, if the servicer completes the Trial Period Plan and mails it to the borrower on June 2nd, the servicer should use July 1st as the Trial Period Plan Effective Date. If the servicer completes the Trial Period Plan and mails it to the borrower on June 27th, the servicer should use August 1st as the Trial Period Plan Effective Date.
Fannie Mae is also establishing new requirements that pertain to when the servicer must receive the first trial period payment. The date that the first trial period payment is due under the terms of the Trial Period Plan must be the same date as the Trial Period Plan Effective Date. The servicer must receive the borrower’s first trial period payment on or before the last day of the month in which the Trial Period Plan Effective Date occurs (“Trial Period Offer Deadline”). The servicer must consider the Trial Period Plan offer to have expired if the servicer does not receive the borrower’s first trial period payment by the Trial Period Offer Deadline. Servicers are reminded, as provided in Announcement 09-05R, that the servicer may, in its discretion, consider the offer of a Trial Period Plan to have expired at the end of 60 days from the date of the Trial Period Plan cover letter if the borrower has not submitted both an executed Trial Period Plan and complete income documentation as required under the Trial Period Plan. Further, a servicer must not execute the Trial Period Plan or return it to the borrower until after confirming the borrower meets all eligibility criteria based on the borrower’s verified income documentation.

Commencement of the Modification

Currently, servicers must prepare the HAMP Modification Agreement (Form 3157), referred to herein as the “Agreement”, in order to allow sufficient processing time for the modification to become effective on the first day of the month following the final trial period month. Fannie Mae is providing a new option for servicers to establish the effective date of the modification in the event the borrower does not pay the final trial period payment on or before the due date set forth in Section 2 of the Trial Period Plan. The servicer may, at its option, complete the Agreement such that the modification becomes effective on the first day of the second month following the final trial period month. In either instance, the modification effective date and the due date for the first payment under the Agreement must be the same date. A servicer must treat all borrowers the same in applying this option by selecting, in its discretion and evidenced by a written policy, the date 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 set forth in Section 2 of the Trial Period Plan.

If the servicer elects this option, the borrower will not be required to make an additional trial period payment during the month (the “interim month”) in between the final trial period month and the month in which the modification becomes effective. For example, if the last trial period month is March and the servicer elects the option described above, the borrower is not required to make any payment during April, and the modification becomes effective, and the first payment under the Agreement is due, on May 1st.

Neither the borrower nor the servicer will be entitled to accrue incentive compensation for the interim month if the borrower does not make a trial period payment during the interim month. The servicer must modify the Home Affordable Modification Agreement Cover Letter to inform the borrower 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 Agreement, including, but not limited to, the delay in the effective date of the modified interest rate, the increase in the delinquent interest capitalized, and the loss of one month’s accrual of the incentive payment if the borrower does not make an additional trial period payment.
Trial Period, Loan Set Up, and Loan Modification Reporting Requirements

Fannie Mae is clarifying that the servicer should begin trial period reporting once the servicer receives the borrower’s first trial period payment (as long as that payment is received by the servicer on or before the Trial Period Offer Deadline), regardless of whether the servicer has received an executed copy of the Trial Period Plan or the required income verification documentation from the borrower.

To begin the trial period reporting, the servicer must enter loan-level HAMP data by submitting a delegated case into Fannie Mae’s HomeSaver Solutions® Network. Additionally, the servicer must provide to Fannie Mae, as program administrator, the trial period set up attributes. This data must be submitted to the HAMP reporting system (via the HAMP Data Collector tool or direct integration) in accordance with Appendix A of the HAMP Servicer Reporting Requirements no later than the fourth business day of the month immediately following the month in which the Trial Period Plan Effective Date occurs. For example, if the Trial Period Plan Effective Date is July 1st and the servicer receives the borrower’s first trial period payment on or before July 31st (including payments received by the servicer prior to July 1st), the servicer must report to Fannie Mae the trial period set up attributes by the fourth business day of August.

The servicer should report the length of the trial period on the loan set up record, excluding the interim month if the borrower does not make an additional trial period payment, and including the interim month if the borrower does make an additional trial period payment. **Note:** The effects of the interim month and attendant capitalization on the terms of the modification agreement may not alter the servicer’s previous determination of the borrower’s eligibility.

Notwithstanding the guidance previously provided in the HAMP Servicer Reporting Requirements regarding the timing of the loan modification set up reporting requirement (i.e., the first business day after the modification closes), the servicer is required to submit the loan modification set up attributes to the HAMP reporting system no later than the fourth business day of the month in which the modification is effective. For example, if a modification is effective as of September 1st, the servicer must submit the loan set up attributes no later than the fourth business day of September. This new reporting time period is effective immediately.

Servicers should refer to HMPadmin.com for additional information, tools, and resources regarding the Home Affordable Modification Program, including the HAMP Servicer Reporting Requirements and the 2009 HAMP Reporting Calendar.

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Servicers should contact their Servicing Consultant, Portfolio Manager, or the National Servicing Organization’s Servicer Support Center at 1-888-FANNIE5 (888-326-6435) with any questions regarding this Announcement.

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