

# Fannie Mae Flex Modification October 10<sup>th</sup>, 2017





# **Objectives**

- Introducing the Fannie Mae Flex Modification.
- Determining eligibility.
- Determining modification terms.
- Soliciting the borrower.
- Offering a Trial Period Plan and completing the Fannie Mae Flex Modification.





### Introduction



#### **Fannie Mae Flex Modification**

- Developed with Freddie Mac
- Per FHFA direction
- Combines features of:
  - HAMP
  - Standard Modification
  - Streamlined Modification
- Effective Date: October 1, 2017



### Introduction

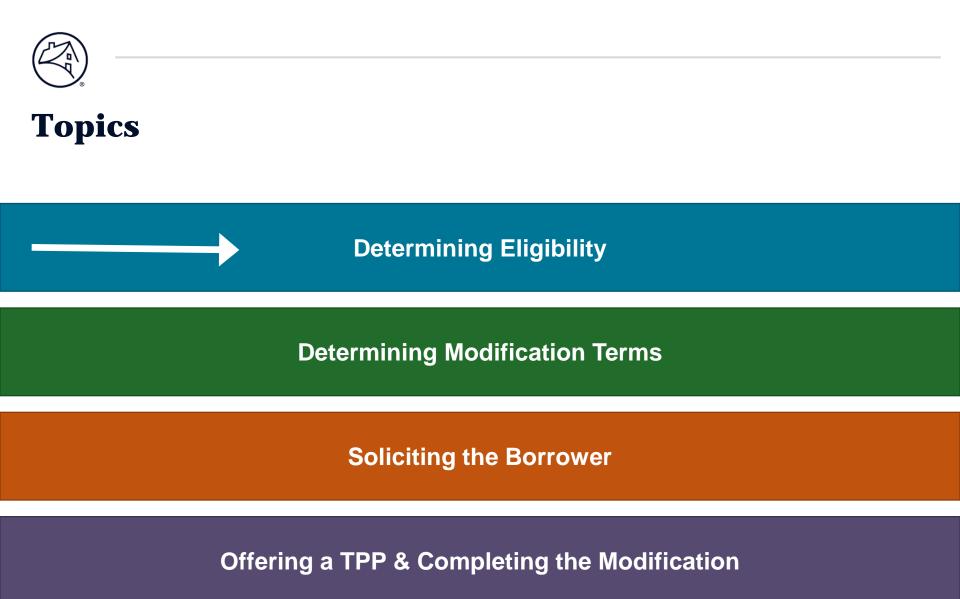
Mortgage loans current or < 90 days delinquent

- Borrower must submit complete BRP.
- Servicer evaluates for Fannie Mae Flex Modification.
- Target: 20% payment reduction and 40% HTI.

Mortgage loans  $\geq$  90 days delinquent

- No BRP required.
- Servicer evaluates for Fannie Mae Flex Modification.
- Target: 20% HTI.

The Flex Modification will not be appropriate for every borrower's situation.



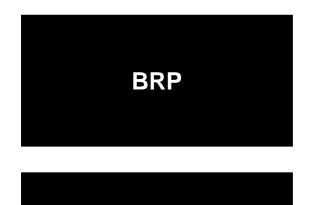
Fannie Mae Flex Modification for Housing Counselors

10/4/2017

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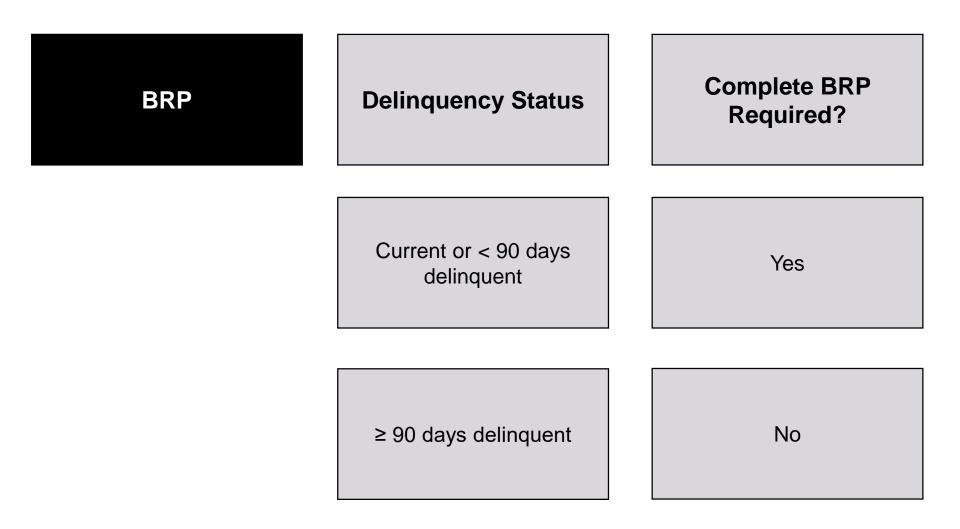
### **Determining Eligibility**



#### Mortgage Loan



### **Determining Eligibility**





### **Determining Eligibility**

- Fannie Mae must own the mortgage loan.
- Conventional, first lien mortgage.
- Originated at least 12 months prior to evaluation date.

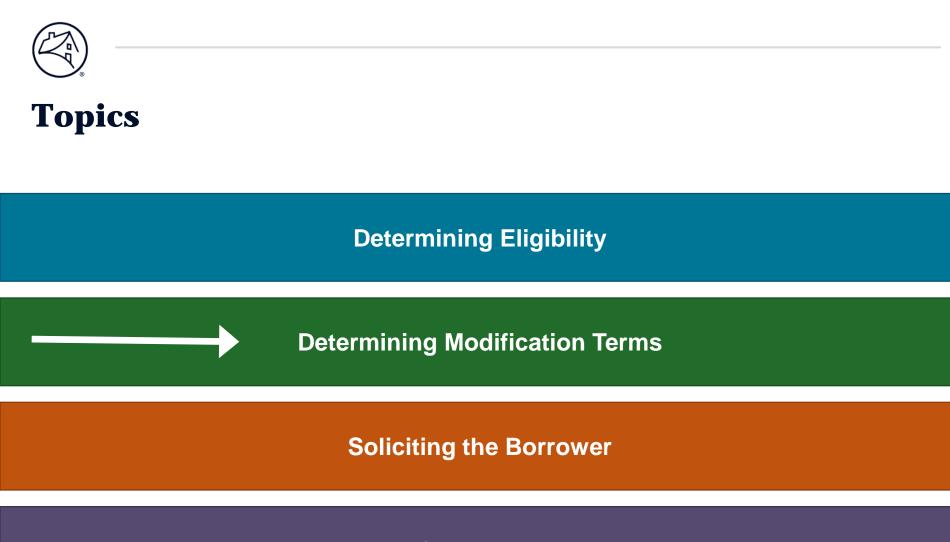
#### If secured by principal residence:

- At least 60 days delinquent, or
- If current or less than 60 days delinquent, payment must be in imminent default.

#### If secured by second home/investment property:

- At least 60 days delinquent.
- Not currently subject to:
  - An approved liquidation workout option,
  - Active and performing forbearance or repayment plan,
  - Current option for another modification or workout,
  - Active and performing modification trial period plan
- Not have been modified 3 or more times previously.
- Not failed a Flex Mod trial period plan in last 12 months.
- Not have been modified with a Flex Mod and become 60 or more days delinquent within 12 months without reinstating.

# Mortgage Loan



#### **Offering a TPP & Completing the Modification**

Fannie Mae Flex Modification for Housing Counselors

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Capitalize eligible arrearages.



Set modification interest rate.



Extend term to 480 months.



Forbear principal (if post modification MTMLTV is greater than 100%).



**Provide or increase principal forbearance.** 





Capitalize eligible arrearages.

- Accrued interest.
- Out-of-pocket escrow advances to third parties.
- Required escrow advances paid to third parties during TPP.
- Servicing advances paid to third parties.



2 Set modification interest rat	te.
If the mortgage loan is	Then the servicer must
A fixed rate (Including an ARM or step rate that has reached its final interest rate) with post- mod MTMLTV less than 80%	set the modified interest rate to the borrower's contractual interest rate.
A fixed rate (Including an ARM or step rate that has reached its final interest rate) with post- mod MTMLTV greater than or equal to 80%	<ul> <li>set the modified interest rate to the lesser of:</li> <li>the Fannie Mae Modification Interest Rate, or</li> <li>the borrower's contractual interest rate.</li> </ul>
An ARM or step-rate that has not reached its final interest rate	<ul> <li>set the modified interest rate to the lesser of:</li> <li>the Fannie Mae Modification Interest Rate</li> <li>the final interest rate for the step-rate modification, or</li> <li>the lifetime interest rate cap for the ARM.</li> </ul>





Extend the mortgage loan term to 480 months.



### Forbear principal.

#### Step 4 is applicable if the post-modification MTMLTV ratio is greater than 100%.

#### Forbear principal in an amount that is the lesser of:

 An amount that would create a post-modification MTMLTV ratio of 100% using the interest-bearing principal balance.

Or

 30% of the gross post-modification Unpaid Principal Balance (UPB) of the mortgage loan.



5

# **Steps for Determining Modification Terms**

**Provide or increase principal forbearance.** 

#### Step 5 is applicable if the post-modification MTMLTV ratio is greater than 80%.

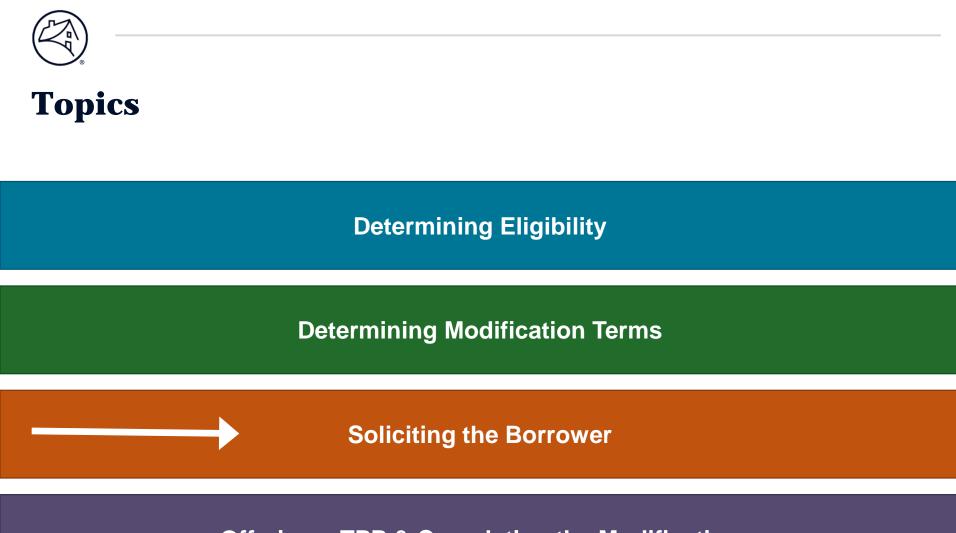
- Provide or increase principal forbearance until a 20% P&I payment reduction is achieved; however, the servicer must not forbear more than
  - an amount that would create a post-modification MTMLTV ratio less than 80% using the interest-bearing principal balance, or
  - 30% of the gross post-modification UPB of the mortgage loan.
- If the mortgage loan was less than 90 days delinquent when the borrower submitted a complete BRP, continue to forbear principal until a 40% Housing Expense-to-Income Ratio (HTI) is achieved; however, the servicer must not forbear more than
  - an amount that would create a post-modification MTMLTV ratio less than 80% using the interest-bearing principal balance, or
  - 30% of the gross post-modification UPB of the mortgage loan.



### **Determining Modification Terms**

#### **The Fannie Mae Flex Modification**

- Must provide a **payment (P&I) reduction.**
- Will convert any adjustable rate (ARM) or step-rate mortgage into a fixed-rate mortgage.
- Targets 20% payment reduction and a 40% HTI, however, if those targets cannot be achieved, the borrower will still be offered the modification.

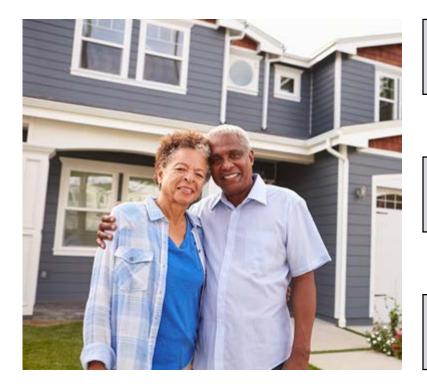


#### **Offering a TPP & Completing the Modification**



### **Soliciting the Borrower**

Mortgage loan  $\geq$  90 days delinquent



Complete BRP not submitted before 90<sup>th</sup> day of delinquency.

Borrower not eligible for other workout option.

All other alternatives to foreclosure rejected.

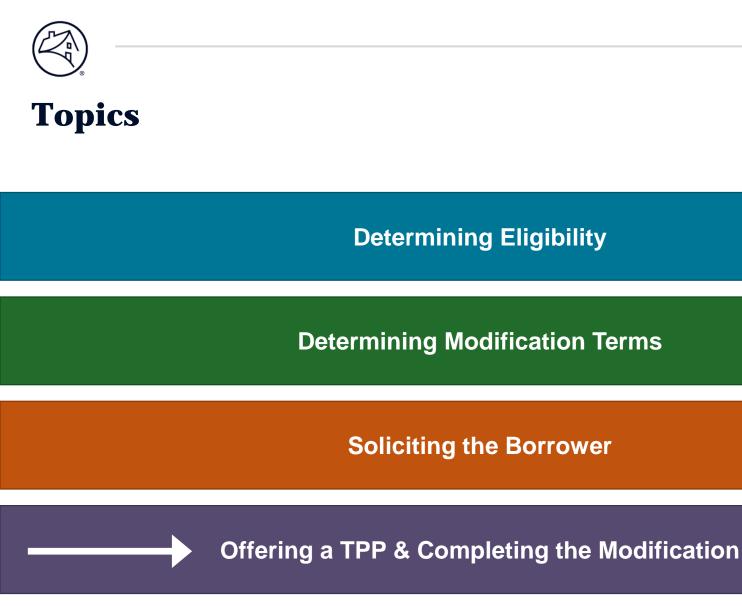
Send the Fannie Mae Flex Modification Solicitation Letter and appropriate Evaluation Notice between 90<sup>th</sup> and 105<sup>th</sup> day of delinquency.



#### Soliciting a Borrower Who Becomes Delinquent After a Rate Reset

- Mortgage loan previously modified with step-rate feature.
- Interest rate adjusted within last 12 months.
- 60 days delinquent after interest rate adjustment.
- Borrower determined eligible for Flex Modification without complete BRP.

Send the Fannie Mae Flex Modification Solicitation Letter between 60<sup>th</sup> and 75<sup>th</sup> day of delinquency.





# **Offering a TPP and Completing the Flex Modification**



#### **Conditions of the Modification**

- Borrower must satisfy all TPP conditions, including making all of the required trial payments.
- Borrower must execute and return Loan Modification Agreement (Form 3179).



# **Offering the TPP**

**TPP Due Date** 

Evaluation Notice Mailed...

On or before 15<sup>th</sup> day of the month.

First Trial Period Plan date is the...

First day of the following month.

After 15<sup>th</sup> day of the month.

First day of the month after the next month.

# The servicer will send the borrower an Evaluation Notice to document the borrower's Trial Period Plan.



# **Offering the TPP**

**TPP Length** 

Mortgage Loan is...

Current or less than 31 days delinquent.

TPP Duration Must Be...

4 months long.

31 days or more delinquent.

3 months long.



### **Loan Modification Agreement also known as Form 3179**

	LOAN MODIFICATION AGREEMENT (Providing for Fixed Interest Rate)
etwee	This Loan Modification Agreement ("Agreement"), made this day of,,,,
"Lend	er"), amends and supplements (1) the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument" and recorded in Book or Liber, at page() Records of
	(Name of Records) and (2) the Note, bearing the same date as, and secured by, the
ecurit Versio	(Crosey and time, or other handschost) y Instrument, which covers the real and personal property described in the Security Instrument and defines as the "Property", located at
-	(Property Address)
in test	
	property described being set forth as follows:
	In consideration of the mutual promises and agreements exchanged, the parties hereto agree as follow hetanding anything to the contrary contained in the Note or Security Instrument):
sofwat	In consideration of the mutual promises and agreements exchanged, the parties hereto agree as follow
potws	In consideration of the matual promises and agreements exchanged, the parties hereto agree as follow hatanding anything to the contrary contained in the Note or Security Instrument): As of, the amount payable under the Note and the Security Instrument (the "Unpaid Principal Balance") in U.S.S. [Consisting of the unpaid amount(s) loaned to Borrower by Lender plus any unterest and other amounts capitalized. Borrower promases to pay the Unpaid Principal Balance, plus interest, to the order of Lender. Interest will be charged on the Unpaid Principal Balance at the yearly rate of
sotiest 1.	In consideration of the matual promises and agreements exchanged, the parties hereto agree as follows Intanding anything to the contrary contained in the Note or Security Instrument): As of, the amount psyable under the Note and the Security Instrument (the "Unpaid Principal Balance") in U.S. S, consisting of the unpaid amount(s) loaned to Borrower by Lender plus any interest and other amounts capitalized. Borrower promases to pay the Unpaid Principal Balance, plus interest, to the order of Lender. Interest will

The servicer must send the borrower a *Modification Agreement Cover Letter* and completed Loan Modification Agreement/ Form 3179 – which form includes instructions with additional provisions as applicable.

The borrower must sign and return the Loan Modification Agreement to meet the terms of the modification.



### Conclusion

# **Thank You!**