



Fannie Mae®

Fannie Mae Flex Modification

October 10th, 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.



Topics



Determining Eligibility

Determining Modification Terms

Soliciting the Borrower

Offering a TPP & Completing the Modification



Determining Eligibility

BRP

Mortgage Loan



Determining Eligibility

BRP

Delinquency Status

**Complete BRP
Required?**

Current or < 90 days
delinquent

Yes

≥ 90 days delinquent

No



Determining Eligibility

Mortgage Loan

- 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.



Topics

Determining Eligibility



Determining Modification Terms

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Steps for Determining Modification Terms

- 1 Capitalize eligible arrearages.
- 2 Set modification interest rate.
- 3 Extend term to 480 months.
- 4 Forbear principal (if post modification MTMLTV is greater than 100%).
- 5 Provide or increase principal forbearance.



Steps for Determining Modification Terms

1 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.



Steps for Determining Modification Terms

2 Set modification interest rate.

If the mortgage loan is...

A fixed rate (Including an ARM or step rate that has reached its final interest rate) with post-mod MTMLTV less than 80%

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%

An ARM or step-rate that has not reached its final interest rate

Then the servicer must...

set the modified interest rate to the borrower's contractual interest rate.

set the modified interest rate to the lesser of:

- the Fannie Mae Modification Interest Rate, or
- the borrower's contractual interest rate.

set the modified interest rate to the lesser of:

- the Fannie Mae Modification Interest Rate
- the final interest rate for the step-rate modification, or
- the lifetime interest rate cap for the ARM.



Steps for Determining Modification Terms

3 Extend term to 480 months.

- Extend the mortgage loan term to 480 months.



Steps for Determining Modification Terms

4 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.



Steps for Determining Modification Terms

5 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.



Topics

Determining Eligibility

Determining Modification Terms



Soliciting the Borrower

Offering a TPP & Completing the Modification



Soliciting the Borrower

Mortgage loan \geq 90 days delinquent



Complete BRP not submitted before 90th 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 90th and 105th 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 60th and 75th day of delinquency.



Topics

Determining Eligibility

Determining Modification Terms

Soliciting the Borrower

 **Offering a TPP & Completing the Modification**



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 15th day of the month.

After 15th day of the month.

First Trial Period Plan date is the...

First day of the following 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.

31 days or more delinquent.

TPP Duration Must Be...

4 months long.

3 months long.



Loan Modification Agreement also known as Form 3179

_____[Space Above This Line For Recording Data]_____

LOAN MODIFICATION AGREEMENT
(Providing for Fixed Interest Rate)

This Loan Modification Agreement ("Agreement"), made this ____ day of _____, between _____ ("Borrower") and _____ ("Lender"), amends and supplements (1) the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") dated _____ and recorded in Book or Liber _____, at page(s) _____, of the _____ Records of _____ (Name of Records), and (2) the Note, bearing the same date as, and secured by, the _____ (County and State, or other Jurisdiction), Security Instrument, which covers the real and personal property described in the Security Instrument and defined therein as the "Property", located at _____ (Property Address).

the real property described being set forth as follows:

In consideration of the mutual promises and agreements exchanged, the parties hereto agree as follows (notwithstanding anything to the contrary contained in the Note or Security Instrument):

1. As of _____, the amount payable under the Note and the Security Instrument (the "Unpaid Principal Balance") is U.S. \$ _____, consisting of the unpaid amount(s) loaned to Borrower by Lender plus any interest and other amounts capitalized.
2. Borrower promises 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 _____%, from _____, beginning on the _____ day of _____, and continuing thereafter on the same day of each succeeding month until principal and interest are paid in full. The yearly rate of _____% will remain in effect until principal and interest are paid in full. If on _____ (the "Maturity Date"), Borrower still owes amounts under the Note and the Security Instrument, as amended by this Agreement, Borrower will pay these amounts in full on the Maturity Date.

LOAN MODIFICATION AGREEMENT—Single Family—Fannie Mae UNIFORM INSTRUMENT Form 3179 100 (rev. 4/14) page 1 of 8

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!