

Supplemental Directive 09-03

July 6, 2009

Home Affordable Modification Program – Trial Period Guidance

In Supplemental Directive 09-01, the Treasury Department (Treasury) announced the eligibility, underwriting and servicing requirements for the Home Affordable Modification Program (HAMP). Under the HAMP, servicers apply a uniform loan modification process to provide eligible borrowers with sustainable monthly payments for their first lien mortgage loans. This Supplemental Directive provides additional guidance with respect to the commencement of the trial period and the reporting requirements for trial period and loan set up. This Supplemental Directive also provides servicers with a new option with respect to the commencement of the modification.

Commencement of Trial Period

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 transmits the Trial Period Plan to the borrower on or before the 15th day of a calendar month, then the servicer should insert the first day of the next month as the Trial Period Plan Effective Date. If the servicer transmits the Trial Period Plan to the borrower after the 15th day of a calendar month, the servicer should use the first day of the month after the next month as the Trial Period Plan Effective Date. This determination should be based on the date of the cover letter used to transmit the Trial Period Plan to the borrower.

For example, if the servicer completes the Trial Period Plan and transmits 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 transmits it to the borrower on June 27th, the servicer should use August 1st as the Trial Period Plan Effective Date.

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 Supplemental Directive 09-01, that the servicer may, in its discretion, consider the offer of a Trial Period Plan to have expired at the end of 60 days if the borrower has not submitted both an executed Trial Period Plan and complete 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 documentation.

Trial Period and Loan Set Up Reporting Requirements

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 last day of the month in which the Trial Period Plan Effective Date occurs), regardless of whether the servicer has received an executed copy of the Trial Period Plan or the required income verification documentation from the borrower. The servicer must provide to Fannie Mae, as program administrator, the trial period set up attributes set forth in Appendix A of the HAMP Servicer Reporting Requirements available on www.HMPAdmin.com 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.

Notwithstanding the guidance provided in Supplemental Directive 09-01 regarding the timing of the loan set up reporting requirement relating to a modification, the servicer is required to provide to Fannie Mae, as program administrator, the loan set up attributes set forth in Appendix A of the HAMP Servicer Reporting Requirements available on www.HMPAdmin.com 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 provide to Fannie Mae the loan set up attributes no later than the fourth business day of September.

Commencement of Modification

A servicer should prepare the HAMP modification agreement (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. However, 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, then 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 as 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.

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. As provided above, the servicer must provide to Fannie Mae, as program administrator, the loan set up attributes set forth in Appendix A of the HAMP Servicer Reporting Requirements available on www.HMPAdmin.com no later than the fourth business day of the month in which the modification is effective. 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.