# <u>Re-performing Loan (RPL) Sales Pilot Requirements</u>

- Servicers must apply a waterfall of resolution tactics that includes evaluating borrowers with a financial hardship who apply for mortgage assistance (borrower applicant) for a reinstatement, then a loan modification, then a short sale or a deed-in-lieu of foreclosure. Foreclosure must be the last option in the waterfall. The waterfall may consider net present value to the investor.

- Servicers will be required to solicit all delinquent borrowers for a loan modification (other than those whose foreclosure sale date is imminent or whose property is vacant). For borrowers who respond to such solicitations, the servicer must offer a proprietary modification to those borrowers that are determined eligible.

- For loans originated on or before January 1, 2009, and for which servicing has been transferred to the transferee servicer between September 1, 2016 and January 1, 2017, servicers must follow the Treasury Department's Supplemental Directive 16-03 on Making Home Affordable Program – MHA Program Termination and Borrower Application Sunset II regarding HAMP. If, as a result of following the Supplemental Directive, a borrower is approved for a Treasury HAMP modification and the borrower has a post-capitalized MTMLTV ratio greater than 115% at the time of the evaluation, the servicer must evaluate this borrower for a modification that includes principal forgiveness and/or arrearage forgiveness either (i) on an upfront basis or (ii) on a deferred basis under the Principal Reduction Alternative, in each case consistent with prevailing HAMP guidelines.

- For borrower applicants with a mark-to-market loan-to-value ratio above 115 percent, servicers will be required to evaluate these borrowers for loan modifications that include principal and/or arrearage forgiveness. Servicers may consider net present value to the investor in establishing the waterfall for implementation.

- Proprietary modifications must not include an upfront fee or require prepayment of any amount of mortgage debt, and must provide a benefit to the borrower with the potential for a sustainable modification. They must either be fixed rate for the term of the modification or offer an initial period of a reduced interest rate and corresponding reduced payments with limits on subsequent increases – the initial period must last for at least 5 years and interest rate increases may not exceed 1 percent per year thereafter. The ultimate interest rate may not adjust to a rate higher than the greater of the pre-modification interest rate or the Freddie Mac 30-year Primary Mortgage Market Survey rate as of the date that the modification agreement was prepared.

- If a property securing a loan is vacant, buyers and servicers may not abandon the lien and "walk away" from the property. Instead, if a foreclosure alternative is not possible, the servicer must complete a foreclosure or must sell or donate the loan, including to a government or non-profit entity;

- Servicers are encouraged to sell properties that have gone through foreclosure and entered Real Estate Owned (REO) status to individuals who will occupy the property as their primary residence or to non-profits. For the first 20 days after any loan that becomes an REO property is marketed, the property may be sold only to buyers who intend to occupy the property as their primary residence or to non-profits;

- Subsequent servicers must assume all the responsibilities of the initial servicer;

- Standard refinancing options will be available to borrowers on loans in the transaction. Refinancing terms will be market based and underwriting standards will be subject to the Truth in Lending Act Real Estate Settlement Procedures Act TILA-RESPA (TRID) and the Home Ownership and Equity Protection Act (no high cost loans).

- If pre-defined triggers upon securitizations are breached, typically related to excessive losses or delinquency rates, or upon a servicer event of default, Freddie Mac may take control of servicing to mitigate against potential credit losses. In such an event, Freddie Mac may unilaterally impose additional, new or different servicing requirements and also may exercise certain rights, including replacement of the servicer.

- Bond and loan level disclosures to investors will provide transparency on borrower outcomes, subject to applicable privacy laws and regulations.